DISCOVERY
ENERGY CORP

QUARTERLY REPORT

Q3 FY20

UNAUDITED

For the quarter ending November 30, 2019

DISCOVERYENERGY.COM

About Discovery Energy

Discovery Energy is an emerging oil and gas explorer with a core focus on South Australian Cooper Basin oil projects. The Company's exploration program is underpinned and complemented by targeted corporate activity to take advantage of opportunities and build an extensive pipeline of exploration projects. Discovery's board and management have extensive technical and commercial experience in the oil and gas sector.

PART I FINANCIAL INFORMATION

Item 1. Financial Statements.

Discovery Energy Corp.
Consolidated Balance Sheets
(Unaudited)

	November 30, 2019	February 28, 2019
Assets		
Current Assets		
Cash	$ 79,448	$ 405,908
Prepaid expenses	79,716	23,246
Tax receivable	943	1,311
Total Current Assets	160,107	430,465
Oil and gas property – not subject to amortization (successful efforts method)	2,883,915	2,883,915
Other assets	33,885	35,730
Total Assets	$ 3,077,907	$ 3,350,110
Liabilities and Shareholders' Deficit		
Current Liabilities		
Accounts payable and accrued liabilities	$ 1,899,463	$ 1,409,658
Accounts payable – related parties, net	765,420	149,190
Total Current Liabilities	2,664,883	1,558,848
Convertible debentures payable, net of debt discount	4,341,864	3,182,027
Total Liabilities	7,006,747	4,740,875
Commitments and Contingencies		
Shareholders' Deficit		
Preferred stock – 10,000,000 shares authorized, zero issued and outstanding	-	-
Common stock – 500,000,000 shares authorized, $0.001 par value – 153,590,396 and 148,240,396 shares issued and outstanding, respectively	153,590	148,240
Additional paid-in capital	19,942,529	18,059,682
Accumulated other comprehensive income	152,786	76,205
Accumulated deficit	(24,177,745)	(19,674,892)
Total Shareholders' Deficit	(3,928,840)	(1,390,765)
Total Liabilities and Shareholders' Deficit	$ 3,077,907	$ 3,350,110

The accompanying notes are an integral part of these unaudited interim consolidated financial statements.

Discovery Energy Corp.
Consolidated Statements of Operations and Comprehensive Loss
For the Three and Nine Months Ended November 30, 2019 and 2018
(Unaudited)

	Three Months Ended November 30, 2019	Three Months Ended November 30, 2018	Nine Months Ended November 30, 2019	Nine Months Ended November 30, 2018
Operating Expenses				
General and administrative	$ 406,045	$ 331,587	$ 2,795,756	$ 944,923
Exploration costs	15,525	68,257	42,450	228,562
Total operating expenses	421,570	399,844	2,838,206	1,173,485
Operating loss	(421,570)	(399,844)	(2,838,206)	(1,173,485)
Other Income (Expense)				
Interest expense	(565,483)	(522,319)	(1,666,380)	(1,813,730)
Miscellaneous income	270	948	1,129	1,688
Gain on foreign currency transactions	985	893	604	2,284
Other income (expense)	(564,228)	(520,478)	(1,664,647)	(1,809,758)
Net loss	$ (985,798)	$ (920,322)	$ (4,502,853)	$ (2,983,243)
Loss per common share – basic and diluted	$ (0.01)	$ (0.01)	$ (0.03)	$ (0.02)
Weighted average number of common shares outstanding – basic and diluted	153,238,748	148,240,396	151,816,396	145,082,578
Comprehensive Income (Loss)				
Net loss	(985,798)	(920,322)	(4,502,853)	(2,983,243)
Other comprehensive income (loss) – gain (loss) on foreign currency translation	(1,623)	(6,175)	76,581	75,110
Total comprehensive loss	$ (987,421)	$ (926,497)	$ (4,426,272)	$ (2,908,133)

The accompanying notes are an integral part of these unaudited interim financial statements.

Discovery Energy Corp.
Consolidated Statements of Shareholders' Equity (Deficit)
For the Three and Nine Months Ended November 30, 2019 and 2018
(Unaudited)

	Common Stock		Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Income	Total Shareholders' Equity (Deficit)
	Number	Par Value				
Balance, February 28, 2019	148,240,396	$ 148,240	$ 18,059,682	$ (19,674,892)	$ 76,205	$ (1,390,765)
Share-based compensation	3,700,000	3,700	736,300	-	-	740,000
Warrant modification expense	-	-	364,683	-	-	364,683
Gain on foreign currency translation	-	-	-	-	82,932	82,932
Net loss	-	-	-	(2,201,322)	-	(2,201,322)
Balance, May 31, 2019	151,940,396	151,940	19,160,665	(21,876,214)	159,137	(2,404,472)
Share-based compensation	250,000	250	62,250	-	-	62,500
Warrant modification expense	-	-	371,014	-	-	371,014
Sale of common stock	1,000,000	1,000	249,000	-	-	250,000
Loss on foreign currency translation	-	-	-	-	(4,728)	(4,728)
Net loss	-	-	-	(1,315,733)	-	(1,315,733)
Balance, August 31, 2019	153,190,396	153,190	19,842,929	(23,191,947)	154,409	(3,041,419)
Sale of common stock	400,000	400	99,600	-	-	100,000
Loss on foreign currency translation	-	-	-	-	(1,623)	(1,623)
Net loss	-	-	-	(985,798)	-	(985,798)
Balance, November 30, 2019	153,590,396	$ 153,590	$ 19,942,529	$ (24,177,745)	$ 152,786	$ (3,928,840)

The accompanying notes are an integral part of these unaudited interim consolidated financial statements.

	Common Stock		Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Income	Total Shareholders' Equity (Deficit)
	Number	Par Value				
Balance, February 28, 2018	143,040,396	$ 143,040	$ 4,520,275	$ (19,516,772)	$ 4,756	$ (14,848,701)
Modified retroactive adjustment for derivative liability	-	-	12,544,607	3,627,512	-	16,172,119
Gain on foreign currency translation	-	-	-	-	89,584	89,584
Net loss	-	-	-	(1,200,958)	-	(1,200,958)
Balance, May 31, 2018	143,040,396	143,040	17,064,882	(17,090,218)	94,340	212,044
Sale of common stock	5,200,000	5,200	994,800	-	-	1,000,000
Loss on foreign currency translation	-	-	-	-	(8,299)	(8,299)
Net loss	-	-	-	(861,963)	-	(861,963)
Balance, August 31, 2018	148,240,396	148,240	18,059,682	(17,952,181)	86,041	341,782
Loss on foreign currency translation	-	-	-	-	(6,175)	(6,175)
Net loss	-	-	-	(920,322)	-	(920,322)
Balance, November 30, 2018	148,240,396	$ 148,240	$ 18,059,682	$ (18,872,503)	$ 79,866	$ (584,715)

The accompanying notes are an integral part of these unaudited interim consolidated financial statements.

Discovery Energy Corp.
Consolidated Statements of Cash Flows
For the Nine Months Ended November 30, 2019 and 2018
(Unaudited)

	Nine Months Ended November 30, 2019	Nine Months Ended November 30, 2018
Cash flows from operating activities		
Net loss	$ (4,502,853)	$ (2,983,243)
Adjustments to reconcile net loss to net cash used in operating activities:		
Amortization of debt discount	1,159,837	1,054,504
Interest expense related to derivative liabilities in excess of debt	-	295,662
Stock-based compensation	802,500	-
Warrant modification expense	735,697	-
Foreign currency transaction (gain) loss	(604)	(2,284)
Changes in operating assets and liabilities:		
Prepaid expenses	(56,470)	14,116
Tax receivable	368	(175)
Accounts payable and accrued liabilities	492,254	452,688
Accounts payable – related party, net	616,230	92,974
Net cash used in operating activities	(753,041)	(1,075,758)
Cash flows from financing activities		
Proceeds from issuance of convertible debentures	-	350,000
Proceeds from sale of common stock	350,000	1,000,000
Net cash flows provided by financing activities	350,000	1,350,000
Effect of foreign currency translation on cash	76,581	75,110
Change in cash during the period	(326,460)	349,352
Cash, beginning of the period	405,908	261,141
Cash, end of the period	$ 79,448	$ 610,493
Supplemental disclosures:		
Interest paid	$ -	$ -
Income taxes paid	$ -	$ -
Noncash investing and financing activities:		
Modified retroactive adjustment for derivative liabilities	$ -	$ 16,172,119

The accompanying notes are an integral part of these unaudited interim consolidated financial statements.

1. Nature of Operations

The principal business of Discovery Energy Corp. ("Company") is the exploration and development of the 584,651 gross acres (914 sq. miles) in South Australia ("Prospect") covered by Petroleum Exploration License PEL 512 ("License"). In May 2012, the Company incorporated a wholly-owned Australian subsidiary, Discovery Energy SA Ltd., for the purpose of acquiring a 100% working interest in the License. On May 25, 2016, its status changed from a public to a private legal entity and its name to Discovery Energy SA Pty Ltd. ("Subsidiary"). To date, the Company has not determined whether or not the Prospect, which overlies portions of the Cooper and Eromanga basins, contains any crude oil and/or natural gas reserves that are economically recoverable. While the Company's present focus is on the Prospect, it may consider pursuing other attractive crude oil and/or natural gas exploration opportunities.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying unaudited interim consolidated financial statements of the Company have been prepared in accordance with generally accepted accounting principles in the United States of America ("GAAP") and the rules of the U.S. Securities and Exchange Commission ("SEC").

Principles of Consolidation

These consolidated financial statements include the accounts of the Company and the Subsidiary. Inter-company transactions and balances have been eliminated upon consolidation.

Use of Estimates

The preparation of these financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of these financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Company considers all highly liquid instruments with a maturity of three months or less at the time of acquisition to be cash equivalents. The Company maintains its cash in bank accounts which, at times, may exceed federally insured limits as guaranteed by the Federal Deposit Insurance Corporation. As of November 30, 2019, approximately $800 of the Company's cash balances were uninsured. The Company has not experienced any losses on such accounts.

Oil and Gas Property and Exploration Costs

The Company is in the exploration stage of evaluating the Prospect and has not yet realized any revenues from its operations. It applies the successful efforts method of accounting for crude oil and natural gas properties. Under this method, exploration costs such as exploratory geological and geophysical costs, delay rentals and exploratory overhead are expensed as incurred. Costs to acquire mineral interests in crude oil and/or natural gas properties, drill and equip exploratory wells that find proved reserves and drill and equip development wells are capitalized. Acquisition costs of unproved leaseholds are assessed for impairment during the holding period and transferred to proven crude oil and/or natural gas properties to the extent associated with successful exploration activities. Significant undeveloped leases are assessed individually for impairment, based on the Company's current exploration plans, and a valuation allowance is provided if impairment is indicated. Capitalized costs from successful exploration and development activities associated with producing crude oil and/or natural gas leases, along with capitalized costs for support equipment and facilities, are amortized to expense using the unit-of-production method based on proved crude oil and/or natural gas reserves on a field-by-field basis, as estimated by qualified petroleum engineers.

Long-lived Assets

The carrying values of long-lived assets are reviewed on a regular basis for the existence of facts or circumstances that may suggest impairment. The Company recognizes impairment when the sum of the expected undiscounted future cash flows is less than the carrying amount of the asset. Impairment losses, if any, are measured as the excess of the carrying amount of the asset over its estimated fair value.

Fair Value of Financial Instruments and Derivative Financial Instruments

The carrying amounts of cash, receivables, accounts payable, accrued liabilities and shareholder loans approximate their fair values due to the short maturity of these items. Certain fair value estimates may be subject to and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect these estimates. The Company does not hold or issue financial instruments for trading purposes, nor does it utilize derivative instruments in the management of its foreign exchange, commodity price, and/or interest rate market risks.

Income Taxes

Deferred income taxes are reported for timing differences between items of income or expense reported in these financial statements and those reported for income tax purposes. The Company uses the asset/liability method of accounting for income taxes. Deferred income taxes and tax benefits are recognized for the future tax consequences attributable to differences between the financial statements carrying amounts of existing assets and liabilities and their respective tax bases, and for tax loss and credit carry-forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The Company provides a valuation allowance for deferred taxes for the estimated future tax effects attributable to temporary differences and carry-forwards when realization is not more likely than not.

The Tax Cuts and Jobs Act of 2017 was signed into law on December 22, 2017. The law includes significant changes to the U.S. corporate income tax system, including a federal corporate rate reduction from 34% to 21%. In accordance with ASC 740, the impact of a change in the tax law is recorded in the period of enactment.

The Company accounts for uncertain income tax positions by recognizing in the financial statements, the impact of a tax position, if that position is more likely than not of being sustained on examination by taxation authorities, based on the technical merits of the position.

Foreign Currency Translation

The Company's functional and reporting currency is the United States dollar. Monetary assets and liabilities denominated in foreign currencies are translated using exchange rates prevailing at the balance sheet date. Non-monetary assets are translated at historical exchange rates, and revenue and expense items at average rates of exchange prevailing during the period. Differences resulting from translation are presented in equity as accumulated other comprehensive income (loss). Gains and losses arising on settlement of foreign currency denominated transactions or balances are included in the determination of income. Foreign currency transactions are primarily undertaken in Canadian and Australian dollars. The Company has not, to the date of these financial statements, entered into derivative instruments to offset the impact of foreign currency fluctuations.

Fair Value Considerations

Historically, the Company followed Accounting Standards Codification ("ASC") 820, "*Fair Value Measurements and Disclosures*," as amended by FASB Financial Staff Position ("FSP") No. 157 and related guidance. These provisions relate to the Company's financial assets and liabilities carried at fair value and the fair value disclosures related to financial assets and liabilities. ASC 820 defines fair value, expands related disclosure requirements, and specifies a hierarchy of valuation techniques based on the nature of the inputs used to develop the fair value measures. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, assuming the transaction occurs in the principal or most advantageous market for that asset or liability.

There are three levels of inputs to fair value measurements - Level 1, meaning the use of quoted prices for identical instruments in active markets; Level 2, meaning the use of quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in markets that are not active or are directly or indirectly observable; and Level 3, meaning the use of unobservable inputs. The Company uses Level 1 inputs for its fair value measurements whenever there is an active market, with actual quotes, market prices, and observable inputs on the measurement date. The Company uses Level 2 inputs for fair value measurements whenever there are quoted prices for similar securities in an active market or quoted prices for identical securities in an inactive market. The Company uses observable market data whenever available.

In accordance with ASC 815-40-25 and ASC 815-10-15 *"Derivatives and Hedging"* and ASC 480-10-25 "*Liabilities-Distinguishing Liabilities from Equity"*, the embedded derivative associated with the convertible note payable and warrant were accounted for as liabilities during the term of the related note payable and warrant as of February 28, 2018.

In July 2017, the FASB issued Accounting Standards Update ("ASU") 2017-11, *Earnings Per Share* (Topic 260); *Distinguishing Liabilities from Equity* (Topic 480); *Derivatives and Hedging* (Topic 815): (Part I) *Accounting for Certain Financial Instruments with Down Round Features*. These amendments simplify the accounting for certain financial instruments with down round features. The amendments require companies to disregard the down round feature when assessing whether the instrument is indexed to its own stock, for purposes of determining liability or equity classification. The standard was adopted as of March 1, 2018.

Loss Per Share

Basic Earnings Per Share ("EPS") is computed by dividing net income (loss) available to common shareholders (numerator) by the weighted average number of shares outstanding (denominator) during the period. Diluted EPS gives effect to all dilutive potential common shares outstanding during the period using the treasury stock method and convertible preferred stock using the if-converted method. In computing diluted EPS, the average stock price for the period is used to determine the number of shares assumed to be purchased from the exercise of stock options and/or warrants. Diluted EPS excludes all dilutive potential shares if their effect is anti-dilutive.

For the three and nine months ended November 30, 2019 and 2018, the following share equivalents related to convertible debt and warrants to purchase shares of common stock were excluded from the computation of diluted net loss per share, as the inclusion of such shares would be anti-dilutive.

Common Shares Issuable for:	**Three Months Ended November 30, 2019**	**Three Months Ended November 30, 2018**	**Nine Months Ended November 30, 2019**	**Nine Months Ended November 30, 2018**
Convertible debt	53,126,230	49,080,546	53,126,230	49,080,546
Stock warrants	19,125,000	19,125,000	19,125,000	19,125,000
	72,251,230	68,205,546	72,251,230	68,205,546

Comprehensive Income (Loss)

The Company recognizes currency translation adjustments as a component of comprehensive income (loss).

Recent Accounting Pronouncements

In August 2016, the FASB issued ASU 2016-15, "*Statement of Cash Flows* (Topic 230): *Classification of Certain Cash Receipts and Cash Payments*" ("ASU 2016-15"). ASU 2016-15 will make eight targeted changes to how cash receipts and cash payments are presented and classified in the statement of cash flows. ASU 2016-15 is effective for fiscal years beginning after December 15, 2017. The new standard will require adoption on a retrospective basis unless it is impracticable to apply, in which case it would be required to apply the amendments prospectively as of the earliest date practicable. The Company adopted this standard on March 1, 2019, and determined that it had no receipts or payments meeting the criteria of the ASU. Therefore, the adoption had no impact on the Company's November 30, 2019 consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, *"Leases (Topic 842)"*. The new lease guidance supersedes Topic 840. The core principle of the guidance is that entities should recognize the assets and liabilities that arise from leases. Topic 840 does not apply to leases to explore for or use minerals, oil, natural gas and similar nonregenerative resources, including the intangible right to explore for those natural resources and rights to use the land in which those natural resources are contained. In July 2018, the FASB issued ASU No. 2018-11, *"Leases (Topic 842): Targeted Improvements"*, which provides entities with an alternative modified transition method, for which, comparative periods, including the disclosures related to those periods, are not restated.

In addition, the Company elected practical expedients provided by the new standard whereby, the Company has elected to not reassess its prior conclusions about lease identification, lease classification, and initial direct costs and to retain off-balance sheet treatment of short-term leases (i.e., 12 months or less and does not contain a purchase option that the Company is reasonably certain to exercise). As a result of the short-term expedient election, the Company has no leases that require the recording of a net lease asset and lease liability on the Company's consolidated balance sheet or have a material impact on consolidated earnings or cash flows as of November 30, 2019. Moving forward, the Company will evaluate any new lease commitments for application of Topic 842.

In July 2017, the FASB issued ASU 2017-11, *Earnings Per Share* (Topic 260); *Distinguishing Liabilities from Equity* (Topic 480); *Derivatives and Hedging* (Topic 815): (Part I) *Accounting for Certain Financial Instruments with Down Round Features*. These amendments simplify the accounting for certain financial instruments with down round features. The amendments require companies to disregard the down round feature when assessing whether the instrument is indexed to its own stock, for purposes of determining liability or equity classification. The Company adopted the standard as of March 1, 2018.

The Company does not anticipate that the adoption of other recently issued accounting pronouncements will have a significant impact on its financial statements.

3. Going Concern

These financial statements were prepared on a going concern basis, which implies that the Company will continue to realize its assets and discharge its liabilities in the normal course of business. The Company has not generated revenues since inception, and is unlikely to generate earnings in the immediate or foreseeable future. The continuation of the Company as a going concern is dependent upon the ability of the Company to obtain necessary equity or debt financing to continue operations, successfully develop the Prospect and/or obtain producing properties, with a goal of attaining profitable operations. The Company is currently attempting to complete a significant financing, and in this connection might (a) place a significant amount of additional debentures similar to those described below, (b) secure an alternative financing arrangement, possibly involving the Company's equity securities, or (c) some combination of (a) and (b). The Company has no assurance that it will be able to raise significant additional funds to develop the Prospect or the additional funds needed for general corporate purposes.

As of November 30, 2019, the Company had not generated any revenues and had an accumulated loss of $24,177,745 since inception. These factors raise substantial doubt regarding the Company's ability to continue as a going concern. These financial statements do not include any adjustments related to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

4. Oil and Gas Properties

The License covers 584,651 gross acres (914 sq. miles) in the State of South Australia. The License grants a 100% working interest in the preceding acreage, which overlies portions of the Cooper and Eromanga basins.

On October 26, 2012, a 100% interest in the License was officially issued to the Subsidiary.

On May 19, 2014, the Company received notice from the Government of South Australia that it had issued certain modifications to the License and had suspended the License for a period of six months. Such a suspension functions like an extension. Under the amended License, the Company is required to drill 7 exploratory wells rather than 12, as originally required. The 7 required wells must be drilled in years 3, 4, and 5 (2, 2, and 3 wells, respectively). The amount of required 2D seismic was also reduced to 62 miles (100 km.) in year 3 from 155 miles (250 km.) in year 2 but the total 3D seismic work guarantee increased to 193 sq. miles (500 sq. km.) from 154 sq. miles (400 sq. km.). However, the 3D seismic survey requirement is spread over three years with 39 sq. miles (100 sq. km.) in year 2, 77 sq. miles (200 sq. km.) in year 3 and 77 sq. miles (200 sq. km.) in year 4. Subsequent to this modification and suspension, the Company received two additional six-month suspensions, one in February 2015 and one in July 2015 (this additional suspension commenced upon the conclusion of the suspension received in February 2015). In February 2016, the Company received a third additional suspension, which was for one year and which commenced upon the conclusion of the suspension received in July 2015. Combined, these three additional suspensions amount to an accumulated total suspension of two years.

On June 22, 2016, the Company terminated the February 2016 License suspension in preparation for a 3D seismic survey (the "*Survey*") that was comprised of approximately 69 sq. miles (179 sq. km.) on the southwest portion of the Prospect. After archaeological and environmental reviews of the survey area, fieldwork by the seismic contractor began on July 26, 2016. The Survey and field work were completed on October 30, 2016 and the License was suspended again on November 1, 2016.

In July 2017, the License suspension was lifted in order to conduct a Work Area Clearance Survey ("*WAC*") of several potential drill sites located in the southern portion of the License. After completing the Survey, the Company requested and received four additional six-month suspensions, one in July 2017, one in June 2018 and one in February 2019 resulting in a new expiration date of April 30, 2022.

As a result of the activities, modifications and suspensions described above, the remaining work commitments are now as follows:

* Year 3 ending April 30, 2020 - Shoot 2D seismic data totaling at least 62 miles (100 km.) and shoot 3D seismic data totaling at a minimum of 77 sq. miles (200 sq. km.) and drill two wells.

* Year 4 ending April 30, 2021 - Shoot 3D seismic data totaling at a minimum of 77 sq. miles (200 sq. km.) and drill two wells.

* Year 5 ending April 30, 2022 - Drill three wells.

Discovery does not believe that it will be able to complete its Year 3 Commitment obligations by their due date of April 30, 2020. Accordingly, Discovery expects to seek an extension of such obligations prior to the due date. While Discovery has to date been successful in obtaining such extensions, it has no assurance that any further extensions will be obtained. The failure to obtain the required extension will materially and adversely impact Discovery. See the section captioned "Liquidity and Capital Resources - Consequences of a Financing Failure" below

In four transactions, the Company acquired portions of the royalty interest associated with the PEL 512 License so that the Company now owns an aggregate 5.0% royalty interest, while the previous holders of the original 7.0% royalty interest continue to hold a 2.0% royalty interest.

On October 18, 2019, DESAL entered into a farmout agreement (the "*Farmout Agreement*") and a joint operating agreement with WESI PEL 512 Pty Ltd, an unrelated third party company formed under the laws of New South Wales, Australia ("*WESI*"). Under the Farmout Agreement, WESI agreed to pay AU$2.5 million upfront cash payment to the Company in exchange for a 50% working interest in a specified 182,364 gross acre section of the Company's Prospect. WESI will be responsible for 100% of the cost of a defined development work program for this section of the Prospect up to a maximum amount of AU$30.5 million. No accounting related to the Farmout Agreement is reflected in any of the financial statements comprising a part of this Report until such time as when the cash consideration has been paid to the Company. As of the filing of these financial statements, the Company has not yet received this cash.

5. Related Party Transactions

As of November 30, 2019 and February 28, 2019, the Company owed $765,420 and $149,190, respectively, to certain Company directors for accrued compensation and reimbursement of expenses paid on behalf of the Company.

During fiscal year 2019, the Company entered a verbal agreement with Keith D. Spickelmier, the Company's Chairman of the Board, as a contractor. The Company paid a consulting fee for the nine months ended November 30, 2019 of $52,000.

During fiscal year 2019, the Company entered into a verbal consulting agreement with an affiliated entity owned by Keith McKenzie, the Company's Chief Executive Officer. Initially, varying amounts of consulting fees were paid depending on the type and amount of services provided. Since September 2018, a set monthly fee of $5,000 has been paid.

On April 15, 2019, the Board of Directors of the Company approved an award of shares of the Company's common stock to several of the Company's officers, each of whom is also a director of the Company. In approving these awards, each director abstained from participating in the consideration and approval of such director's own award. The shares were awarded for services provided to the Company as officers over the past seven years, and were made pursuant to the Company's 2012 Equity Incentive Plan. The awarded shares were fully vested at the time of the award and can be immediately sold, subject to applicable federal securities law restrictions on such sales. The following table provides information about the officers receiving an award and the number of shares awarded:

Name of Officer	Offices Held	Number of Award Shares
Keith D. Spickelmier	Chairman of the Board	1,250,000
Keith J. McKenzie	Chief Executive Officer	500,000
William E. Begley	President, Chief Financial Officer and Chief Operating Officer	750,000

The fair value of these shares was $500,000 based on the market price of $0.20 per share on the grant date.

6. Convertible Debentures Payable

From May 27, 2016 through November 30, 2019, the Company issued eleven rounds (I thru XI) of senior secured convertible debentures, the proceeds of which have funded the initial 3D seismic survey with respect to the Prospect, the interpretation of seismic data acquired, expenses associated with the seismic survey, costs associated with the debenture issuances, and general and administrative expenses. The debentures are secured by virtually all of the Company's assets owned, directly or indirectly, but for the License. As discussed elsewhere, the Company may in the future sell additional senior secured convertible debentures having the same terms as those currently outstanding. The table below provides a summary of the senior secured convertible debentures issued through November 30, 2019 and related debt discount and amortization details.

Round	Issue Date	Maturity Date	Interest Rate	Conversion Price	Principal Amount	Debt Discount	Debentures, net of Debt Discount
Outstanding as of February 28, 2019:							
I	May 27, 2016	May 27, 2021	8%	$ 0.16	$ 3,500,000	$ 3,500,000	
II	Aug 16, 2016	May 27, 2021	8%	$ 0.16	200,000	199,999	
	Aug 16, 2016	May 27, 2021	8%	$ 0.16	250,000	250,000	
III	Dec 30, 2016	May 27, 2021	8%	$ 0.16	287,500	237,587	
IV	Feb 15, 2017	May 27, 2021	8%	$ 0.16	1,000,000	1,000,000	
V	Mar 31,2017	May 27, 2021	8%	$ 0.20	200,000	200,000	
VI	Jul 5, 2017	May 27, 2021	8%	$ 0.20	137,500	137,500	
	Jul 5, 2017	May 27, 2021	8%	$ 0.16	150,000	150,000	
VII	Sept 19, 2017	May 27, 2021	8%	$ 0.16	400,000	400,000	
	Sept 19, 2017	May 27, 2021	8%	$ 0.16	100,000	82,125	
VIII	Oct 10, 2017	May 27, 2021	8%	$ 0.20	137,500	72,806	
IX	Jan 3, 2018	May 27, 2021	8%	$ 0.20	137,500	137,500	
X	April 2, 2018	May 27, 2021	8%	$ 0.20	137,500	137,500	
XI	May 16, 2018	May 27, 2021	8%	$ 0.20	212,500	212,500	
Amortized discount as of February 28, 2019						(3,049,544)	
Balance as of February 28, 2019					**6,850,000**	**3,667,973**	**$ 3,182,027**
Activity for the nine months ended November 30, 2019:							
Amortization of discount for the nine months ended November 30, 2019						(1,159,837)	
Balance as of November 30, 2019					**$ 6,850,000**	**$ 2,508,136**	**$ 4,341,864**

The Company recognized $394,846 and $364,671 in debt discount amortization related to all of the debentures during the three months ended November 30, 2019 and 2018, respectively. The Company recognized $1,159,837 and $1,054,504 in debt discount amortization related to all of the debentures during the nine months ended November 30, 2019 and 2018, respectively.

7. Derivative Liabilities

Historically, the Company accounted for certain instruments as derivative instruments in accordance with FASB ASC 815-40, *Derivative and Hedging – Contracts in Entity's Own Equity*. This was due to the debentures and related warrants issued by the Company containing a price-reset provision. The Company measured its derivative liability at fair value and recognized the derivative value as a current liability and recorded the derivative value on its consolidated balance sheet. Changes in the fair values of the derivative were recognized as earnings or losses in the current period in other income (expenses) on the consolidated statement of operations and other comprehensive income (loss).

As of March 1, 2018, the Company early adopted ASU 2017-11, which revised the guidance for instruments with price-reset provisions. As such, the Company treats outstanding warrants as free-standing equity-linked instruments that are recorded to equity in the consolidated balance sheet as of March 1, 2018.

The impact of the adoption was as follows:

Derivative liabilities	$	(16,172,119)
Additional paid-in capital		12,544,607
Accumulated deficit		3,627,512
Total stockholders' deficit	$	16,172,119

8. Commitments and Contingencies

Office Lease

Change in Accounting Policy. The Company adopted ASU No. 2016-02, *"Leases (Topic 842)"* and ASU NO. 2018-11, *"Leases (Topic 842): Targeted Improvements"*, March 1, 2019, using the alternative modified transition method, for which, comparative periods, including the disclosures related to those periods, are not restated as of March 1, 2019. Refer to Note 2 – Summary of Significant Accounting Policies above for additional information.

The Company leases virtual office space in Houston, Texas, with a 4-month term ending March 31, 2020 for $193 per month and has a remaining obligation as of November 30, 2019 of $772. The Subsidiary leases virtual office space in Melbourne, Australia, on a month-to-month basis for AU$175. The Company's server space is also leased on a month-to-month basis for CA$500 inside the office of Keith McKenzie, an officer and director of the Company.

During the three months ended November 30, 2019 and 2018, the Company incurred lease expense of $2,024 and $3,439, respectively, for the combined leases. For the nine months ended November 30, 2019 and 2018, the Company incurred lease expense of $7,393 and $8,728, respectively, for the combined leases.

9. Shareholders' Deficit

On April 15, 2019 and July 26, 2019, the Company issued 3,700,000 and 250,000 shares of its common stock, respectively, for services at a fair value of $0.20 and $0.25 per share, respectively, to certain officers, board members, employees and professional service providers, based on the stock price on the date of grant with a total grant date fair value of $802,500 (of which 2,500,000 shares were issued to the certain related parties as discussed in Note 5).

Additionally, the Company received gross proceeds of $350,000 from the private placement of 1,400,000 shares of common stock during the nine months ended November 30, 2019 at a price of $0.25 per common share.

Warrants

The table below presents information about the Company's outstanding warrants as of February 28, 2019 and November 30, 2019. Pursuant to debenture agreements dated May 27, 2016 and August 16, 2016, warrants to purchase 13,875,000 shares of the Company's common stock had an original expiration date of May 27, 2019. On May 27, 2019, the Company entered into agreements to extend the related expiration dates to July 27, 2019. As a result of the modification, the Company recorded additional expense of approximately $365,000 for the incremental fair value of the warrants, calculated using the Black-Scholes option-pricing model. Variables used in the Black-Scholes option-pricing model include: (1) risk free interest rate of 2.35%, (2) expected life of 2 months, (3) expected volatility of 80%, and (4) zero expected dividends. On July 27, 2019, the Company entered into agreements to further extend the related expiration dates to December 31, 2019. As a result of the modification, the Company recorded additional expense of approximately $371,000 for the incremental fair value of the warrants, calculated using the Black-Scholes option-pricing model. Variables used in the Black-Scholes option-pricing model include: (1) risk free interest rate of 2.1%, (2) expected life of 5 months, (3) expected volatility of 80%, and (4) zero expected dividends. The expense related to these modifications was included in general and administrative expense on the statement of operations.

No expense was recorded by the Company for the incremental fair value of the warrants due to the early adoption of ASU 2017-11 as noted in Footnote 2.

Warrant activity during the nine months ended November 30, 2019 is as follows:

	Number of Warrants	Weighted Average Exercise Price	Weighted Average Remaining Term (Years)
Outstanding at February 28, 2019	19,125,000	$ 0.20	0.49
Expired/Cancelled	-		
Outstanding and exercisable as of November 30, 2019	19,125,000	$ 0.20	0.17

The intrinsic value of warrants outstanding at November 30, 2019 and February 28, 2019 was $5,718,375 and $-0-, respectively.

10. Subsequent Events

On December 3, 2019, the Company sold 250,000 shares of common stock, at a price of $0.20 per common share, to a private investor in exchange for gross proceeds of $50,000 pursuant to private placements.

On December 31, 2019, the Company entered into agreements to further extend the warrants dated May 27, 2016 and August 16, 2016 to February 29, 2020.

Item 2. Management's Discussion and Analysis.

CAUTIONARY STATEMENT FOR FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These forward-looking statements are based on current expectations and projections about future events. These forward-looking statements are subject to known and unknown risks, uncertainties and assumptions about Discovery that may cause actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by such forward-looking statements. In some cases, forward-looking statements can be identified by the use of terminology such as "may," "might," "should," "could," "would," "expect," "plan," "anticipate," "believe," "estimate," "continue," or the negative of such terms or other similar expressions. Factors that might cause or contribute to such a discrepancy include, but are not limited to, those described in Discovery's other Securities and Exchange Commission filings. The following discussion should be read in conjunction with Discovery's financial statements and related notes thereto included elsewhere in this report.

General

Discovery Energy Corp. (***"Discovery"***) was incorporated under the laws of the state of Nevada on May 24, 2006 under the name "Santos Resource Corp". Discovery's current business is the exploration and development of the 584,651 gross acres (914 sq. miles) area in South Australia ("***Prospect***") held under Petroleum Exploration License PEL 512 ("***License***"). In May 2012, Discovery incorporated a wholly owned Australian subsidiary, Discovery Energy SA Ltd. ("***DESAL"***), for the purpose of acquiring a 100% working interest in the License. Discovery is in the initial exploration phase of determining whether or not the Prospect contains economically recoverable volumes of crude oil, natural gas and/or natural gas liquids (collectively "***Hydrocarbons***"). Although Discovery's primary focus is on exploration and development of the Prospect, Discovery has received information about, and has had discussions regarding, the possible acquisition of or participation in additional Hydrocarbons opportunities. None of these discussions has led to an agreement in principle.

Recent Events

Farmout Agreement. On October 18, 2019, DESAL entered into a farmout agreement (the "***FOA***") and a joint operating agreement (the "***JOA***") with WESI PEL 512 Pty Ltd, a company formed under the laws of New South Wales, Australia ("***WESI***"). The FOA pertains to a 182,364 gross acre subsection of the Prospect (the "***Section***"). Discovery's management has been advised that WESI is a recently formed entity that plans on becoming a public entity by undertaking a reverse merger with an existing company traded on the Australian Stock Exchange.

As discussed below, the FOA requires WESI to deliver to DESAL AU$2.5 million as "Cash Consideration." The deadline by which WESI must remit this Cash Consideration has passed, and WESI failed to remit this amount. Although the FOA provides that it terminates automatically upon WESI failure to remit timely this Cash Consideration, Discovery continues to explore the possibility of completing a transaction on the terms, provisions and conditions contained in the FOA. Discovery has no assurance that it will complete such a transaction, and Discovery could terminate further discussions with WESI at any time. The following disclosure describes the terms, provisions and conditions contained in the FOA and the JOA, as these are the same upon which Discovery remains committed in an attempt to complete a transaction. Any final termination of discussions with WESI will be reported in a separate filing.

Under the FOA, DESAL is to assign to WESI one-half of DESAL's 100% working interest in the South and Lycium blocks (collectively, the "***Section***") of the Prospect. The assignment to WESI is referred to hereinafter as the "***Assignment***." The South and Lycium blocks comprise an aggregate of 182,364 gross acres of the Prospect. Immediately after the Assignment, each of DESAL and WESI will own a 50% working interest in the Section. DESAL will continue to own a 100% working interest in a third block forming a portion of the Prospect and comprising an aggregate of 402,287 gross acres of the Prospect. DESAL and WESI have agreed to work together in good faith and use reasonable efforts to find a mutually satisfactory means to implement the preceding arrangement beyond the terms of the FOA.

In consideration of the Assignment, WESI (a) is to pay to DESAL AU$2.5 million in cash (the "***Cash Consideration***") and (b) will be responsible for all investment expenditures of oil and gas exploration and development activities on the Section contemplated by an agreed work program and budget (including those for which DESAL would otherwise be responsible) up to a maximum of AU$30.5 million, excluding certain amounts (WESI's obligations described in this (b) are referred to hereinafter as the "***E&D Expenditure Obligations***"). After WESI has satisfied its E&D Expenditure Obligations, DESAL and WESI will bear the investment expenditures of further exploration and development activities pro rata based on their respective working interests, except as otherwise described below. To secure the E&D Expenditure Obligations, WESI is obligated to obtain certain surety bonds, payable to DESAL after any WESI default. Under the agreements, DESAL and WESI will bear production and sales expenses pro rata based on their respective working interests. For this consideration, WESI will receive from Discovery a 50% working interest in the Section.

WESI will act as contract operator with respect to the Section for the sole and limited purposes of conducting, carrying out and satisfying in full the agreed work program and budget. DESAL shall remain the named operator for all other purposes, including maintaining its status as operator of record. WESI could become the full operator with respect to the Section after it has fully satisfied its E&D Expenditure Obligations.

After WESI has satisfied its E&D Expenditure Obligations, DESAL in its discretion may request that WESI extend DESAL's carried position by WESI permanently being responsible for all investment expenditures of further exploration and development activities. If WESI accepts this request, the following results will occur:

** WESI will receive from Discovery an additional portion of its working interest in the Section such that WESI and DESAL shall thereupon respectively own 77.5% and 22.5% working interests in the Section.
** WESI will be responsible for all investment expenditures of further exploration and development activities.
** WESI and DESAL will respectively have rights under the JOA of "operator" and "non-operator."

DESAL's obligations under the FOA are subject to certain customary conditions precedent, one of which is WESI's payment to DESAL of the Cash Consideration, which WESI has not timely done.

Further information about the FOA and JOA can be found in Discovery's Current Report on Form 8-K filed with the U.S. Securities and Exchange Commission on October 24, 2019.

Reverse Stock Split Authorization. Moreover, during the quarter ended November 30, 2019, Discovery's stockholders overwhelmingly approved a proposed amendment of Discovery's First Amended and Restated Articles of Incorporation to effect a reverse stock split (the "***Reverse Stock Spli***t") of Discovery's common stock, $.001 par value per share (the "***Common Stock***"), within a range from 1-for-15 to 1-for-25, with the exact ratio of the Reverse Stock Split to be determined by Discovery's Board of Directors. There currently is no plan to implement the Reverse Stock Split. Implementation might proceed in connection with a capital raising transaction or the inclusion of the Common Stock in a trading market requiring a higher trading price than the current trading price of the Common Stock, such as the Nasdaq Capital Market and the NYSE American. In the absence of these events, Discovery expects that it will not implement the Reverse Stock Split. Stockholder approval of the Reverse Stock Split will expire on November 8, 2020.

Australian Wildfires. As extensively reported, Australia is experiencing worse than expected, annual wildfires, but these fires are nowhere near our acreage position in PEL-512 in South Australia. The wildfires are more than 1,000 miles away and there is no impact to Discovery properties. Furthermore, we do not foresee any impact financially or to the Company's license and drilling plans from this natural disaster.

Historical Milestones

To date, Discovery has achieved the following milestones:

* On October 26, 2012, the License was granted to DESAL. After the License grant, Discovery's primary focus was on completing a financing to raise sufficient funds so that Discovery could undertake a required proprietary seismic acquisition program. After exploring a number of possible financings, the precipitous decline in crude oil prices starting in the summer of 2014 delayed Discovery's ability to successfully complete a financing of the type being sought.

* In May 2016, Discovery completed its first closing under a financing arrangement pursuant to which Discovery issued to two investors (singly a "***Holder***" and collectively the "***Holders***") Senior Secured Convertible Debentures (each a "***Debenture***" and collectively the "***Debentures***"). To date, Discovery has issued a total of 14 Debentures having an aggregate original principal amount of $6,850,000. The Debentures are due and payable on or before May 27, 2021. Interest on the Debentures to date has been accrued and added to principal, thereby increasing the outstanding balance on the Debentures to approximately $8,727,000 as of the date of this Report. Interest will continue to be accrued until such time as the Debentures are repaid or converted. Among other uses, the proceeds from the Debentures enabled Discovery to undertake required seismic work. In conjunction with certain issuances of Debentures, warrants ("***Warrants***") were issued that grant the related Holder the right to purchase up to a maximum of 19,125,000 shares of Discovery's Common Stock ("***Common Shares***"), at an initial per-share exercise price of $0.20. For more information about the Debentures and the Warrants, see the section captioned "Liquidity and Capital Resources - Financing History and Immediate, Short-Term Capital Needs - Debentures Financings" below.

* On October 30, 2016, fieldwork was completed on Discovery's proprietary Nike 3D seismic survey (the "***Nike 3D Survey***") covering an approximately 69 sq. miles (179 sq. km.) section of the southwest portion of the Prospect. The Nike 3D Survey was completed at a "turnkey price" of approximately $2,379,000.

* The raw data from the Nike 3D Survey was converted to analytical quality information, processed and interpreted by Discovery's geophysical advisor. Interpretation of the processed data included advanced technical analysis by specialized consultants. This technical work identified an inventory of more than 30 leads judged to be potential areas of crude oil accumulations. Discovery has prioritized these initial prospective locations for presentations to potential sources of significant capital. Technical analysis is on-going.

Current Primary Activity

Discovery's current primary activity is to complete either a major financing or a major joint venture relationship, or both, so that it can execute the remaining work on the Prospect's five-year work commitment (the "***Commitment***") as described below, and develop the Prospect.

The License is subject to a Commitment, which imposes certain financial obligations on Discovery. In management's view, the geotechnical work completed in Years 1 and 2 of the Commitment was sufficient to satisfy the License requirements for those two years. Required reports in connection with these activities were timely filed.

Over the last several years, a number of extensions and modifications of the Commitment have been granted. The current remaining Commitment is as follows:

* Year 3 ending April 30, 2020 - Shoot 2D seismic data totaling at least 62 miles (100 km.) and shoot 3D seismic data totaling at a minimum of 77 sq. miles (200 sq. km.) and drill two wells.

* Year 4 ending April 30, 2021 - Shoot 3D seismic data totaling at least 77 sq. miles (200 sq. km.) and drill two wells.

* Year 5 ending April 30, 2022 - Drill three wells.

Discovery does not believe that it will be able to complete its Year 3 Commitment obligations by their due date of April 30, 2020. Accordingly, Discovery expects to seek an extension of such obligations prior to the due date. While Discovery has to date been successful in obtaining such extensions, it has no assurance that any further extensions will be obtained. The failure to obtain the required extension will materially and adversely impact Discovery. See the section captioned "Liquidity and Capital Resources - Consequences of a Financing Failure" below.

Discovery needs a significant amount of capital to fulfill its obligations under the Commitment. Moreover, the Debentures mature in May 2021, and Discovery will need to raise additional funds or generate sufficient revenues through Hydrocarbons production to timely repay the Debentures. Discovery's capital requirements and financing activities are described in the section captioned "Liquidity and Capital Requirements" below. The success of the initial phase of Discovery's plan of operations depends upon Discovery's ability to obtain additional capital or enter into a suitable joint venture arrangement in order to acquire additional seismic data and successfully drill Commitment wells. Failure to obtain required additional capital or enter into a suitable joint venture arrangement will materially and adversely affect Discovery and its stockholders in ways that are discussed in the section captioned "Liquidity and Capital Resources - Consequences of a Financing Failure" below. Discovery cannot provide assurance that it will obtain the necessary capital and/or enter into a suitable joint venture agreement.

Results of Operations

Results of operations for the three- and nine-month periods ended November 30, 2019 and 2018 are summarized in the table below:

	Three Months Ended November 30, 2019	Three Months Ended November 30, 2018	Nine Months Ended November 30, 2019	Nine Months Ended November 30, 2018
Revenue	$ -	$ -	$ -	$ -
Operating expenses	(421,570)	(399,844)	(2,838,206)	(1,173,485)
Other income/(expenses)	(564,228)	(520,478)	(1,664,647)	(1,809,758)
Net income/(loss)	$ (985,798)	$ (920,322)	$ (4,502,853)	$ (2,983,243)

Operating expenses for the three- and nine-month periods ended November 30, 2019 and 2018 are summarized in the table below:

	Three Months Ended November 30, 2019	Three Months Ended November 30, 2018	Nine Months Ended November 30, 2019	Nine Months Ended November 30, 2018
Stock-based compensation	$ -	$ -	$ 802,500	$ -
General and administrative	406,045	331,587	1,257,559	944,923
Warrant modification expense	-	-	735,697	-
Exploration costs	15,525	68,257	42,450	228,562
Total Operating Expenses	$ 421,570	$ 399,844	$ 2,838,206	$ 1,173,485

Results of Operations for the Three-Month Periods Ended November 30, 2019 and 2018

Revenues. Discovery did not earn any revenues for either the quarter ended November 30, 2019, or the similar period in 2018. Sales revenues are not anticipated until such time as the Prospect has commenced commercial production of Hydrocarbons. As Discovery is presently in the exploration stage of its operations, no assurance can be provided that commercially exploitable levels of Hydrocarbons on the Prospect will be discovered, or if such resources are discovered, that the Prospect will commence commercial production.

Operating Expenses. Operating expenses increased by $22,000 (5%) in the third quarter ended November 30, 2019 when compared to the same quarter in 2018. This increase reflects an approximately $115,000 decrease in cash costs, primarily for third party services, which was more than offset by the recognition of approximately $190,000 in deferred staff compensation expense, a non-cash item.

Results of Operations for the Nine-Month Periods Ended November 30, 2019 and 2018

Revenues. Discovery did not earn any revenues for either the nine months ended November 30, 2019 or the similar period in 2018. Sales revenues are not anticipated until such time as the Prospect has commenced commercial production of Hydrocarbons. As Discovery is presently in the exploration stage of its plan, no assurance can be provided that commercially exploitable levels of Hydrocarbons on the Prospect will be discovered, or if such resources are discovered, that the Prospect will commence commercial production.

Operating Expenses. Operating expenses increased by approximately $1.7 million (140%) in the nine months period ended November 30, 2019 when compared to the same period in the prior year. Cash expenses decrease by approximately $342,000 due to a reduction in exploration costs of $186,000 (completed interpretation and analysis of Nike 3D seismic survey data) and a decrease in cash general and administrative expenses of approximately $156,000 (primarily reduced third party services). However, non-cash expenses increased by approximately $2.0 million made up of the following:

* $800,000 stock based compensation;

* $700,000 for the extension of a warrants expiration date;

* $500,000 for deferred staff compensation.

Cash Flows for the Nine-Month Periods Ended November 30, 2019 and 2018

Cash Used in Operating Activities: Operating activities for the nine-month ended November 30, 2019 used cash of $753,041, compared to $1,075,758 for the nine-month ended November 30, 2018, primarily due to a 81% decrease in exploration costs resulting from the completion of most geological and geophysical analysis activities in the nine-month ended November 30, 2019.

Cash Used in Investing Activities: No cash was used for investing activities during the nine months ending in November 30, 2019 and November 30, 2018.

Cash Provided by Financing Activities: Financing activities totaled $350,000 during the nine-month period ended November 30, 2019 resulting from the private placement of 1,400,000 common shares at a price of $0.25 per common share. Financing activities totaled $1,350,000 for the nine-month period ended November 30, 2018. This is due to the sale of additional Debentures with an aggregate original principal amount of $350,000 and gross proceeds of $1,040,000 from the private placement of 5,200,000 common shares during the nine months ended November 30, 2018 at a price of $0.20 per common share, net of associated costs of $40,000.

Off-Balance Sheet Arrangements

Discovery has no off-balance sheet arrangements.

Liquidity and Capital Resources

General

The discussion contained in this section does not take into account the possible completion of the proposed farmout transaction with WESI. If this transaction were completed, we believe that our liquidity and capital resources would be materially improved. However, we have no assurance that this transaction will be completed, and no one should rely on the completion of this transaction.

Financing History and Immediate, Short-Term Capital Needs

Early Financings. From January 2012 through May 27, 2016, business activities were financed primarily through private placements of Common Shares. During that period, several rounds of equity financing were conducted which raised total “seed” capital in the amount of $2,723,750 resulting in the issuance of 19,657,501 Common Shares. Moreover, from time to time, members of management provided short-term bridge funding. These advances were repaid out of proceeds from the Debentures financings described below.

Debentures Financings. Beginning in May 2016 and continuing through August 2018, Discovery relied on a series of Debenture placements (debt instruments convertible into Common Shares). The 14 Debentures comprising this series were issued pursuant to a Securities Purchase Agreement executed on May 27, 2016. Debentures having an aggregate original principal amount of $6,850,000 have been placed. In conjunction with certain Debentures, Warrants were issued that grant the related Holder the right to purchase up to a maximum of 19,125,000 Common Shares at an initial per-Common Share exercise price of $0.20.

Each of the Debentures includes the following features:

* The Debentures bear interest at the rate of eight percent (8%) per annum, compounded quarterly. However, upon the occurrence and during the continuance of a stipulated event of default, the Debentures will bear interest at the rate of twelve percent (12%) per annum.

* Interest need not be paid on the Debentures until the principal amount of the Debentures becomes due and payable. Instead, accrued interest is added to the outstanding principal amount of the Debentures quarterly. Nevertheless, Discovery may elect to pay accrued interest in cash at the time that such interest would otherwise be added to the outstanding principal amount of the Debentures.

* The principal plus accrued interest on the Debentures is due and payable in a single balloon payment on or before May 27, 2021.

* Discovery is not entitled to prepay the Debentures prior to their maturity.

* The Debentures are convertible, in whole or in part, into Common Shares at the option of Holders, at any time and from time to time. The conversion price for Debentures having an aggregate original principal amount of $5,887,500 is $0.16, while the conversion price for Debentures having an aggregate original principal amount of $962,500 is $0.20. All conversion prices are subject to certain adjustments that are believed to be customary in transactions of this nature, including so-called "down round" financing adjustments, which would cause the conversion prices to adjust downward to the price of any securities issued by Discovery at a price less than the conversion prices then in effect. Discovery is subject to certain liabilities and liquidated damages for any failure to timely honor a conversion of the Debentures, and these liabilities and liquidated damages are believed to be customary in transactions of this nature.

* The Holders are entitled to have their Debentures redeemed completely or partially upon certain events (such as a change of control transaction involving Discovery or the sale of a material portion of Discovery's assets) at a redemption price equal to 120% of the then outstanding principal amount of the Debentures and 100% of accrued and unpaid interest on the outstanding principal amount of the Debentures, *plus* all liquidated damages and other amounts due thereunder in respect of the Debentures.

* The Debentures feature negative operating covenants, events of default and remedies upon such events of default that are believed to be customary in transactions of this nature. One of the remedies upon an event of default is the Holders' ability to accelerate the maturity of the Debentures such that all amounts owing under the Debentures would become immediately due and payable. The Holders would then be able to resort to the collateral securing the Debentures, if Discovery did not pay the amount outstanding, which is likely to be the case.

* The Debentures are secured by virtually all of Discovery's assets owned directly or indirectly but for the License, which is held by DESAL. Moreover, Discovery has separately guaranteed the Debentures and has pledged all of its stock in DESAL to secure such guarantee. The essential effect of these security arrangements is that, if Discovery defaults on or experiences an event of default with respect to the Debentures, the Holders could exercise the rights of a secured creditor, which could result in the partial or total loss of nearly all of Discovery's assets, in which case Discovery's business could cease and all or substantially all stockholders' equity could be lost.

Each of the Warrants includes the following features:

* The initial per-Common Share exercise price of the Warrants is $0.20 and is subject to certain adjustments that are generally believed to be customary in transactions of this nature. Subject to certain exceptions, the exercise price of the Warrants involves possible adjustments downward to the price of any Common Shares or their equivalents sold by Discovery during the term of the Warrants for less than the then applicable exercise price of the Warrants. Upon adjustment of the exercise price, the number of Common Shares issuable upon exercise of the Warrants would be proportionately adjusted so that the aggregate exercise price of the Warrants would remain unchanged.

* The Warrants are currently exercisable and remain so until their expiration dates of February 15, 2020 with respect to 3,750,000 warrants, September 19, 2020 with respect to 1,500,000 warrants, and February 29, 2020 with respect to 13,875,000 warrants that were recently extended from expiration on December 31, 2019.

* Discovery is subject to certain liabilities and liquidated damages for failure to timely honor an exercise of the Warrants, and these liabilities and liquidated damages are believed to be customary in transactions of this nature.

The largest Holder of Debentures has the right to have elected to the Board of Directors ("***Board***") one nominee. To date this Holder has not exercised this right.

Moreover, persons holding a majority of the outstanding Debentures have the right to require Discovery to register with the SEC the resale of the Common Shares into which Debentures can be converted, the Common Shares that can be acquired upon the exercise of the Warrants and possibly other Common Shares.

The proceeds from the Debenture placements were generally used to fund the acquisition, processing and interpretation of the Nike 3D Survey data and payment of Discovery's and the Holders' expenses associated with the placements. A portion of these proceeds were used to retire all of the then outstanding indebtedness, and to acquire a 5.0% overriding royalty interest relating to the Prospect. Funds were also used for payment of general and administrative expenses. In addition to the preceding, a portion of the proceeds was used to pay a geophysical advisor.

More Recent Equity Placements. Beginning in November 2016 and continuing through the date of this Report, Discovery closed on a series of equity placements in which an aggregate of 8.3 million Common Shares were issued for an aggregate purchase price of $1,730,000.

Available Cash. As of November 30, 2019, Discovery had cash of approximately $79,448 and had negative working capital of about $2,504,776. As of January 5th, 2020, Discovery had approximately $54,000 of cash on-hand. Management believes that the cash on hand, as of the preceding date, will be sufficient to finance general and administrative expenses through March 31, 2020 although no assurance of this can be provided. However, this amount of cash will be insufficient to allow Discovery to fulfill its Commitment obligations in a timely manner. A plan for financing these obligations is discussed below. Management intends to finance all of the general and administrative expenses beyond available cash on hand through private placements of Discovery's Common Shares undertaken from time to time, until such time as a major financing or cash flow provides funds for general and administrative expenses. Currently, Discovery's goal is to raise up to $5 million through a private placement now being undertaken. If successful in raising $5 million in the private placement, it is estimated that the related net proceeds will be sufficient to finance general and administrative activities through December 31, 2020. However, no assurance can be given that the amounts will be adequate. Moreover, no assurance can be provided of successfully raising any additional funds for this purpose. Furthermore, as previously stated, the funds from private placement(s) will not be sufficient to satisfy the Commitment for future years in any meaningful way.

Long-Term Capital Needs

The five-year Commitment relating to the License imposes certain obligations on Discovery. The work requirements of the first two years, which included geotechnical studies and the Nike 3D Survey, have been completed and reports and certain work materials have been submitted as required by the South Australian government. Going forward, additional funds will be required to meet the seismic and drilling obligations of License Years 3, 4 and 5. Working capital will also be needed to satisfy general and administrative expenses. Between December 2019 and April 2022, it is estimated that Discovery will need to raise an additional $20 million to have sufficient capital to meet the remaining Commitment specified in the License and fund operations. Net revenues produced from successful wells could provide some of the funds required to meet these capital needs. However, no assurance can be given that this or any other amount of financing will be obtained or that sufficient revenue will be realized.

If initial wells are successful, work will continue with a full development plan, the scope of which is now uncertain but will be based on technical analysis of seismic data, drilling and log reports, production history and cost estimates. However, all of the preceding plans are subject to the availability of sufficient funding and the receipt of all governmental approvals. Without sufficient available funds to undertake these tasks, additional financings or a joint venture partner will be required.

Failure to procure a joint venture partner or raise additional funds will preclude Discovery from pursuing its business plan and expose Discovery to the loss of the License. Moreover, if the business plan proceeds as described, but the initial wells do not prove to hold sufficient producible reserves, Discovery could be forced to cease its initial exploration efforts on the Prospect.

Major Financing Efforts and Other Sources of Capital

Discovery's capital strategy has been, and continues to be, a single major capital raising transaction to provide sufficient funds to satisfy its capital needs for a number of years to come. While management has not completely abandoned this strategy, Discovery has shifted its emphasis in an effort to engage in one or more smaller capital raising transactions to provide sufficient funds to satisfy ongoing and future capital needs. Discovery has issued Debentures having an aggregate original principal amount of $6,850,000. Discovery's plan for financing its future general and administrative expenses is described in the section captioned "Financing History and Immediate, Short-Term Capital Needs - Available Cash" above. Discovery's plan for financing the Commitment is described in the following paragraph.

The interpretation and analysis of Discovery's geological data resulted in an inventory of more than 30 leads judged to be potential areas of crude oil accumulations. These initial prospective locations were prioritized, and the results are being presented to prospective investors with a view to securing the capital to commence Discovery's initial drilling program and to prospective joint venture partners with a view to securing a farm-out arrangement. Discovery needs to complete a major capital raising transaction or joint venture arrangement or some combination of the two to continue moving its business plan forward. In the interim, Discovery is continuing efforts to raise comparably smaller amounts of capital to cover general and administrative expenses. Discovery has no assurance that it will be able to raise sufficient funds.

Sales from production as a result of successful exploration and drilling efforts would provide Discovery with incoming cash flow. Proved reserves would most likely increase the value of Discovery's rights in the Prospect. This, in turn, should enable Discovery to obtain bank financing (after the wells have produced for a sufficient period of time to satisfy lender requirements). Both of these results would enable Discovery to continue with its development activities. Significant positive cash flow is a critical long-term success factor for Discovery's plan of operations. Management believes that, if Discovery's plan of operations successfully progresses, sufficient cash flow and debt financing will be available for purposes of pursuing the plan of operations, although Discovery can make no assurances in this regard.

Finally, to reduce required funds to be raised, Discovery might attempt to satisfy some of its obligations by issuing Common Shares, which would result in dilution in the percentage ownership interests of Discovery's then existing stockholders and could result in dilution of the net asset value per Common Share of these existing stockholders.

Consequences of a Financing Failure

If required financing is not available on acceptable terms, Discovery could be unable to satisfy its Commitment obligations or develop the Prospect to the point that Discovery is able to timely repay the Debentures, which become due in May 2021. Failure to satisfy Commitment obligations could also result in the eventual loss of the License and the total loss of Discovery's assets and properties. Failure to timely pay the Debentures could result in the eventual exercise of the rights of a secured creditor and the possible partial or total loss of Discovery's assets. Failure to procure required financing on acceptable terms could prevent Discovery from developing the Prospect. If any of the preceding events were to occur, Discovery could be forced to cease operations, which could result in a complete loss of stockholders' equity. If additional equity or debt financing or a farmout is not obtained, Discovery could find it necessary to sell some portion or all of the Prospect under unfavorable circumstances and at an undesirable price. However, no assurance can be provided that Discovery will be able to find interested buyers or that the funds received from any such partial sale would be adequate to fund additional activities. Future liquidity will depend upon numerous factors, including the success of Discovery's exploration and development program, satisfactory achievement of Commitment obligations and capital raising activities.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of management, including the principal executive officer (the "***CEO***") and principal financial officer (the "***CFO***"), the evaluation of the effectiveness of the design and operation of disclosure controls and procedures pursuant to Exchange Act Rule 13a 15(e) and Rule 15d 15(e) as of the end of the period covered by this quarterly report was completed. Based on this evaluation, the CEO and CFO have determined that the lack of segregation of accounting duties as a result of limited personnel resources is a material weakness and an ineffective element of Discovery's financial procedures. Therefore, the CEO and CFO believe that disclosure controls and procedures are not effective to ensure that information required to be disclosed by Discovery in the reports filed or submitted under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the rules and forms of the SEC and that disclosure and controls designed to ensure that information required to be disclosed in Company filings or submitted under the Exchange Act is accumulated and communicated to management, including the CEO and CFO, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

Limitations on Effectiveness of Controls and Procedures

Company management, including the CEO and CFO do not expect that disclosure control procedures and/or internal controls will prevent all potential errors and/or all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, but not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints and the benefits of controls must be considered relative to costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within Discovery have been detected. These inherent limitations include, but are not limited to, the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple errors or mistakes. Additionally, controls can be circumvented by the actions or inactions of one or more individuals and/or by management override of various controls. The design of any system of controls is based in part upon certain assumptions about the likelihood of future events and there can be no assurance that any design will succeed in achieving stated goals under all potential future conditions. Over time, controls could become inadequate due to changes in internal and/or external conditions, or a deterioration in the degree of staff and/or systems compliance with the standards, policies and procedures of Discovery.

Changes in Internal Controls over Financial Reporting

There have been no changes in Discovery's internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act) during the most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, Discovery's internal control over financial reporting.

PART II OTHER INFORMATION

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

During November 2019, Discovery completed a private placement of 400,000 Common Shares with one investor for an aggregate purchase price of $100,000. The issuance of these securities is claimed to be exempt pursuant to Section 4(a)(2) of the Securities Act of 1933 (the "***Act***") and Rule 506(b) of Regulation D under the Act. No advertising or general solicitation was employed in offering these securities. The offering and sale were made only to an accredited investor, and subsequent transfers were restricted in accordance with the requirements of the Act. None of the securities were registered under the Act, and none of them may be offered or sold in the United States in the absence of an effective registration statement or exemption from registration requirements.

Item 6. Exhibits.

The following exhibits are filed with this Quarterly Report or are incorporated herein by reference:

Exhibit Number	Description
10. 1	Farmout Agreement dated October 18, 2019 by and between Discovery Energy SA Ltd. and WESI PEL512 Pty Ltd
10. 2	Joint Operating Agreement dated October 18, 2019 by and between Discovery Energy SA Ltd. and WESI PEL512 Pty Ltd
10. 3	Fourth Amendment to Securities Purchase Agreement and Amendment to Debentures among Discovery, Discovery Energy SA Ltd., DEC Funding LLC and Texican Energy Corporation
31.01	Certification pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934.
31.02	Certification pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934.
32.01	Certification Pursuant to 18 U.S.C. Section 1350, as pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.02	Certification Pursuant to 18 U.S.C. Section 1350, as pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Calculation Linkbase
101.DEF	XBRL Taxonomy Extension Definition Linkbase
101.LAB	XBRL Taxonomy Extension Labels Linkbase
101.PRE	XBRL Taxonomy Extension Presentation Linkbase

SIGNATURES

In accordance with the requirements of the Exchange Act, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

DISCOVERY ENERGY CORP.
(Registrant)

By: */s/ Keith J. McKenzie*
Keith J. McKenzie,
Chief Executive Officer
(Principal Executive Officer)

By: */s/ William E. Begley*
William E. Begley,
Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)

January 21, 2020

Exhibit 10.1

Execution Version

FARMOUT AGREEMENT

PEL 512 South Block

SOUTH AUSTRALIA

Discovery Energy SA Pty Ltd

WESI PEL512 Pty Ltd

TABLE OF CONTENTS

FARMOUT AGREEMENT

THIS AGREEMENT is entered into on the 18th day of October 2019 by and between **Discovery Energy SA Pty Ltd ACN 158 204 052** of Level 8, 350 Collins Street, Melbourne VIC 3000, a company existing under the laws of Victoria, Australia (hereinafter referred to as "**DESAL**") and, **WESI PEL512 Pty Ltd ACN 635 946 682** of Suite 33.01, Chifley Tower, 2 Chifley Square, Sydney NSW 2000, a company existing under the laws of New South Wales, Australia (hereinafter referred to as "**WESI**"). The companies named above, and their respective permitted successors and assignees (if any), may sometimes individually be referred to as "Party" and collectively as the "Parties".

WITNESSETH:

WHEREAS, Petroleum Exploration Licence (PEL) 512 was issued by the Government to DESAL on 26 October 2012; and

WHEREAS, as of the date of this Agreement, DESAL holds 100% of the rights and obligations of Licensee in PEL 512; and

WHEREAS, DESAL has been in discussions with the Government to separate the South block of PEL 512 labelled as Block A on the map attached as Exhibit A and the Lycium block labelled as Block B on the map attached as Exhibit A, from the West block of PEL 512 labelled as Block C on the map attached as Exhibit A into two separate exploration licences in accordance with s.83 of the Act, on terms and conditions that may be imposed by the Minister that are acceptable to DESAL; and

WHEREAS, DESAL has been advised by the Government to delay the decision to divide or convert PEL 512 into separate licences until the expiry of PEL 512 under its own terms; and

WHEREAS, DESAL is willing to assign and transfer certain legal and beneficial interests in its rights and obligations in PEL 512 to WESI, excepting and reserving unto DESAL certain beneficial interests in the West Block, in accordance with the terms set forth herein and WESI wishes to acquire such interests; and

NOW, THEREFORE, in consideration of the premises and the mutual covenants and obligations set out below and to be performed, DESAL and WESI agree as follows:

ARTICLE 1

DEFINITIONS

As used in this Agreement, the following capitalized words and terms shall have the meaning ascribed to them below. Any capitalized term used in this Agreement and not specifically defined in this Agreement shall have the same meaning as in the Licence or the JOA.

Acquiring Party has the meaning given in Article 5.2(c).

Act means the *Petroleum and Geothermal Energy Act* 2000 (SA)

AFE means an authority for expenditure issued in connection with this Farmout Agreement.

Agreement means this Farmout Agreement together with the Exhibits, and any extension, renewal or amendment hereof agreed to in writing by the Parties.

Assignment of Beneficial Interest and Transfer of Licence is the document attached as Exhibit D by which a legal interest in PEL 512 is transferred and conveyed to WESI by DESAL and a beneficial interest in the Contract Area is assigned to WESI.

Capital Requirement has the meaning given in Article 4.2(e).

Conditions Precedent means all of the conditions enumerated in Article 3.1.

Consideration means both the upfront payment to be made by WESI under Article 4.1 and WESI's obligation to perform and complete the Obligatory Expenditure Work Program at its sole cost and expense under Article 4.2.

Contract Area means the South block of the Licence labelled as Block A on the map attached as Exhibit A and the Lycium block labelled as Block B on the map attached as Exhibit A.

Contract Operator means WESI insofar as it is designated by DESAL under this Agreement to act as Operator under the conditions of the Licence and the terms of the JOA for the purposes only of carrying out and satisfying in full all of the Obligatory Expenditure Work Program.

Corporations Act means the *Corporations Act 2001* (Cth).

Default Rate means interest compounded on a monthly basis, at LIBOR plus three (3) percentage points, applicable on the first Business Day before the due date of payment and afterwards on the first Business Day of each succeeding Calendar Month. If the resulting rate is contrary to applicable usury law, then the rate of interest to be charged shall be the maximum rate permitted by such applicable law.

DESAL has the meaning given in the preamble to this Agreement.

Documents means this Agreement, the Licence, the JOA, and the agreements listed in the attached Exhibits.

Effective Date is the date set out in Article 2.5.

Excluded Amounts means and includes the following costs and expenses: (a) all premiums and other costs in connection with the Surety Bonds, (b) any interest accruing following a Warning Notice pursuant to Article 4(e), (c) any general and administrative costs of WESI that were not included in an approved Work Program and Budget, (d) any interest, penalties and enforcement costs arising from a default or breach by WESI under this Agreement or any Document, (e) all costs, expenses and liabilities arising out of or in connection with the gross negligence or willful misconduct of WESI, including all reworking costs following any such gross negligence or willful misconduct, (f) salaries and wages of WESI and its Affiliates and other such direct charges of WESI and its Affiliates referred to as direct charges under Section 2.2 of the AIPN Accounting Procedure and indirect charges of WESI and its Affiliates referred to under Section III of the AIPN Accounting Procedure, whether or not such amounts are incurred in relation to the Obligatory Expenditure Work Program, and (g) without limitation to the foregoing, any and all costs, expenses and liabilities that are not chargeable to the Joint Account under and in accordance with the express terms of the JOA, including the Accounting Procedure.

Insolvency Event means the occurrence of any of the following: (a) WESI is not able to pay all or any portion of its debts, as and when they become due and payable or is otherwise "insolvent" as defined in the Corporations Act; (b) WESI consents to the appointment of or taking possession by, a receiver, a trustee, custodian, or liquidator of itself or of a substantial part of its assets, or fails or admits in writing its inability to pay its debts generally as they become due, or makes a general assignment for the benefit of creditors; (c) WESI files a voluntary petition in bankruptcy or a voluntary petition or an answer seeking reorganization in a proceeding under any applicable bankruptcy or insolvency laws or an answer admitting the material allegations of a petition filed against it in any such proceeding, or seeks relief by voluntary petition, answer or consent, under the provisions of any now existing or future bankruptcy, insolvency or other similar law providing for the liquidation, reorganization, or winding up of business entities, or providing for an agreement, composition, extension, or adjustment with its creditors; (d) a substantial part of WESI's assets are subject to the appointment of a receiver, trustee, liquidator, or custodian by court order and such order shall remain in effect for more than thirty (30) days; (e) WESI is adjudged bankrupt or insolvent in accordance with the Corporations Act, has any property sequestered by court order and such order remains in effect for more than thirty (30) days, or has filed against it a petition under any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution or liquidation law of any jurisdiction, whether now or hereafter in effect, and such petition is not dismissed within thirty (30) days of such filing; or (f) WESI is found otherwise to be insolvent under administration in accordance with the Corporations Act.

JOA means the Joint Operating Agreement in the form attached as Exhibit B.

Laws/Regulations means those laws, statutes, rules and regulations governing activities under and in connection with the Licence, this Agreement and the JOA.

LIBOR means the interest rate per annum equal to the London Interbank Offered Rate as administered by the ICE Benchmark Administration (or any other person that takes over administrative of such rate for U.S. dollars) for one month U.S. dollar deposits, as published in London by the Financial Times or if not published, then by The Wall Street Journal; provided, that if the London Interbank Offered Rate is no longer available or is no longer a widely used benchmark rate, then the Parties shall select a successor or replacement rate consistent with general market practice at such time, or if the Parties cannot agree on a replacement or successor rate, then "LIBOR" shall mean a rate per annum equal to 2.50%.

Licence means Petroleum Exploration Licence (PEL) 512 issued by the Government to DESAL on 26 October 2012 and any licence granted under the Act in substitution, replacement, extension or renewal of that licence insofar as it pertains to the lands burdened by the Contract Area. If a separate petroleum exploration licence or other form of licence is granted covering the lands burdened by the Contract Area as provided herein, "Licence" means that licence and any licence granted under the Act in substitution, replacement, extension or renewal of that licence.

Obligatory Expenditure Work Program has the meaning given in Article 4.2(a).

Operator means DESAL as the entity designated to the Government as the operator of the Licence to conduct operations in the Contract Area in accordance with the conditions of the Licence and under the terms of the JOA, and, subject to Article 5.2(c), upon full and complete satisfaction by WESI of the Obligatory Expenditure Work Program and upon the issuance by the Government of a separate licence or licences covering all or part of the Contract Area, WESI will be designated as Operator for such separate licence or licences under the terms of the JOA.

Operating Committee has the meaning ascribed to it in the JOA.

Participating Interest means, as to any party holding contractual rights to the Contract Area (excluding, for purposes of clarity, the holders of any royalty interest or other non-cost bearing interest), the undivided interest of such party expressed as a percentage of the total interest of all parties in the rights and obligations derived from the Licence insofar as the Licence covers the Contract Area, subject to all royalties and burdens in existence as of the Effective Date.

Surety Bonds has the meaning given in Article 4.2(f).

Transfer Waiver has the meaning given in Article 5.2(a).

Upcoming Quarter has the meaning given in Article 4.2(f).

Waiver Period has the meaning given in Article 5.2(a).

WESI has the meaning given in the preamble to this Agreement.

West Block means the West block of PEL 512 labelled as Block C on the map attached as Exhibit A.

Work Programs and Budget has the meaning ascribed to it in the JOA.

ARTICLE 2

ASSIGNMENT OF INTEREST

2.1 ***Grant***

Within five (5) days following the satisfaction of the Conditions Precedent, and in exchange for the Consideration, DESAL shall:

(a) transfer to WESI, and WESI agrees to accept, fifty percent (50%) of DESAL's legal interest in the Licence; and

(b) assign to WESI, and WESI agrees to accept, fifty percent (50%) of DESAL's Participating Interest in the Contract Area and under the Licence, and the Parties shall execute and deliver the Assignment of Beneficial Interest and Transfer of Licence under Article 2.6, in accordance with the terms of this Agreement.

2.2 ***Joint Operating Agreement; Operator***

(a) Contemporaneously with the execution and delivery of this Agreement, the Parties agree to enter into the JOA attached hereto as Exhibit B provided that, if the Parties are unable to agree upon, execute and deliver the JOA at that time or within thirty (30) days after the Effective Date, then either Party may serve notice on the other Party. Thereafter the Parties must within thirty (30) days of the date of that notice execute a joint operating agreement in the form of Exhibit B. Until the JOA or that joint operating agreement is executed, Exhibit B shall operate to govern the relationship of the Parties in respect of the Licence subject to this Agreement and shall be binding on the Parties during that period.

(b) WESI is appointed "Operator" for the sole and limited purposes of conducting, carrying out and satisfying in full the Obligatory Expenditure Work Program and agrees to act as such in accordance with this Agreement and the JOA, subject to DESAL's right to submit Work Programs and Budgets for review by the Operating Committee in accordance with this Agreement. DESAL shall be Operator for all other matters in respect of the Licence and under the JOA until such time as WESI is designated Operator for all matters in accordance with Article 2.2(c).

(c) Subject to Article 5.2(c), within thirty (30) days of WESI completing all operations and funding expenditures required under the Obligatory Expenditure Work Program and if the Government has issued a separate licence or licences covering the Contract Area or portions of the Contract Area, DESAL will designate WESI as Operator for all matters in respect of such separate licence or licences and under the JOA.

(d) WESI shall defend and indemnify DESAL, together with DESAL's Affiliates, and their respective directors, officers, and employees, from any and all damages, losses, costs (including reasonable legal costs and attorneys' fees), and liabilities incident to claims, demands, or causes of action brought by or for any person or entity (including the Government), which claims, demands or causes of action arise out of, are incident to or result from (i) Joint Operations conducted by or on behalf of WESI or (ii) any of WESI's duties and functions under this Agreement or the JOA, in each case of (i) and (ii), in WESI's capacity as "Operator", even though caused in whole or in part by a pre-existing defect, or the negligence (whether sole, joint or concurrent), gross negligence, willful misconduct, strict liability or other legal fault of DESAL (or DESAL's Affiliates, and their respective directors, officers, and employees). This Article 2.2(d) shall expressly survive the termination or expiration of this Agreement.

2.3 ***Binding Effect***

DESAL and WESI shall be bound by this Agreement as of the date hereof and shall fully perform all of their respective obligations under this Agreement and each of the Documents.

2.4 ***Ownership***

(a) After the transfer of interest referred to in Article 2.1, the respective legal interests of the Parties in the Licence shall be:

DESAL : 50%

WESI : 50%

Total : 100%

(b) After the assignment of interest referred to in Article 2.1, the respective Participating Interests of the Parties in the Contract Area and under the Licence shall be:

DESAL : 50%

WESI : 50%

Total : 100%

(c) After the assignment and transfer of interests referred to in Article 2.1, the Parties agree that, whereas WESI shall own and hold and be entitled to an undivided 50% legal and beneficial interest in the Contract Area and under the Licence, all other interests in the Licence shall remain in DESAL and WESI shall only own and hold bare legal title to the remainder of the Licence and in particular the West Block.

(d) In respect of the West Block and the portions of the Licence related thereto, WESI covenants and agrees that:

(i) WESI shall hold bare legal title in trust for DESAL:

(ii) WESI shall not own any beneficial or economic interest;

(iii) WESI shall have a fiduciary duty to exercise its legal interest for the sole benefit and at the direction of DESAL and WESI shall have no authority or discretion to perform any tasks or functions, or make any elections, with respect to the West Block other than those specifically requested and authorized by DESAL in writing

(iv) WESI shall maintain its interest in the West Block free from any and all liens, claims or Encumbrances, other than those arising in favor of DESAL pursuant to the Documents; and

(v) WESI hereby irrevocably appoints DESAL its true and lawful attorney to, if there is an Insolvency Event, take such actions and make such elections as are not prohibited by this Agreement, and sign such instruments (including those contemplated by Article 2.6(b)(iii)) and make such filings and applications as may be necessary to assign and transfer full legal title in the Licence to DESAL and to obtain any necessary consents of the Government. Actions under this power of attorney may be taken by DESAL individually without the joinder of the others. This power of attorney is irrevocable for the term of this Agreement and is coupled with an interest.

2.5 ***Effective Date***

The effective date of this Agreement as between the Parties (hereafter the "**Effective Date**") shall be deemed to be the date first set forth above herein. The consideration payable by WESI reflects this Effective Date.

2.6 ***Record Assignment and Transfer; Approval***

(a) Within five (5) days following the satisfaction of the Conditions Precedent, the Parties shall execute the Assignment of Beneficial Interest and Transfer of Licence. For so long as PEL 512 has not been separated into two (2) or more licences, the Parties will work together in good faith and use reasonable efforts to find a mutually satisfactory solution to maintain the Licence in full force, giving effect to all terms of this Agreement including among others the payment by WESI of the cash consideration prescribed in Article 4.1; the performance of the Obligatory Expenditure Work Program described in Article 4.2; and the provision by DESAL of the economic benefits of the Assignment of Beneficial Interest. DESAL will give full recognition to WESI's Participating Interest in the Contract Area and all operations in the Contract Area will be conducted in accordance with this Agreement and the JOA. Any and all decisions regarding the Licence insofar as the Licence pertains to the West Block shall be made at the sole discretion and direction of DESAL without any consultation with WESI and WESI agrees to make all such elections and take such actions as are necessary to effectuate DESAL's decisions with respect to the West Block.

(b) If and when the PEL 512 is separated into two (2) or more licences after the Effective Date, the Parties shall (i) use reasonable efforts to obtain, in writing, any required third-party consents, (ii) upon receipt of all such consents, execute all such documents that may be necessary or desirable to the Government for the new licence or licences over and in respect of the Contract Area to be granted and issued to DESAL and WESI in their respective undivided Participating Interests at that time and (iii) promptly and in no event more than three (3) Business Days following such separation, execute such assignments, instruments and other documents requested by DESAL in order for WESI to assign and transfer unto DESAL all of WESI's interest in, to and under the licences or portions thereof burdening or pertaining to the West Block.

(c) WESI shall promptly take all reasonable actions, and provide DESAL with all required and any reasonably requested documentation, to ensure compliance with the requirements established by the Government to approve and register the Assignment of Beneficial Interest and Transfer of Licence.

(d) The Parties agree to execute and deliver any assignment as may be required to record the interest in the Contract Area of WESI in respect of the royalty interests referred to in Article 7.2(d); and to execute and deliver any assignment as may be required to record the interest of WESI in respect of the Deed (pursuant to section 31 of the *Native Title Act 1993*) between DESAL and the Government, the Dieri Aboriginal Corporation and others dated 4 September 2012.

ARTICLE 3

CONDITIONS PRECEDENT TO ASSIGNMENT

3.1 ***Conditions Precedent***

This Agreement and the effectiveness of the Assignment of Beneficial Interest and Transfer of Licence delivered in connection with this Agreement are subject to the satisfaction or waiver (by DESAL only in respect of condition (a)) of each of the following conditions, (collectively the "**Conditions Precedent**"):

(a) WESI shall have paid to DESAL the cash consideration set forth in Article 4.1;

(b) The Parties obtain, in writing, any required third-party consents for entering into this Agreement and the Assignment of Beneficial Interest and Transfer of Licence; and

(c) This Agreement, the JOA and Assignment of Beneficial Interest and Transfer of Licence as registrable dealings under the Act, have been approved and registered by the Government under the Act. Upon notification of such approval and registration, this Agreement and such assignment and transfer shall be deemed to have been made with effect as of and from the Effective Date.

3.2 ***Acts to be Performed:***

DESAL, in the case of Articles 3.1(b) and 3.1(c), and WESI in the case of each of the Conditions Precedent, shall each use its best endeavors to execute all documents, and do and procure to be done all such acts and things as are reasonably within its power to ensure the Conditions Precedent are satisfied as soon as is reasonably practicable after execution of this Agreement.

3.3 ***Termination***

This Agreement shall terminate automatically if the Condition Precedent described in Article 3.1(a) is not satisfied within the time provided in Article 4.1. DESAL may terminate this Agreement at any time prior to satisfaction of all of the Conditions Precedent by giving notice to WESI in accordance with the provisions of Article 10 in the event that any of the following occurs:

(a) the Condition Precedent described in Article 3.1(b) is not satisfied within forty five (45) days of the Effective Date; or

(b) the Condition Precedent described in Article 3.1(c) is not satisfied within ninety (90) days of the Effective Date.

In the event of termination pursuant to this Article 3.3, the proposed Assignment of Beneficial Interest and Transfer of Licence shall terminate, shall be rendered void and shall have no force or effect and WESI shall have no interest whatsoever in the Licence and Contract Area, and WESI shall reassign and be deemed to have reassigned any rights or equitable interest it may have acquired under this Agreement or the Assignment of Beneficial Interest and Transfer of Licence to DESAL retroactive to the Effective Date of this Agreement.

ARTICLE 4

CONSIDERATION AND COVENANTS

4.1 In consideration of the right to receive the Assignment of Beneficial Interest and Transfer of Licence, WESI will pay to DESAL a cash consideration of A$2,500,000.00 in immediately available funds within forty five (45) days of the Effective Date of this Agreement, by way of direct bank transfer into an account to be specified by notice from DESAL to WESI prior to the Effective Date.

4.2 In consideration for receiving the Assignment of Beneficial Interest and Transfer of Licence, WESI agrees to perform or cause to be performed and pay and discharge, until the following work is completed in the Contract Area, the following:

(a) In accordance with the terms of this Agreement and the JOA, WESI shall have the obligation and shall be responsible for and shall pay for one hundred percent (100%) of the costs of Work Programs and Budgets approved by the Operating Committee in accordance with this Agreement and the JOA until a cumulative amount of A$30,500,000 (excluding any Excluded Amounts) has been funded by WESI under the JOA to pay such costs ("**Obligatory Expenditure Work Program**"). WESI shall fully complete and perform the Obligatory Expenditure Work Program consistent with the terms of this Agreement and the JOA before the end of the current period of the Licence or 27 months from the Effective Date of this Agreement, whichever first occurs. All amounts paid or expended by WESI under the Obligatory Expenditure Work Program shall first be applied to obligations attributable to DESAL's Participating Interest and then to obligations attributable to WESI's Participating Interest share. After the satisfactory conclusion of the Obligatory Expenditure Work Program, all further costs and expenses of Joint Operations will be paid in accordance with the JOA based on each Party's Participating Interest.

(b) DESAL shall have the right to audit WESI's books and records pertaining to the Obligatory Expenditure Work Program in accordance with the audit provisions of the JOA.

(c) Within ten (10) days of the Effective Date, the Operating Committee shall establish a Technical Subcommittee to formulate and advise the Operating Committee in regard to all Work Programs and Budgets. Based on the advice of the Technical Subcommittee, within thirty (30) days of the Effective Date DESAL shall establish the initial Work Program and Budget for the 1st and 2nd Calendar Quarters of 2020, that conforms with the methodology set forth on Exhibit C.

Subject to the rest of this Article 4.2(c), for so long as DESAL and WESI (or their Affiliates) are the only Parties to the JOA and during the period of the Obligatory Expenditure Work Program, the decisions of the Operating Committee shall be unanimous. In making decisions, the Operating Committee shall give preference to performing exploration operations on the Contract Area during the period of the Obligatory Expenditure Work Program. If a Work Program and Budget (following the first Work Program and Budget, that is established solely by DESAL) or amended Work Program and Budget, or a matter otherwise referred to the Operating Committee, is not approved by the Operating Committee within 15 days after DESAL submits such Work Program and Budget or such matter to the Operating Committee for approval, then notwithstanding anything to the contrary in the JOA, DESAL and WESI shall cooperate in good faith in the Technical Subcommittee to formulate a revised Work Program and Budget (that would include the proposed matter or operation the subject of such Technical Subcommittee review) and advise the Operating Committee accordingly. Based on the advice of the Technical Subcommittee, DESAL shall either submit a revised Work Program and Budget to the Operating Committee for further consideration or submit that the most recently approved Work Program and Budget should not be revised. If the revised Work Program and Budget is not approved by the Operating Committee within 15 days after further submission by DESAL, WESI must proceed with most recently approved Work Program and Budget, having full regard for and giving effect to the applicable provisions of Exhibit C at that time, without giving effect to any proposed revisions. If, in DESAL's sole discretion, it is not appropriate at the time to proceed with the most recently approved Work Program and Budget, DESAL may either (i) in consultation with WESI engage a third party engineering firm at the Parties' joint cost and expense to make a recommendation with respect to the proposed revised Work Program and Budget or (ii) submit a further revised Work Program and Budget, in each case of (i) or (ii), for review and consideration by the Technical Subcommittee and further submission to the Operating Committee, in accordance with this Article 4.2(c), again having full regard for and giving effect to the applicable provisions of Exhibit C at that time.

If the abovementioned decision-making process is not resolved by a mutual decision of the Operating Committee within 45 days after the Work Program and Budget or amended Work Program and Budget, or other matter is first submitted by DESAL to the Operating Committee for approval, DESAL as Operator shall have the deciding vote on the matters under dispute. Until the satisfactory conclusion of the Obligatory Expenditure Work Program, "Operator" for purposes of this Article 4.2(c) shall be DESAL in its continuing role as Operator under the JOA. Upon satisfactory conclusion of the Obligatory Expenditure Work Program and designation under the JOA of WESI as Operator for all matters under the JOA, all decisions of the Operating Committee including approvals of all Work Programs and Budgets shall be determined in accordance with the JOA.

(d) During the Obligatory Expenditure Work Program, WESI shall call quarterly AFE meetings that will be scheduled at least twenty (20) days prior to the commencement of each Calendar Quarter. At least fifteen (15) days prior to the quarterly AFE meetings, WESI as Contract Operator must furnish AFEs to the Operating Committee in respect of all work, and notwithstanding anything to the contrary in Article 6.7 of the JOA, including Minimum Work Obligations and general and administrative costs, carried out in respect of the Obligatory Expenditure Work Program and must otherwise comply with Article 6.7 of the JOA. These meetings will be to confirm the expenditure and operations for the immediately upcoming Calendar Quarter and the capital necessary for WESI to achieve such expenditure and operations (**"Capital Requirement"**), consistent with the approved Work Program and Budget, unless modified in accordance with the process stipulated in Article 4.2(c). Within ten (10) days of the AFE meeting, WESI will be obligated to place that Calendar Quarter's Capital Requirement into an operations account visible to DESAL over which DESAL shall have a lien and security interest, entitling DESAL, following a default by WESI under this Agreement or the JOA, to "control" and to a right of access to the funds on deposit therein, notwithstanding any objection by WESI. All amounts on deposit in such account shall be used for and applied exclusively to expenditures and operations set forth in the Obligatory Expenditure Work Program. If WESI does not deposit the Capital Requirement into the operations account within 10 days of the AFE Meeting, DESAL will have the right to serve Notice pursuant to this Agreement and the JOA indicating at the time of Notice that it is a Warning Notice, which accrues interest at a rate per annum equal to the Default Rate, calculated on the agreed expenditure of the corresponding AFE. Such amount plus interest will be payable by WESI into the operations account within 10 days of the Warning Notice. If the Capital Requirement and the Warning Notice interest amount are not paid by this time, a Default Notice may be served by DESAL to WESI under the JOA.

(e) DESAL will, in accordance with the JOA, submit to the Operating Committee an annual Work Program and Budget to provide for the Obligatory Expenditure Work Program operations for the then current and, subsequently, the upcoming year. During the Obligatory Expenditure Work Program and not later than one month prior to the beginning of each Calendar Quarter ("**Upcoming Quarter**"), WESI will establish at its sole cost two (2) separate surety bonds issued by a commercial bank with offices in Australia and the United States of America reasonably satisfactory to DESAL, in an amount equal to the estimated expenditures individually for the two Calendar Quarters immediately following such Upcoming Quarter under the Work Program and Budget approved by the Operating Committee ("**Surety Bonds**"). The Surety Bonds will be updated on or prior to the last day of each Calendar Quarter to reflect the estimated expenditures incurred but not paid for such Calendar Quarter then ended, together with the estimated expenses for the two Calendar Quarter immediately succeeding the Upcoming Quarter (including, in the case of the end of the third Calendar Quarter of each year, the first Calendar Quarter of the immediately succeeding calendar year). The Surety Bonds will be payable to DESAL should WESI be held in Default in accordance with this Agreement or the JOA. The cost of such Surety Bonds will not be counted toward the cumulative amount required to be funded by WESI under the Obligatory Expenditure Work Program.

(f) During the period of the Obligatory Expenditure Work Program, the Parties agree to waive the terms of Article 5.13.B of the JOA and agree that no work programs are of a type that could be conducted as an Exclusive Operation under Article 7 of the JOA.

(g) WESI shall be prohibited from voluntarily withdrawing from this Agreement and the Licence until the Obligatory Expenditure Work Program has been satisfactorily concluded and completed.

(h) WESI understands that DESAL has held discussions with the Government to separate the Licence into two separate licences, and that DESAL has elected to delay the decision to effect such separation until the Licence expires under its own terms. If DESAL, in its sole discretion, elects to resume discussions with the Government regarding the separation of the Licence, DESAL will give prior written notice to WESI of that decision but will have the sole authority of agreeing with the Government the terms and conditions of the separation provided the separation does not impose work commitments in excess of the work commitments existing on PEL 512 before separation, and provided also the boundary for the Contract Area reflects the area as outlined in Exhibit A. DESAL will keep WESI, for information purposes only, informed of DESAL's negotiations with the Government regarding the Licence separation.

(i) Within 30 days of WESI completing all operations and funding expenditures required under the Obligatory Expenditure Work Program, DESAL may provide a written request to WESI proposing for DESAL to continue its carried position. WESI may accept or decline such request by providing written notice to DESAL within thirty (30) days of receiving such request. If WESI accepts any such request within such timeframe, then following such acceptance: (a) DESAL will assign and transfer a further 27.5% Participating Interest to WESI such that WESI's Participating Interest will increase to 77.5% and DESAL's Participating Interest will decrease to 22.5%; (b) WESI shall remain liable for all costs, expenses and liabilities associated with all Joint Operations under the JOA and chargeable to DESAL in connection with the JOA or the Contract Area; (c) DESAL will be free carried on all Joint Operations costs, including further exploration and appraisal, pre-development, conceptual designs, development, and any infrastructure required (excluding royalties, taxes, etc.); (d) WESI will have the rights and obligations of the "Operator" under the JOA as defined therein, including with regard to decision-making rights and responsibilities; and (e) DESAL will retain all rights of a "Non-Operator" under the JOA as defined therein, including but not limited to voting rights.

ARTICLE 5

OBLIGATIONS UNDER THE LICENCE AND JOA

5.1 ***Acceptance of Prior Terms***

WESI hereby ratifies, confirms and accepts the terms and conditions of the Licence and WESI agrees to abide by the terms and conditions of the Licence to the extent of its Participating Interest from time to time.

5.2 ***Right of First Refusal***

(a) Any transfer of all or part of the Participating Interest held by a Party, whether direct or indirect, shall be subject to the terms of Article 12 of the JOA; provided that, subject to Article 5.2(b), the Parties each agree to a one-time waiver of their rights under Article 12.2.F of the JOA ("**Transfer Waiver**"), which waiver shall be effective for a single period commencing on the Effective Date and ending when the first seven (7) Exploration Wells have each been drilled and either Completed or Plugged and Abandoned ("**Waiver Period**"). Such Transfer Waiver shall apply to any transfer for which a Party has entered into a non-binding term sheet (with detail similar to the term sheet between the Parties hereto for this Agreement) prior to the end of the Waiver Period with a third party desiring to acquire all or part of its Participating Interest. During the Waiver Period, the Party desiring to transfer all or part of its Participating Interest shall offer the other Party the opportunity to participate in any competitive bidding process except to the extent such transfer is to an Affiliate (as defined in the JOA) or the transfer is part of a merger, consolidation, or the sale of a majority of the transferring Party's shares or substantially all of its assets.

(b) Notwithstanding anything to the contrary in Article 5.2(a), no transfer by WESI of any part of its Participating Interest during the Obligatory Expenditure Work Program will be effective without the prior written consent of DESAL, in DESAL's sole discretion. No transfer by WESI of its Participating Interest or any portion thereof during the Waiver Period will be effective unless WESI and such proposed assignee has demonstrated to DESAL's complete satisfaction that the person seeking to acquire such Participating Interest or portion thereof has sufficient financial and technical resources to successfully fulfill all of WESI's obligations hereunder and under the JOA.

(c) Notwithstanding Article 12.2.B of the JOA, in the event that (i) DESAL elects to transfer all or part of its Participating Interest after the Waiver Period, (ii) WESI does not exercise its rights under Article 12 of the JOA to acquire the Participating Interest DESAL is transferring, and (iii) DESAL has requested that the party acquiring the Participating Interest DESAL is transferring ("**Acquiring Party**") become the Operator and the Acquiring Party accepts such request, then WESI shall relinquish all of its rights, if any, to be Operator hereunder and under the JOA to the Acquiring Party and the Parties will perform all actions necessary, including any actions required by the Government, to provide for the Acquiring Party to become Operator for the Contract Area hereunder and under the JOA.

5.3 ***Right of First Refusal on the Licence Outside the Contract Area***

DESAL retains the exclusive right to market the area of PEL 512 outside of the Contract Area and shown as West Block on Exhibit A for sale, farm out, or in any another transaction for a period of thirty (30) months commencing from the Effective Date of this Agreement. WESI will be provided an opportunity to participate in any competitive bidding process during this exclusive marketing period. After the thirty (30) months exclusive marketing period, WESI will mutatis mutandis, have the right of first refusal provided under Article 12 of the JOA to acquire any such interest to the extent marketed by DESAL for sale, farm out, or by other transfer, and not previously farmed out, sold or otherwise transferred by DESAL in whole or in part.

ARTICLE 6

UNDERTAKING OF THE PARTIES

6.1 For so long as DESAL is Operator of the Licence, DESAL shall promptly notify WESI of any occurrence that would have a material adverse effect on the business, operations, financial condition or results of operations under the Licence.

6.2 If the Parties elect to extend the Licence or portions thereof relating to the South Block beyond the term of the Licence as in effect on the Effective Date, the Parties agree to convert the Contract Area of the Licence into the maximum Petroleum Retention Licences (PRL) acceptable to the Government. Without limitation to the foregoing but subject to Article 4.2(i), except for those decisions regarding the separation of the Licence into two (2) separate new exploration licences during the term of the Licence as in effect on the Effective Date which shall be in DESAL's sole discretion without any requirement of consultation, DESAL agrees to consult fully with WESI in connection with all other decisions under the Licence as it pertains to the Contract Area including the issue of new PRLs over the Contract Area; provided that for any decision for which DESAL is required to consult with WESI under this Article 6.2, such decision and any action DESAL takes as a consequence of such decision shall be in DESAL's sole discretion so long as DESAL does not expect such decision to have a material adverse impact on WESI's rights under this Agreement.

6.3 Each Party, as applicable, agrees to use commercially reasonable efforts to satisfy, in an expeditious manner, the Conditions Precedent to the Assignment of Beneficial Interest and Transfer of Licence set forth in Article 3.1.

6.4 ***Intentionally Omitted***

6.5 ***WESI Default Remedies***

Pursuant to and without prejudice to the terms of Article 4.2(e) and Article 4.2 (f), if DESAL has good reason, acting reasonably and fairly, to issue a Warning Notice to WESI as a result of WESI's breach of its obligations under Article 4.2(e), such Warning Notice is, notwithstanding the terms of Article 8.1.A of the JOA, a preliminary notice to WESI that, unless WESI deposits the amount of the agreed AFE expenditure and accrued interest into the operating account within twenty (20) Days after service of the Warning Notice, DESAL shall have the right to deliver to WESI a formal Default Notice under Article 8.1.A of the JOA and the relevant Default provisions in Article 8 of the JOA will apply, except, for the term of this Agreement, as varied by the following:

(a) if WESI fails to remedy the Default within five (5) Business Days after service of the Default Notice on WESI, DESAL may, in its sole discretion, call for and WESI must immediately without delay cause the two current Surety Bonds to be redeemed and the amounts of those Surety Bonds paid into the operating account immediately. DESAL will effect and keep control of the operating account until the Default is remedied to its sole and complete satisfaction; and

(b) within the Default Period WESI must use its best endeavours to secure further funding sufficient to ensure that the remainder of the Obligatory Expenditure Work Program is fully funded, and WESI must provide appropriate securities and guarantees to DESAL that such funding is secure and irrevocable and without recourse to DESAL, to DESAL's full satisfaction and at its sole discretion acting reasonably.

ARTICLE 7

REPRESENTATIONS AND WARRANTIES OF THE PARTIES

7.1 ***DESAL's Representations and Warranties***

DESAL warrants to WESI that, as of the Effective Date:

(a) DESAL is the registered holder and beneficial owner of the whole of the undivided legal and beneficial interest in the Licence, including the WESI interest, free of Encumbrances other than those that may be disclosed by DESAL during the due diligence;

(b) there are no pre-emptive rights in respect of the Licence which may cause consent to the transfer of the WESI interest to be withheld;

(c) to DESAL's knowledge, the Licence is in good standing and no condition exists that would be reasonably likely to result in the cancellation, revocation or forfeiture thereof for any reason and DESAL is not aware of any circumstance which may give rise to such cancellation, revocation or forfeiture;

(d) DESAL has complied with all obligations, authorisations and applicable laws in respect of the Licence in all material respects;

(e) DESAL is not engaged in any litigation, arbitration or other proceeding concerning the Licence and it is not aware of any pending or, to the extent threatened in writing, litigation, arbitration or other proceeding concerning the Licence;

7.2 ***WESI's Representations and Warranties***

Except as otherwise disclosed in the attached schedules, WESI makes the following representations and warranties to DESAL as of the Effective Date:

(a) Claims and Litigation. There are no material claims, demands, actions, suits, governmental inquiries, or proceedings pending, or to WESI's knowledge, threatened, against WESI which would have an adverse effect upon the consummation of the transactions contemplated by this Agreement.

(b) Financing. WESI has sufficient cash, available lines of credit or other sources of immediately available funds to enable it to fulfill all of its obligations under the Licence as it pertains to the Contract Area and this Agreement.

(c) Technical Capability. WESI has the technical capability, personnel and resources to fulfill its obligations under this Agreement.

(d) WESI has been made aware of the following: (i) an overriding royalty in respect of the Licence originally held by Liberty Petroleum Corporation and levied at 2.0% gross well head value; (ii) an overriding royalty in respect of the Licence held by DESAL and is levied at 5% gross well head value; and (iii) the Native Title Claim over the Contract Area that is the subject of an agreement with the claimants under s.31 of the Native Title Act 1993, pursuant to which the holders of the Licence are subject to an annual administration fee levied by the Native Title party and a production payment levied by and payable to the Government on behalf of the Native Title party at the rate of 1% of the value at the well head of Petroleum produced and sold from a well within the Licence.

7.3 ***Mutual Representations and Warranties***

The Parties make the following representations and warranties to each other as of the Effective Date:

(a) Corporate Authority.

Each Party is duly organized and validly existing under the laws of the country where it is organized. To the extent required, each Party is qualified to conduct business in the jurisdiction as necessary to perform the Licence. Each Party has all requisite corporate power and authority to enter into this Agreement, to perform its obligations hereunder, and to consummate the transactions contemplated hereby. This Agreement has been duly executed and delivered by each Party and constitutes a legal, valid and binding obligation of each Party, enforceable against each Party in accordance with its terms.

(b) Payments.

Neither Party nor its Affiliates have made, offered, or authorized and will not make, offer or authorize any payment, gift, promise or other advantage, in connection with the matters which are the subject to this Agreement, whether directly or indirectly through any other person or entity, to or for the use or benefit of any public official (i.e., any person holding a legislative, administrative or judicial office, including any person employed by or acting on behalf of a public agency, a public enterprise or a public international organization) or any political party or political party official or candidate for office, where such payment, gift or promise would violate: (a) the applicable Laws of the country of operations; (b) the laws of the country of formation of the Party or such Party's ultimate parent company (or its principal place of business); or, (c)the principles described in the Convention on Combating Bribery of Foreign Public Officials in International Business Transactions, signed in Paris on December 17, 1997, which entered into force on February 15, 1999, and the Convention's Commentaries.

(c) Other Representations and Warranties.

Except as disclosed in schedules attached to this Agreement, the execution, delivery, and performance of this Agreement by each Party, the consummation of the transactions contemplated hereby, and the compliance with the provisions hereof will not, to the best of each Party's knowledge and belief:

(1) violate any applicable Laws/Regulations, judgment, decree or award;

(2) contravene the organization documents of a Party; or

(3) result in a violation of a term or provision, or constitute a default or accelerate the performance of an obligation under any contract or agreement executed by a Party hereto.

7.4 ***Disclaimer of Other Representations and Warranties***

EXCEPT FOR THE EXPRESS REPRESENTATIONS AND WARRANTIES PROVIDED IN THIS ARTICLE 7, DESAL AND WESI MAKE NO, AND DISCLAIM AND WAIVE AND REPRESENT AND WARRANT THAT EACH HAS NOT RELIED UPON ANY, WARRANTY OR REPRESENTATION OF ANY KIND, EITHER EXPRESS, IMPLIED, STATUTORY, OR OTHERWISE, INCLUDING, WITHOUT LIMITATION, THE ACCURACY OR COMPLETENESS OF ANY DATA, REPORTS, RECORDS, PROJECTIONS, INFORMATION, OR MATERIALS NOW, HERETOFORE, OR HEREAFTER FURNISHED OR MADE AVAILABLE TO WESI IN CONNECTION WITH THIS AGREEMENT, INCLUDING ANY REPRESENTATION OR WARRANTY AS TO (A) TITLE TO OR LIENS AGAINST ANY ASSIGNED INTEREST, (B) THE CONTENTS, CHARACTER OR NATURE OF ANY DESCRIPTIVE MEMORANDUM, ANY REPORT OF ANY PETROLEUM ENGINEERING CONSULTANT OR ANY GEOLOGICAL, SEISMIC DATA, RESERVE DATA, RESERVE REPORTS, RESERVE INFORMATION (ANY ANALYSIS OR INTERPRETATION THEREOF) RELATING TO AN ASSIGNED INTEREST, (C) ANY OTHER MATERIALS OR INFORMATION THAT MAY HAVE BEEN MADE AVAILABLE OR COMMUNICATED TO WESI, ITS AFFILIATES OR THEIR REPRESENTATIVES IN CONNECTION WITH THE TRANSACTIONS CONTEMPLATED BY THIS DOCUMENT OR ANY DISCUSSION OR PRESENTATION RELATING HERETO, (D) THE QUANTITY, QUALITY OR RECOVERABILITY OF HYDROCARBONS IN OR FROM ANY ASSIGNED INTEREST, (E) THE EXISTENCE OF ANY PROSPECT, RECOMPLETION, INFILL OR STEP-OUT DRILLING OPPORTUNITIES, (F) ANY ESTIMATES OF THE VALUE OF ANY ASSIGNED INTEREST OR FUTURE REVENUES GENERATED BY SUCH ASSIGNED INTEREST, (G) THE PRODUCTION OF PETROLEUM SUBSTANCES FROM ANY ASSIGNED INTEREST OR WHETHER PRODUCTION HAS BEEN CONTINUOUS OR OTHERWISE COMPLIED WITH THE TERMS OF THE LICENCE, (H) THE MAINTENANCE, REPAIR, CONDITION, QUALITY, SUITABILITY, DESIGN OR MARKETABILITY OF ANY ASSIGNED INTEREST. DESAL FURTHER DISCLAIMS, AND THE WESI WAIVES, ANY REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE OR CONFORMITY TO MODELS OR SAMPLES OF MATERIALS OF ANY EQUIPMENT, IT BEING EXPRESSLY UNDERSTOOD AND AGREED BY THE PARTIES HERETO THAT EXCEPT AS SET FORTH ABOVE ANY ASSIGNED INTEREST BEING TRANSFERRED IS TRANSFERRED ON AN “AS IS, WHERE IS” BASIS, WITH ALL FAULTS AND DEFECTS AND THAT WESI HAS MADE OR CAUSED TO BE MADE SUCH INSPECTIONS AS WESI DEEMS APPROPRIATE.

ARTICLE 8

TAX

8.1 ***Tax Obligations***

Each Party shall be responsible for reporting and discharging its own tax measured by the profit or income of the Party and the satisfaction of such Party's share of all contract obligations under the Licence and under this Agreement. Each Party shall protect, defend and indemnify each other Party from any and all loss, cost or liability arising from the indemnifying Party's failure to report and discharge such taxes or satisfy such obligations. The Parties intend that all income and all tax benefits (including deductions, depreciation, credits and capitalization) with respect to the expenditures made by the Parties hereunder, including the Obligatory Expenditure Work Program expenditures made by WESI on behalf of DESAL, will be allocated by the Government tax authorities to the Parties based on each Party's Participating Interest share, and not based upon the Party paying the amounts giving rise to such tax benefits. If such allocation is not accomplished due to the application of the Laws / Regulations or other Government action, the Parties shall negotiate in good faith to adopt mutually agreeable arrangements that will allow the Parties to achieve the financial results intended.

8.2 ***Joint Levy***

If interpretation or enforcement of the Licence by the Government imposes joint and several liability on the Parties for any levy, charge or tax, the Parties agree to cross indemnify each other to the extent that such levy, charge or tax is owed by one Party individually.

8.3 ***Goods and Services Tax***

(a) The Parties acknowledge and agree that the Consideration is GST exclusive.

(b) The Parties acknowledge and agree that any supply made under this Agreement is the supply of a going concern and that accordingly the supply is treated as being GST-free in accordance with section 38.325 of the *A new Tax System (Goods and Services Tax) Act 1999 (Cth)* (the "**GST Act**").

ARTICLE 9

CONFIDENTIALITY

9.1 Except as otherwise provided in the Licence and the JOA, each Party agrees that all information disclosed under this Agreement, except information in the public domain or lawfully in possession of a Party prior to the Effective Date, shall be considered confidential and shall not be disclosed to any other person or entity without the prior written consent of the Party which owns such confidential information. This obligation of confidentiality shall remain in force during the term of this Agreement. Notwithstanding the foregoing, confidential information may be disclosed without consent and without violating the obligations contained in this Article in the following circumstances:

(1) to an Affiliate provided the Affiliate is bound to the provisions of this Article 9 and the Party disclosing is responsible for the violation of an Affiliate;

(2) to a governmental agency or other entity when required by the Licence;

(3) to the extent such information is required to be furnished in compliance with the applicable Laws/Regulations, or pursuant to any legal proceedings or because of any order of any court binding upon a Party;

(4) to attorneys engaged, or proposed to be engaged, by any Party where disclosure of such information is essential to such attorneys' work for such Party and such attorneys are bound by an obligation of confidentiality;

(5) to contractors and consultants engaged, or proposed to be engaged, by any Party where disclosure of such information is essential to such contractor's or consultant's work for such Party;

(6) to a bona fide prospective transferee of a Party's Participating Interest, or portion thereof, to the extent appropriate in order to allow the assessment of such Participating Interest (including an entity with whom a Party and/or its Affiliates are conducting bona fide negotiations directed toward a merger, consolidation or the sale of a majority of its or an Affiliate's shares);

(7) to a bank, other financial institution or to its financial advisors, investors or members of the financial community who have an interest on the matters the subject of this Agreement to the extent appropriate to a Party arranging for funding;

(8) to the extent such information must be disclosed pursuant to any rules or requirements of any government or stock exchange having jurisdiction over such Party, or its Affiliates; provided that such Party shall comply with the requirements of Article 14.10 hereunder;

(9) to its respective employees, subject to each Party taking sufficient precautions to ensure such information is kept confidential;

(10) to the extent any information which, through no fault of a Party, becomes a part of the public domain; and

(11) to the Government solely to the extent as may be required to satisfy the Conditions Precedent.

9.2 Disclosure as pursuant to Articles 9.1(5), (6), and (7) shall not be made unless prior to such disclosure the disclosing Party has obtained a written undertaking from the recipient party to keep the information strictly confidential for at least as long as the period set out above and to use the information for the sole purpose described in Articles 9.1(5), (6), and (7) and, whichever is applicable, with respect to the disclosing Party.

ARTICLE 10

NOTICES

All notices authorized or required between the Parties by any of the provisions of this Agreement shall be in writing (in English) and delivered in person or by courier service or by any electronic means of transmitting written communications which provides written confirmation of complete transmission, and properly addressed to the other Party. Verbal and e-mail (or other electronic) communication does not constitute notice for purposes of this Agreement, and e-mail addresses and telephone numbers for the Parties are listed below as a matter of convenience only. A notice given under any provision of this Agreement shall be deemed delivered only when received by the Party to whom such notice is directed, and the time for such Party to deliver any notice in response to such originating notice shall run from the date the originating notice is received. ***"Received"*** for purposes of this Article shall mean actual delivery of the notice to the address of the Party specified hereunder.

Name: WESI PEL512 Pty Ltd
Address: Suite 33.01, Chifley Tower
2 Chifley Square, Sydney NSW 2000
Attention: Mr Simon Philis
Email: sphilis@wesicorp.com

Name: Discovery Energy SA Pty Ltd
Address: Level 8, 350 Collins Street
Melbourne VIC 3000
Attention: Mr Keith Spickelmier
Email: ks@discoveryenergy.com

ARTICLE 11

LAW AND DISPUTE RESOLUTION

11.1 The Parties agree that, in the event of a Dispute, the terms of Article 18.2 of the JOA shall apply, mutatis mutandis, to and for the resolution of that Dispute.

11.2 Subject to Article 11.1, the Parties will submit to the non-exclusive jurisdiction of the Courts of the State of Victoria with respect only to any application for interim measures.

ARTICLE 12

FORCE MAJEURE

If as a result of Force Majeure, any Party is rendered unable, wholly or in part, to carry out its obligations under this Agreement, other than the obligation to pay any amounts due, then the obligations of the Party giving such notice, so far as and to the extent that the obligations are affected by such Force Majeure, shall be suspended during the continuance of any inability so caused and for such reasonable period thereafter as may be necessary for the Party to carry out the affected obligation, but for no longer period. The Party claiming Force Majeure shall notify the other Parties of the Force Majeure within a reasonable time after the occurrence of the facts relied on and shall keep all Parties informed of all significant developments. Such notice shall give reasonably full particulars of the Force Majeure and also estimate the period of time which the Party will probably require to remedy the Force Majeure. The affected Party shall use all reasonable diligence to remove or overcome the Force Majeure situation as quickly as possible in a commercially reasonable manner but shall not be obligated to settle any labor dispute except on terms acceptable to it. All such disputes shall be handled within the sole discretion of the affected Party. For the purposes of this Agreement, ***"Force Majeure"*** shall have the same meaning as is set out in the Licence.

ARTICLE 13

DEFAULT

13.1 ***Default***

Except as otherwise agreed in the JOA and as otherwise provided in Articles 4.2 (e) and (f) of this Agreement, if WESI fails to complete the work and pay the amounts due under Article 4 of this Agreement by the applicable dates, WESI shall be in default and such amounts less any amounts received by DESAL pursuant to Article 4.2 (f) of this Agreement shall accrue interest at a rate per annum equal to the Default Rate calculated from the due date until the date of payment.

13.2 ***Reassignment***

Without prejudice to the JOA and any other rights or remedies available to DESAL under the JOA or otherwise at law or in equity, in the event that WESI fails to perform its obligations under Article 4 herein, Article 8 of the JOA shall apply *mutatis mutandis* hereunder in respect of the rights, duties, obligations and liabilities of the Parties, and DESAL shall have the option, subject to Article 6.5(c), exercisable at any time after twenty (20) days from DESAL's Default Notice to WESI of WESI's failure to timely fulfill its obligations under Article 4, to require that WESI withdraw completely from the JOA and the Licence in accordance with Article 8.4.D.1 of the JOA and reassign WESI's Participating Interest and Licence interest to DESAL free of cost and free from any and all liens, claims or Encumbrances. In this event, WESI shall promptly execute any and all such documents as are necessary for such reassignment in the same form and manner as the Assignment of Beneficial Interest and Transfer of Licence; and, assist in obtaining any required Government approval of such reassignment. In connection with the foregoing, WESI hereby appoints DESAL as its true and lawful attorney to sign such documents and make such filings and applications as may be necessary to make legally effective the assignments and transfers contemplated by this Article 13 and the JOA, and to obtain any necessary consents of the Government. Actions under this power of attorney may be taken by DESAL individually without the joinder of WESI. This power of attorney is irrevocable for the term of this Agreement and is coupled with an interest.

ARTICLE 14

GENERAL PROVISIONS

14.1 ***Relationship of Parties***

The rights, duties, obligations and liabilities of the Parties under this Agreement shall be individual, not joint or collective. It is not the intention of the Parties to create, nor shall this Agreement be deemed or construed to create, a mining or other partnership, joint venture or association or (except as explicitly provided in this Agreement) a trust. This Agreement shall not be deemed or construed to authorize any Party to act as an agent, servant or employee for any other Party for any purpose whatsoever except as explicitly set forth in this Agreement. In their relations with each other under this Agreement, the Parties shall not be considered fiduciaries except as expressly provided in this Agreement.

14.2 ***Further Assurances***

Each of the Parties shall do all such acts and execute and deliver all such documents as shall be reasonably required in order to fully perform and carry out the terms of this Agreement.

14.3 ***Waiver***

No waiver by any Party of any one or more defaults by another Party in the performance of any provision of this Agreement shall operate or be construed as a waiver of any future default or defaults by the same Party whether of a like or of a different character. Except as expressly provided in this Agreement, no Party shall be deemed to have waived, released or modified any of its right under this Agreement unless such Party has expressly stated, in writing, that it does waive, release or modify such right.

14.4 ***Joint Preparation***

Each provision of this Agreement shall be construed as though all Parties participated equally in the drafting of the same. Consequently, the Parties acknowledge and agree that any rule of construction that a document is to be construed against the drafting party shall not be applicable to this Agreement.

14.5 ***Severance of Invalid Provisions***

If and for so long as any provision of this Agreement shall be deemed to be judged invalid for any reason whatsoever, such invalidity shall not affect the validity or operation of any other provision of this Agreement except only so far as shall be necessary to give effect to the construction of such invalidity, and any such invalid provision shall be deemed severed from this Agreement without affecting the validity of the balance of this Agreement.

14.6 ***Modifications***

There shall be no modification of this Agreement except by written consent of all Parties.

14.7 ***Priority of Agreement***

In the event of any conflict between the provisions of the main body of this Agreement and its Exhibits, the provisions of the main body of the Agreement shall prevail. In the event of any conflict between this Agreement and the JOA, this Agreement shall prevail. In the event of any conflict between this Agreement and the Licence, this Agreement shall prevail unless such would be in violation of the Laws of Australia or the terms of the Licence.

14.8 ***Interpretation***

(a) Headings. The topical headings used in this Agreement are for convenience only and shall not be construed as having any substantive significance or as indicating that all of the provisions of this Agreement relating to any topic are to be found in any particular Article.

(b) Singular and Plural. Reference to the singular includes a reference to the plural and vice versa.

(c) Gender. Reference to any gender includes a reference to all other genders.

(d) Article. Unless otherwise provided, reference to any Article or an Exhibit means an Article or Exhibit of the Agreement.

(e) Include. ***"include"*** and ***"including"*** shall mean to be inclusive without limiting the generality of the description preceding such term and are used in an illustrative sense and not a limiting sense.

14.9 ***Counterpart Execution***

This Agreement may be executed in any number of counterparts and each such counterpart shall be deemed an original Agreement for all purposes; provided that no Party shall be bound to this Agreement unless and until all Parties have executed a counterpart. For purposes of assembling all counterparts into one document, DESAL is authorized to detach the signature page from one or more counterparts and, after signature thereof by the respective Party, attach each signed signature page to a counterpart.

14.10 ***Public Announcements***

No public announcement or statement regarding the terms or existence or this Agreement shall be made without prior written consent of all Parties; provided that, notwithstanding any failure to obtain such approval, no Party shall be prohibited from issuing or making any such public announcement or statement to the extent it is necessary to do so in order to comply with the applicable laws, rules or regulations of any government, legal proceedings or stock exchange having jurisdiction over such Party or its Affiliates, however, any such required public announcement shall include only that portion information which the disclosing Party is advised by written opinion of counsel (including in-house counsel) is legally required. Such opinion shall be delivered to the other Parties prior to any such public announcement.

14.11 ***Entirety***

With respect to the subject matter contained herein, this Agreement (i) is the entire agreement of the Parties; and (ii) supersedes all prior understandings and negotiations of the Parties.

[*Signature Page Follows*]

IN WITNESS of their agreement each Party has caused its duly authorized representative to sign this instrument on the date set out in the first sentence of this Agreement.

For and on behalf of **Discovery Energy SA Pty Ltd ABN 89 158 204 052** in accordance with section 127(1) of the *Corporations Act 2001* (Cth):)
)
)

Signature of director	Signature of company secretary
Name (please print)	Name (please print)

For and on behalf of **WESI PEL512 Pty Ltd ACN 635 946 682** in accordance with section 127(1) of the *Corporations Act 2001* (Cth):)
)
)

Signature of director	Signature of director
Name (please print)	Name (please print)

EXHIBIT A

CONTRACT AREA AND AREA COVERED BY PEL 512

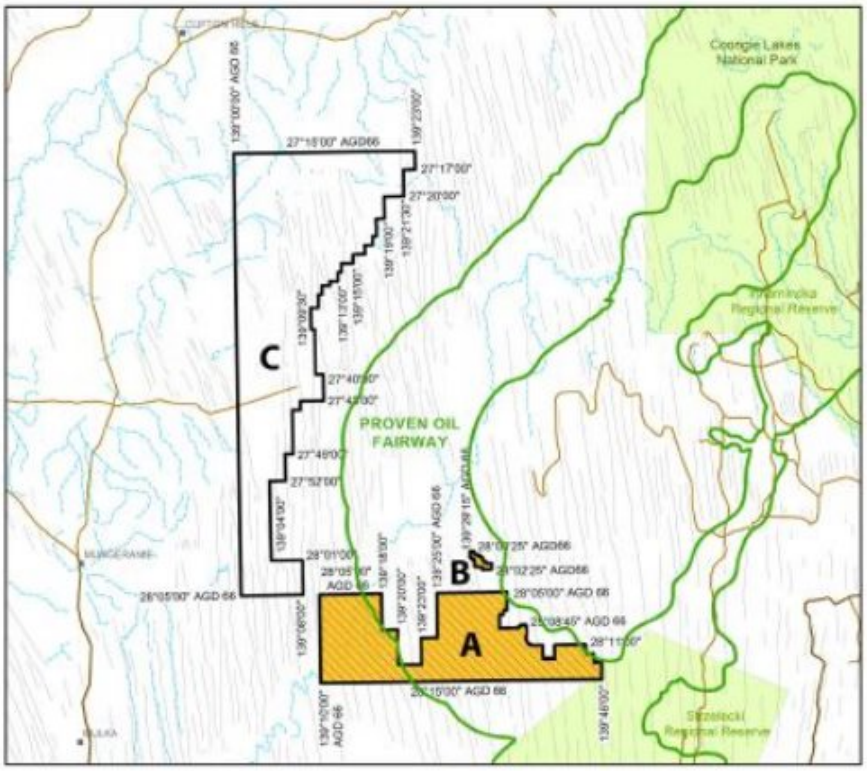


EXHIBIT B

JOINT OPERATING AGREEMENT

(see attached)

EXHIBIT C

OBLIGATORY EXPENDITURE WORK PROGRAM GUIDANCE

ORDER AND PRIORITY OF OPERATIONS

The Parties acknowledge and agree that, absent mutual agreement by the Parties, each Work Program and Budget during the Obligatory Expenditure Work Program shall target and prioritize the following matters in descending chronological order, and any disagreement between the Parties involving operations shall be resolved, as applicable, by reference to the following matters:

1) First, the acquisition of of 3D seismic and the geological and geophysical evaluation and interpretation of the seismic data.

2) Second, the drilling of not less than seven (7) Exploration Wells (or a lesser number of wells as may be approved by DESAL) selected from those Exploration Well locations which may be developed from prospects developed from the Adidas seismic program or other seismic programs.

3) Third, in cases of disagreement over whether to drill an Exploration Well, an Appraisal Well or a Development Well, such disagreement shall be resolved by drilling the Exploration Well.

4) Fourth, in cases of disagreement over whether to drill an Appraisal well or a Development Well, such disagreement shall be resolved by drilling the Appraisal Well.

EXHIBIT D

ASSIGNMENT OF BENEFICIAL INTEREST AND TRANSFER OF LICENCE

(see attached)

Exhibit 10.2

JOINT OPERATING AGREEMENT

PEL 512 South Block
SOUTH AUSTRALIA

Discovery Energy SA Pty Ltd

WESI PEL512 Pty Ltd

TABLE OF CONTENTS

JOINT OPERATING AGREEMENT

THIS AGREEMENT is made as of _____ (the "Effective Date") among:

Discovery Energy SA Pty Ltd ACN 158 204 052 of Level 8, 350 Collins Street, Melbourne VIC 3000, a company existing under the laws of Victoria, Australia (hereinafter referred to as "DESAL") and, **WESI PEL512 Pty Ltd** ACN 635 946 682 of Suite 33.01, Chifley Tower, 2 Chifley Square, Sydney NSW 2000, a company existing under the laws of New South Wales, Australia (hereinafter referred to as "WESI").

The companies named above may sometimes individually be referred to as "Party" and collectively as the "Parties".

This Agreement is premised on the fact that:

DESAL holds one hundred percent (100%) of the rights to explore, develop and produce hydrocarbons covering Petroleum Exploration Licence (PEL) 512 (hereinafter referred to as "Licence"). The Licence was issued by the Government of the State of South Australia (hereinafter referred to as "Government) to DESAL on 26 October 2012; and

The Parties have entered into a Farmout Agreement dated effective _____ (as amended, supplemented, restated or otherwise modified from time to time, hereinafter referred to as "Farmout Agreement") under which DESAL, subject to the terms of the Farmout Agreement and in exchange for the consideration expressed in the Farmout Agreement, agreed to transfer certain beneficial and legal interests in its rights and obligations in the Licence to WESI insofar as the Licence relates to the area shown as the South block of the Licence labelled as Block A on the map attached as Exhibit B and the Lycium block labelled as Block B on the map attached as Exhibit B and referred to in this Agreement as the Contract Area, excepting and reserving unto DESAL certain beneficial interests in the West Block;

The Parties desire to define their respective rights and obligations concerning operations and activities under the Licence;

In consideration of the premises set out above and the mutual covenants, agreements, and obligations set out below and to be performed, the Parties agree as follows:

ARTICLE 1 - DEFINITIONS AND INTERPRETATIONS

1.1 Definitions

As used in this Agreement, the following capitalized terms shall have the meaning ascribed to them below:

Accounting Procedure means the rules, provisions, and conditions contained in Exhibit A.

Acquired Party means the Party subject to a Change in Control.

Acquirer means the Party or third party proposing to acquire Control in a Change in Control.

Act means the *Petroleum and Geothermal Energy Act* 2000 (SA).

AFE means an authorization for expenditure under Article 6.8.

Affiliate means a legal entity that at any tier Controls, is Controlled by, or is Controlled by an entity that Controls, a Party.

Agreed Interest Rate means interest compounded on a monthly basis, at LIBOR plus three (3) percentage points, applicable on the first Business Day before the due date of payment and afterwards on the first Business Day of each succeeding Calendar Month. If the resulting rate is contrary to any applicable usury law, then the rate of interest to be charged shall be the maximum rate permitted by applicable law.

Agreement means this agreement, together with the Exhibits attached to this agreement, and any extension, renewal, or amendment agreed to in writing by the Parties.

Anti-Bribery Laws and Obligations means for each Party: (i) the Laws relating to combating bribery and corruption, and/or the principles described in the Convention on Combating Bribery of Foreign Public Officials in International Business Transactions, signed in Paris on December 17, 1997, which entered into force on February 15, 1999, and the Convention's Commentaries; and (ii) the laws relating to combating bribery and corruption in the countries of such Party's place of incorporation, principal place of business, and/or place of registration as an issuer of securities, and/or in the countries of such Party's ultimate parent company's place of incorporation, principal place of business, and/or place of registration as an issuer of securities.

Appraisal Well means any well (other than an Exploration Well or a Development Well), whose purpose at the time drilling commences, is to evaluate the areal extent of an existing Discovery and/or the volume of Hydrocarbon reserves contained in an existing Discovery.

Business Day means a Day on which the banks in Australia are customarily open for business.

Calendar Month means one of the twelve (12) calendar months of the Gregorian Calendar commencing on the first Day of each calendar month.

Calendar Quarter means a period of three (3) consecutive Calendar Months commencing January 1 and ending March 31, commencing April 1 and ending June 30, commencing July 1 and ending September 30, or commencing October 1 and ending December 31.

Calendar Year means a period of twelve (12) consecutive Calendar Months, commencing January 1 and ending December 31.

Cash Call means any request for the Parties to advance their respective Participating Interest shares of estimated cash requirements for the next Calendar Month's Joint Operations in accordance with an approved Work Program and Budget.

Cash Transfer means a Transfer where the sole consideration, other than the assumption of obligations relating to the transferred Participating Interest, is cash, cash equivalents, promissory notes, or retained interests (e.g. production payments) in the Participating Interest being transferred.

Cash Value means the portion of the total monetary value (expressed in Australian 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 Participating Interest subject to the proposed Transfer or Change in Control.

Change in Control means a direct or indirect change in Control of a Party (whether through merger, spin-off, sale of shares or other equity interests, or otherwise) through a single transaction or series of related transactions, from one or more transferors to one or more transferees, in which the market value of the Party's Participating Interest represents more than 30% percent of the aggregate market value of the assets of the Party and its Affiliates that are subject to the change in Control. For this definition, market value will be determined based upon the cash a willing buyer would pay a willing seller in an arm's length transaction.

Commercial Discovery means any Discovery that is sufficient to entitle the Parties to apply for authorization from the Government to commence exploitation.

Completion means operations intended to complete a well through the Christmas tree as a producer of Hydrocarbons in one or more Zones, including the setting of production casing, perforating, stimulating the well and production Testing conducted in such operation. "Complete" and other derivatives shall be construed accordingly.

Consenting Party means a Party that agrees to participate in and pay its share of the cost of an Exclusive Operation.

Consequential Loss means any losses, damages, costs, or liabilities caused (directly or indirectly) by any of the following arising out of, relating to, or connected with this Agreement or the operations and/or activities carried out under this Agreement: (i) reservoir or formation damage; (ii) inability to produce, use or dispose of Hydrocarbons; (iii) loss or deferment of income; (iv) punitive damages; or (v) indirect damages or losses whether or not similar to the foregoing.

Contract Area means as of the Effective Date the South block of the Licence labelled as Block A on the map attached as Exhibit B and the Lycium block labelled as Block B on the map attached as Exhibit B. The perimeter or perimeters of the Contract Area shall correspond to the South and Lycium blocks shown in Exhibit B as covered by the Licence, as such area may vary from time to time during the term of validity of the Licence.

Control means the ownership directly or indirectly of fifty (50) percent or more of the voting rights in a legal entity.

Corporations Act means the *Corporations Act 2001* (Cth).

Crude Oil means all crude oils, condensates, natural gas liquids and other Hydrocarbons in a liquid state at standard pressure that are covered by the Licence.

Day means a Gregorian Calendar day unless otherwise specifically provided.

Deepening means an operation to drill a well to an objective Zone below the deepest Zone in which such well was previously drilled, or below the deepest Zone proposed in the associated AFE (if required), whichever is the deeper.

Default Amount means the amount of the Defaulting Party's share of Joint Account charges that the Defaulting Party has failed to pay when due under this Agreement or the Farmout Agreement.

Default Interest Rate means interest compounded on a monthly basis, at LIBOR plus three (3) percentage points, applicable on the first Business Day before the due date of payment and afterwards on the first Business Day of each succeeding Calendar Month. If the resulting rate is contrary to applicable usury law, then the rate of interest to be charged shall be the maximum rate permitted by such applicable law.

Default Notice means the notice of default given to a Defaulting Party.

Defaulting Party shall have the meaning ascribed in Article 8.1.A.

Default Period means the period beginning on the fifth (5th) Business Day after the date that the Default Notice is received under Article 8.1.A and ending when the Defaulting Party has remedied its default in full by paying the Total Amount in Default.

Delivery Point means the point at which title and risk of loss of each Party's Entitlement passes to such Party.

Development Operations means operations and activities, including acquiring G&G Data and drilling Development Wells, conducted under an approved Development Plan.

Development Plan means an overall plan and cost estimate for the development of Hydrocarbons from a Commercial Discovery.

Development Well means any well drilled, whose purpose relates to the production of Hydrocarbons under a Development Plan.

Discovery means the discovery of an accumulation of Hydrocarbons, the existence of which until that moment was unproven by drilling.

Dispute means any dispute, controversy, or claim (of any and every kind or type, whether based on contract, tort, statute, regulation, or otherwise) arising out of, relating to, or connected with this Agreement or the operations and activities carried out under this Agreement, including any dispute as to the construction, validity, interpretation, enforceability, breach, or termination of this Agreement.

Effective Date shall mean the date first written above in this Agreement.

Encumbrance means with respect to any interest or asset, a mortgage, lien, pledge, charge, or other burden.

Entitlement means the quantity of Hydrocarbons (excluding all quantities used or lost in Joint Operations) that a Party has the right and obligation to own, take in kind, and dispose of under this Agreement and the Licence, as such right and obligation may be modified by any lifting, balancing, sales and other agreements entered into under Article 9.

Environmental Loss means any losses, damages, costs, or liabilities (other than Consequential Loss) caused by a discharge of Hydrocarbons, pollutants, or other contaminants into or onto any medium (including land, surface water, ground water and/or air) relating to this Agreement or the operations and activities carried out under this Agreement, including: (i) injury or damage to, or destruction of, natural resources or real or personal property; (ii) cost of pollution control, cleanup and removal; (iii) cost of restoration of natural resources; and (iv) fines, penalties, or other assessments.

Exclusive Operation means those operations and activities carried out under this Agreement, the costs of which are chargeable to the account of fewer than all the Parties.

Exclusive Well means a well drilled as an Exclusive Operation.

Exploitation Area means that part of the Contract Area that is established for development of a Commercial Discovery under the Licence or, if the Licence does not establish an exploitation area, then that part of the Contract Area that is delineated as the exploitation area in a Development Plan approved as a Joint Operation or as an Exclusive Operation.

Exploitation Period means any periods of exploitation during which the production and removal of Hydrocarbons is permitted under the Licence.

Exploration Operations means operations and activities, including acquiring G&G Data and drilling Exploration Wells, whose purpose is to explore for accumulations of Hydrocarbons.

Exploration Period means any periods of exploration set out in the Licence.

Exploration Well means any well, whose purpose at the time drilling commences, is to explore for an accumulation of Hydrocarbons, which accumulation was at that time unproven by drilling.

Farmout Agreement has the meaning given in the recitals to this Agreement, together with all exhibits and appendicies thereto, as such agreement, exhibits and appendicies may be amended, supplemented or otherwise modified from time to time.

Force Majeure has the same meaning as is set out in the Licence.

G & G Data means only geological, geophysical, geochemical and, other similar data and information that is not obtained through a well bore.

Government means the government of the State of South Australia and any political subdivision, agency or instrumentality of such government.

Gross Negligence / Willful Misconduct means any act or failure to act (whether sole, joint or concurrent) by any person or entity that was intended to cause, or was in reckless disregard of or wanton indifference to, harmful consequences such person or entity knew, or should have known, such act or failure would have on the safety or property of another person or entity.

Hydrocarbons mean all substances that are covered by the Licence, including Crude Oil and Natural Gas.

HSE means Health, Safety, and the Environment.

HSE Plan shall have the meaning set out in Article 6.6.A.

Joint Account means the accounts maintained by Operator under this Agreement and the Accounting Procedure to record costs, receipts, and credits of Joint Operations.

Joint Operations means the operations and activities within the scope of this Agreement (or whose purpose at the time undertaken was within the scope of this Agreement) conducted by Operator on behalf of all Parties, including Exploration Operations, Appraisal Operations, Development Operations, Production Operations, and operations and activities for the purposes of Decommissioning.

Joint Property means, at any point in time, all wells, facilities, equipment, materials, information, funds, and property (other than Hydrocarbons) held for use in Joint Operations.

Laws mean those laws, statutes, rules, and regulations of South Australia governing the Licence and this Agreement.

LIBOR means the interest rate per annum equal to the London Interbank Offered Rate as administered by the ICE Benchmark Administration (or any other person that takes over administrative of such rate for U.S. dollars) for one month U.S. dollar deposits, as published in London by the Financial Times or if not published, then by The Wall Street Journal.

Licence means Petroleum Exploration Licence (PEL) 512 issued by the Government to DESAL on 26 October 2012 insofar as the Licence pertains to the Contract Area and any licence granted under the Act in substitution, replacement, extension or renewal of that licence insofar as it pertains to the Contract Area. If a separate petroleum exploration licence is granted covering the Contract Area as provided herein, Licence means that licence and any licence granted under the Act in substitution, replacement, extension or renewal of that licence

Minimum Work Obligations mean those work and/or expenditure obligations specified in the Licence that must be performed in order to satisfy the obligations of the Licence in the then current period or phase of the Licence.

Natural Gas means all Hydrocarbons in a gaseous state at standard temperature and pressure (including wet gas, dry gas, and residue gas) that are covered by the Licence, but excluding Crude Oil.

Non-Consenting Party means each Party who elects not to participate in an Exclusive Operation.

Non-Operator means each Party to this Agreement other than Operator.

Operating Committee means the committee established under Article 5.

Operator means the Party designated in Article 4 or 7.12.F.

Operator Indemnitee means any of the Operator, its Affiliates, or their respective directors, officers, and employees. **Operator Indemnitees** means all of them.

Participating Interest means each Party's undivided share (expressed as a percentage of the total shares of all Parties) in the rights, interests, obligations, and liabilities of the Parties derived from the Licence as it covers the Contract Area and this Agreement.

Party means each of the persons and entities named in the preamble, including their respective successors and assignees to rights, interests and obligations in the Contract Area, generically, and **Parties** means all of the persons and entities named in the preamble, including their respective successors and assignees to rights, interests, and obligations in the Contract Area, collectively.

Plugging Back means a single operation whereby a deeper Zone is abandoned in order to attempt a Completion in a shallower Zone.

Production Bonus means the bonus, if any, payable by the Parties under the Licence.

Production Operations means operations and activities intended to extract Hydrocarbons for commercial purposes, especially operations and activities concerning producing wells (including Recompleting and Reworking), and field separation, processing, storage, and handling of Hydrocarbons upstream of the Delivery Point, conducted to progress a Development Plan and/or a projected production schedule.

Public Official means (i) any officer, employee, director, principal, consultant, agent or representative, whether appointed or elected, of any government (whether central, federal, state or provincial), ministry, body, department, agency, instrumentality or part of any of them, or any public international organization, or any state or government owned or controlled entity, agency, enterprise, joint venture, or partnership (including a partner or shareholder of such an enterprise); (ii) any person acting in an official capacity for or on behalf of (a) any government, ministry, body, department, agency, instrumentality or part of any of them, or (b) any public international organization, or (c) any political party or political party official or candidate for office.

Recompletion means an operation whereby a Completion in a Zone (or part of a Zone) is abandoned in order to attempt a Completion in a different Zone (or different part of a Zone) within the existing wellbore.

Reserve Fund shall have the meaning set out in Article 8.4.C.

Reworking means an operation conducted in the wellbore of a well after it is Completed to secure, restore, or improve production in a Zone (or part of a Zone) that is currently open to production in the wellbore. Such operations include well stimulation operations, but exclude any routine repair or maintenance work, drilling, Sidetracking, Deepening, Completing, Recompleting, or Plugging Back of a well.

Secondee means an employee of a Non-Operator or its Affiliate, who is subject to Secondment.

Secondment means the placement under Article 4.3 of an employee of a Non-Operator or its Affiliate in Operator's organization to provide services under a Secondment Agreement between Operator and such Non-Operator or its Affiliates.

Security means (i) an irrevocable standby letter of credit or irrevocable commercial bank guarantee issued by a bank; (ii) an on-demand bond issued by a surety corporation; (iii) an irrevocable guarantee issued by a corporation or government; (iv) any financial security required by the Licence, this Agreement or the Farmout Agreement; and (v) any financial security agreed from time to time by the Parties; provided that the bank, surety, corporation or government issuing the guarantee, standby letter of credit, bond, or other security (as applicable) has a net worth sufficient to pay its obligations in all reasonably foreseeable circumstances.

Senior Executive means any individual who has authority to settle a Dispute for a Party.

Senior Supervisory Personnel means, with respect to a Party, any director or officer of such Party, and any individual who functions for such Party or one of its Affiliates at a management level equivalent or superior to any individual functioning as such Party's senior onsite manager or supervisor(s) who is responsible for or in charge of the conduct of seismic acquisition, drilling, construction or production and related operations, or any other field operations, but excluding all individuals functioning at a level below such field manager or supervisor.

Sidetracking means the directional control and intentional deviation of a well bore 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.

South Block means the South block of the Licence labelled as Block A on the map attached as Exhibit B and the Lycium block labelled as Block B on the map attached as Exhibit B.

Testing means an operation conducted in the well bore that is intended to evaluate the capacity of a Zone to produce Hydrocarbons. "Test" and other derivatives shall be construed accordingly.

Total Amount in Default means the sum of: (i) the Amount in Default; (ii) third-party costs of obtaining and maintaining a Security held by the non-defaulting Parties, or the funds paid by the Parties to allow Operator to obtain or maintain Security, under Article 8.3.A.2; plus (iii) interest at the Default Interest Rate accrued on the amount calculated under (i) from the date this amount is due by the Defaulting Party until paid in full by the Defaulting Party and on the amount calculated under (ii) from the date this amount is incurred by the non-defaulting Parties until paid in full by the Defaulting Party.

Total Available Production means all Hydrocarbons produced in the Contract Area and saved less the quantities used for Joint Operations and any losses.

Transfer means any sale, assignment, novation, Encumbrance or other disposition by a Party of any rights or obligations that pertain to the Contract Area and that are derived from the Licence or this Agreement (including its Participating Interest), other than its Entitlement and its rights to any credits, refunds or payments under this Agreement, and excluding any direct or indirect Change in Control of a Party; provided that "Transfer" shall not be interpreted to include any sale, assignment, novation, Encumbrance or other disposition by DESAL of any rights, interests, or obligations in the West Block.

Urgent Operational Matters means decisions on matters involving the use of a drilling rig, vessel or other equipment (not normally maintained in the Contract Area) that is standing by in the Contract Area.

Venture Information means the information and results developed or acquired in Joint Operations, which will be Joint Property, unless provided otherwise in this Agreement and/or the Licence.

West Block means the West block of PEL 512 labelled as Block C on the map attached as Exhibit B.

Work Program and Budget means a work program for Joint Operations and corresponding budget as described and approved under Article 6.

Zone means a stratum of earth containing or thought to contain an accumulation of Hydrocarbons separately producible from any other accumulation of Hydrocarbons.

1.2 Interpretation

1.2.A Title and Headings. The title and topical headings used in this Agreement are for convenience only and shall not be construed as having any substantive significance or as indicating that all of the provisions of this Agreement relating to any topic are to be found in any particular Article.

1.2.B Derivatives. A capitalized derivative or other variation of a defined term will have a corresponding meaning and be construed accordingly.

1.2.C Singular and Plural. Reference to the singular includes a reference to the plural and vice versa.

1.2.D Gender. Reference to any gender includes a reference to all other genders.

1.2.E Article. Unless otherwise provided, reference to any Article or an Exhibit means an Article or Exhibit of this Agreement.

1.2.F Conflicts. If the provisions in the body of this Agreement conflict with the provisions in the body of the Farmout Agreement, the provisions in the body of the Farmout Agreement shall prevail to the extent of such conflict. If the provisions in the body of this Agreement conflict with the provisions in any Exhibit, the provisions in the body of this Agreement shall prevail

1.2.G Include. The terms “include” and “including” shall mean include or including without limiting the generality of the description preceding such term and are used in an illustrative sense and not a limiting sense.

ARTICLE 2 - TERM AND TERMINATION

2.1 Term

2.1.A This Agreement shall have effect from the Effective Date and shall continue in effect until:

2.1.A.1 the Licence terminates;

2.1.A.2 all materials, equipment and personal property acquired for or used in connection with Joint Operations or Exclusive Operations have been disposed of or removed; and

2.1.A.3 final settlement (including settlement of any financial audit carried out under the Accounting Procedure) has been made.

2.1.B Despite Article 2.1.A:

2.1.B.1 Article 10 shall remain in effect until all Abandonment obligations under the Licence and applicable Laws have been satisfied; and

2.1.B.2 the liability and payment obligations under Article 3.3.B and 3.3.C, Article 4.5, Article 8, Article 15.2, Article 18, and the indemnity obligations under Article 4.6.B, 7.3.A, 7.9.E, 10.1.C, 10.2.E.2, 14.2, 191.C shall remain in effect until all obligations have been extinguished and all Disputes have been resolved.

2.1.C Termination of this Agreement shall be without prejudice to any rights and obligations arising out of or in connection with this Agreement that have vested, matured, or accrued before such termination.

ARTICLE 3 - SCOPE

3.1 Scope

3.1.A The purpose of this Agreement is to establish the respective rights and obligations of the Parties concerning operations and activities in the Contract Area, including the joint exploration, appraisal, development, production of Hydrocarbons (including treatment, storage, transportation and handling of produced Hydrocarbons upstream of the Delivery Point), the determination of Entitlements at the Delivery Point, Abandonment and Decommissioning.

3.1.B The Parties confirm that, except to the extent expressly included in the Licence, the following activities are outside of the scope of this Agreement:

3.1.B.1 Construction, operation, ownership, maintenance, repair, and removal of facilities downstream from the Delivery Point;

3.1.B.2 Transportation of the Parties’ Entitlements downstream from the Delivery Point;

3.1.B.3 Marketing and sales of Hydrocarbons, except as expressly provided in Article 7.12.E, Article 8.4 and Article 9;

3.1.B.4 Acquisition of rights to explore for, appraise, develop or produce Hydrocarbons outside of the Contract Area (other than through unitization with an adjoining licence area under the Licence or Laws);

3.1.B.5 Exploration, appraisal, development, or production of minerals other than Hydrocarbons, whether inside or outside the Contract Area.

3.2 Participating Interest

3.2.A Unless otherwise provided in this Agreement, the Participating Interests of the Parties as of the Effective Date are:

Party	Participating Interest
DESAL	50%
WESI	50%

3.2.B If a Party Transfers all or part of its Participating Interest under the provisions of this Agreement and the Licence, the Participating Interests of the Parties shall be revised accordingly.

3.3 Ownership, Obligations and Liabilities

3.3.A Unless otherwise provided in this Agreement, all the rights and interests in and under the Licence, all Joint Property, and any Hydrocarbons produced from the Contract Area shall, subject to the terms of the Licence, be owned by the Parties in proportion to their respective Participating Interests.

3.3.B Unless otherwise provided in this Agreement, the obligations of the Parties under the Licence and all costs and liabilities incurred by Operator (or by any Party on behalf of all Parties, as set out in this Agreement) in connection with Joint Operations shall be charged to the Joint Account and all credits to the Joint Account shall be shared by the Parties, in proportion to their respective Participating Interests.

3.3.C Each Party shall pay when due, in accordance with the Accounting Procedure, its Participating Interest share of Joint Account charges, including Cash Calls and interest, accrued under this Agreement. A Party's payment of any charge under this Agreement shall not prejudice its right to later contest the charge.

3.3.D During the "Obligatory Expenditure Work Progam" (as defined in the Farmout Agreement), WESI shall pay and discharge all Joint Acount charges, including Cash Calls and interest, attributable to the Participating Interest share of DESAL. During the Obligatory Expenditure Work Program, all payments by WESI towards Joint Account charges shall first be applied towards amounts attributable to DESAL's Participating Intrest share and second to WESI's Participating Interest share.

ARTICLE 4 - OPERATOR

4.1 Designation of Operator

DESAL is designated as Operator, accepts the rights, duties, and obligations of Operator, and agrees to act as such in accordance with this Agreement.

4.2 Rights and Duties of Operator

4.2.A Subject to the terms and conditions of this Agreement, Operator shall have all of the rights, functions, and duties of Operator under the Licence, shall have exclusive charge of Joint Operations, and shall conduct all Joint Operations. Operator may employ independent contractors and agents, including Affiliates of Operator, Non-Operators, or Affiliates of a Non-Operator, in such Joint Operations.

4.2.B In the conduct of Joint Operations Operator shall:

4.2.B.1 Perform Joint Operations in accordance with the Licence, the Laws, and this Agreement, and consistent with approved Work Programs and Budgets (and if applicable approved AFEs), and the decisions of the Operating Committee not in conflict with this Agreement;

4.2.B.2 Conduct Joint Operations in a diligent, safe, and efficient manner in accordance with good and prudent petroleum industry practices and field conservation principles generally followed by the international petroleum industry under similar circumstances;

4.2.B.3 Exercise due care with respect to the receipt, payment and accounting of funds in accordance with good and prudent practices generally followed by the international petroleum industry under similar circumstances;

4.2.B.4 Charge to the Joint Account in accordance with this Agreement and the Accounting Procedure any damage, loss, cost, or liability arising out of, incident to, or resulting from Joint Operations;

4.2.B.5 Subject to Article 4.6 and the Accounting Procedure, neither gain a profit nor suffer a loss as a result of being the Operator, provided that Operator may rely upon Operating Committee approval of specific accounting practices not in conflict with the Accounting Procedure;

4.2.B.6 Perform the duties for the Operating Committee set out in Article 5, and prepare and submit to the Operating Committee in a timely manner proposed Work Programs and Budgets (and if applicable AFEs), as provided in Article 6;

4.2.B.7 Acquire all permits, consents, approvals, and surface or other rights that may be required for or in connection with the conduct of Joint Operations;

4.2.B.8 Upon receipt of reasonable advance notice, permit representatives of any Party to have at all reasonable times during normal business hours and at such Party's own risk and cost reasonable access to Joint Operations, to observe Joint Operations, to inspect Joint Property, to conduct HSE audits, and to conduct financial audits and to observe taking of inventory as provided in the Accounting Procedure;

4.2.B.9 Undertake to maintain the Licence in full force and effect consistent with good and prudent petroleum industry practices generally followed by the international petroleum industry under similar circumstances. Operator shall timely pay and discharge all costs and liabilities incurred in connection with Joint Operations and use its reasonable endeavors to keep the Joint Property free from all liens, charges, and Encumbrances arising out of Joint Operations;

4.2.B.10 Pay in cash, and/or make available in kind, to the Government on behalf of the Parties, in accordance with the Licence and the Laws, all periodic payments, royalties, any domestic supply obligations, taxes, fees and other payments relating to Joint Operations but excluding any taxes measured by the incomes of the Parties;

4.2.B.11 Carry out the obligations of Operator under the Licence, including preparing and furnishing such reports, records and information as may be required under the Licence;

4.2.B.12 Have, in accordance with the decisions of the Operating Committee, the exclusive right and obligation to represent the Parties in all dealings with the Government with respect to matters arising under the Licence and Joint Operations. Operator shall notify the other Parties as soon as possible of the time, place, and agenda of such meetings. Subject to the Licence and any necessary Government approvals, Non-Operators shall have the right to attend any meetings with the Government with respect to such matters, but only as observers. Nothing contained in this Agreement shall restrict any Party from discussing with the Government any matter peculiar to its particular business interests arising under the Licence or this Agreement, but in such event such Party shall promptly advise the Parties, if possible before and in any event promptly after such discussions; provided that such Party has no duty to divulge to the other Parties any proprietary information involved in such discussions or any matters not affecting the other Parties;

4.2.B.13 Subject to Article 9.3 and any decisions of the Operating Committee, assess (to the extent lawful) alternatives for the disposition of Natural Gas from a Discovery;

4.2.B.14 In case of an emergency (including a significant fire, explosion, Natural Gas release, Crude Oil release, or sabotage; incident involving loss of life, serious injury to an employee, contractor, or third party, or serious property damage; strikes and riots; or evacuations of Operator personnel): (i) take all necessary and proper measures for the protection of life, health, the environment and property; and (ii) as soon as reasonably practicable, report to Non-Operators the details of such event and any measures Operator has taken or plans to take in response thereto;

4.2.B.15 Establish and implement under Article 6.6 an HSE Plan, which complies with the Licence, Laws relating to HSE, this Agreement, generally accepted practices of the international petroleum industry and decisions of the Operating Committee;

4.2.B.16 Establish and implement anti-bribery and anti-corruption policies and procedures consistent with Article 20.1;

4.2.B.17 Prior to appointing or engaging any independent contractor conduct appropriate and proportionate due diligence concerning relevant criteria, including such contractor's ability to perform the proposed work properly, on time, within budgeted cost, and in compliance with applicable legal and contractual requirements;

4.2.B.18 Include in its contracts with independent contractors and to the extent practical and lawful, provisions that:

(a) Establish that such contractors can enforce their contracts only against Operator;

(b) Permit Operator, on behalf of the Parties, to enforce contractual warranties and indemnities against such contractors and their sub-contractors, and to recover from such contractors and sub-contractors losses and damages suffered by the Parties that are recoverable under their contracts;

(c) Require such contractors to obtain and maintain insurance required by Article 4.7.H;

4.3 Operator Personnel

Operator shall engage and/or retain only such employees, Secondees, contractors, consultants, and agents as are reasonably necessary to conduct Joint Operations. Subject to the Licence and this Agreement, Operator shall determine the number of such employees, Secondees, contractors, consultants, and agents, the selection of such persons, their hours of work, and (except for Secondees) their compensation.

4.4 Information Supplied by Operator

4.4.A Subject to Article 15.3, Operator shall provide Non-Operators in a timely manner with copies of the following information, data and reports relating to Joint Operations (to the extent to be charged to the Joint Account) in digitized format and if not available then in hard-copy as they are currently produced or compiled from Joint Operations:

4.4.A.1 All logs, and surveys;

4.4.A.2 Proposed well design and any revisions for each well;

4.4.A.3 Daily drilling reports;

4.4.A.4 All Tests and core data and analysis reports;

4.4.A.5 Final well recap report;

4.4.A.6 Plugging reports;

4.4.A.7 Seismic sections and if applicable shot point location maps;

4.4.A.8 Final, and if requested by any Non-Operator intermediate, geological and geophysical maps, interpretations and reports;

4.4.A.9 Engineering studies, and monthly and annual progress reports on Development Operations, which progress reports shall at least set out the then current development schedule, the status of each such Development Operation from inception to date, its cumulative costs to date and the cumulative commitments undertaken;

4.4.A.10 Weekly production summary and production activity reports, and monthly reports on well, reservoir, field and infrastructure performance;

4.4.A.11 Reservoir studies, annual reserve estimates, and annual forecasts of production capability, infrastructure capacity, and scheduled outages, provided that Operator makes no representations about the accuracy of its identification of reserves and that each Non-Operator retains full responsibility for making its own assessment of reserves for internal and reporting purposes;

4.4.A.12 Before filing with the Government, copies of all material reports relating to Joint Operations or the Licence required, or anticipated, to be furnished by Operator to the Government, and copies of such reports as filed;

4.4.A.13 As reasonably requested by a Non-Operator, other material studies and reports relating to Joint Operations;

4.4.A.14 Data, reports, forecasts and schedules under agreements provided for in Article 9;

4.4.A.15 Copies of accounting information and reports to be furnished under Article 6.8 and the Accounting Procedure;

4.4.A.16 Monthly and annual HSE key performance data and reports;

4.4.A.17 Such additional information as a Non-Operator may reasonably request, provided that the preparation of such information will not unduly burden Operator's administrative and technical personnel, that the requesting Party or Parties pay the costs of preparation of such information, and that only Non-Operators who pay such costs will receive such additional information; and

4.4.A.18 Other reports as directed by the Operating Committee.

4.4.B Operator shall give Non-Operators access at all reasonable times during normal business hours to all data and reports (other than data and reports provided to Non-Operators under Article 4.4.A) acquired in the conduct of Joint Operations and for which a Non-Operator may reasonably request. Any Non-Operator may make copies of such other data at its sole expense.

4.5 Settlement of Claims and Lawsuits

4.5.A Operator shall promptly notify the Parties of any material claims or suits that relate in any way to Joint Operations. Operator shall represent the Parties and defend or oppose the claim or suit. Operator may in its sole discretion compromise or settle any such claim or suit or any related series of claims or suits for an amount not to exceed the equivalent of 150,000 Australian dollars exclusive of legal fees. Operator shall obtain the approval and direction of the Operating Committee on amounts in excess of the above-stated amount. Without prejudice to the foregoing, each Non-Operator shall have the right to be represented by its own counsel at its own expense in the settlement, compromise, or defense of such claims or suits.

4.5.B Any Non-Operator shall promptly notify the other Parties of any claim made against such Non-Operator by a third party that arises out of or may affect the Joint Operations, and such Non-Operator shall defend or settle the same in accordance with any directions given by the Operating Committee. Those costs and damages that are incurred under such defense or settlement, and that are attributable to Joint Operations shall be reimbursed by the Operator to such Non-Operator and charged to the Joint Account.

4.5.C Despite Article 4.5.A and Article 4.5.B, each Party shall have the right to participate in any such suit, prosecution, defense, or settlement conducted under Article 4.5.A and Article 4.5.B, at its sole expense; provided always that no Party may settle its Participating Interest share of any claim without first satisfying the Operating Committee that it can do so without prejudicing the interests of the Joint Operations.

4.6 Limitation on Liability of Operator

4.6.A Except as set out in Article 4.6.D, if applicable, neither Operator nor any other Operator Indemnitee shall bear (except as a Party to the extent of its Participating Interest share) any damage, loss, cost, or liability resulting from performing (or failing to perform) the duties and functions of Operator, and the Operator Indemnitees are hereby released from liability to Non-Operators for any and all damages, losses, costs, and liabilities arising out of, incident to, or resulting from such performance or failure to perform, even though caused in whole or in part by a pre-existing defect, or the negligence (whether sole, joint or concurrent), gross negligence, willful misconduct, strict liability or other legal fault of Operator (or any other Operator Indemnitee).

4.6.B Except as set out in Article 4.6.D, if applicable, the Parties shall (in proportion to their Participating Interests) defend and indemnify Operator Indemnitees from any damages, losses, costs (including reasonable legal costs and attorneys' fees), and liabilities incident to claims, demands, or causes of action brought by or for any person or entity, which claims, demands or causes of action arise out of, are incident to or result from Joint Operations, even though caused in whole or in part by a pre-existing defect, or the negligence (whether sole, joint or concurrent), gross negligence, willful misconduct, strict liability or other legal fault of Operator (or any other Operator Indemnitee).

4.6.C Nothing in this Article 4.6 shall be deemed to relieve Operator from its obligation to perform its duties and functions under this Agreement, or from its Participating Interest share of any damage, loss, cost, or liability arising out of, incident to, or resulting from Joint Operations.

4.6.D Despite Article 4.6.A or 4.6.B, if any Senior Supervisory personnel of Operator or its Affiliates engage in Gross Negligence / Willful Misconduct that proximately causes the Parties to incur damage, loss, cost, or liability for claims, demands or causes of action referred to in Article 4.6.A or 4.6.B, then, in addition to its Participating Interest share, Operator shall bear all such damages, losses, costs, and liabilities.

Despite the foregoing, under no circumstances shall Operator (except as a Party to the extent of its Participating Interest) or any other Operator Indemnitee bear any Consequential Loss or Environmental Loss.

4.7 Insurance Obtained by Operator

4.7.A Operator shall procure and maintain for the Joint Account the types and amounts of insurance required by the Licence or the Laws.

4.7.B Operator shall procure and maintain any additional insurance, at reasonable rates, as the Operating Committee may require. If such additional insurance is, in Operator's reasonable opinion, unavailable or available only at an unreasonable cost, Operator shall promptly notify the Non-Operators so that the Operating Committee may reconsider such requirement for additional insurance.

4.7.C Each Party will be provided the opportunity to underwrite any or all of the insurance to be obtained by Operator under Articles 4.7.A and 4.7.B, through such Party's Affiliate insurance company or, if direct insurance is not so permitted, through reinsurance policies to such Party's Affiliate insurance company. Any Party exercising its rights under this Article shall furnish to Operator details of the proposed insurance. If Operator in its discretion is satisfied with the security and creditworthiness of such insurance or reinsurance arrangements, and that the premiums for such insurance or reinsurance will not be significantly higher than market rate and will be recoverable under the Licence, then Operator shall procure such insurance or reinsurance from such Party.

4.7.D Subject to the Licence and the Laws, any Party may elect not to participate in the insurance to be procured under Articles 4.7.A and 4.7.B; provided such Party:

4.7.D.1 Promptly notifies Operator to that effect;

4.7.D.2 Does not interfere with Operator's negotiations for such insurance;

4.7.D.3 Provides to the Operator before the relevant operations begin (and at least annually during the continuance of such operations) a current certificate of adequate coverage, or other evidence of financial responsibility that fully covers such non-participating Party's Participating Interest share of the risks that would be covered by the insurance to be procured under Article 4.7.A and/or Article 4.7.B, as applicable, and that the Operating Committee determines to be acceptable. No such determination of acceptability shall in any way absolve a non-participating Party from its obligation to meet each Cash Call or billing (except, under Article 4.7.F, regarding the costs of the insurance policy in which such Party has elected not to participate) including any Cash Call or billing with respect to damages and losses and/or the costs of remedying the same under this Agreement, the Licence and the Laws. If such non-participating Party obtains other insurance, such insurance shall (i) contain a waiver of subrogation in favor of all the other Parties, the Operator and their insurers but only with respect to their interests under this Agreement; (ii) provide that thirty (30) Days written notice be given to Operator before any material change in, or cancellation of, such insurance policy; (iii) be primary to, and receive no contribution from, any other insurance maintained by, or for, or benefiting Operator or the other Parties; and (iv) contain adequate territorial extensions and coverage in the location of the Joint Operations; and

4.7.D.4 Is responsible for all deductibles, coinsurance payments, self-insured exposures, uninsured or underinsured exposures relating to its interests under this Agreement.

4.7.E covers the risks that would be covered by the insurance to be procured under Articles 4.7.A and 4.7.B.

4.7.F The cost of insurance in which all the Parties are participating shall be for the Joint Account, and the cost of insurance in which fewer than all the Parties are participating shall be charged to the Parties participating in proportion to their respective Participating Interests. Subject to the preceding sentence, the cost of insurance with respect to an Exclusive Operation shall be charged to the Consenting Parties.

4.7.G Operator shall, with respect to all insurance obtained under this Article 4.7:

4.7.G.1 Use reasonable endeavors to procure, or cause to be procured, such insurance before the relevant operations begin, and maintain, or cause to be maintained, such insurance during the term of the relevant operations or any longer term required under the Licence or the Laws;

4.7.G.2 Promptly inform the participating Parties when such insurance is obtained and supply them with certificates of insurance or copies of the relevant policies when issued;

4.7.G.3 Arrange for the participating Parties, according to their respective Participating Interests, to be named as co-insureds on the relevant policies with waivers of subrogation in favor of all the Parties but only to the extent of their interests under this Agreement;

4.7.G.4 Use reasonable endeavors to ensure that each policy shall survive the default or bankruptcy of the insured for claims arising out of an event before such default or bankruptcy and that all rights of the insured shall revert to the Parties not in default or bankruptcy; and

4.7.G.5 Duly file all claims and take all necessary and proper steps to collect any proceeds and credit any proceeds to the participating Parties in proportion to their respective Participating Interests.

4.7.H Operator shall use its reasonable endeavors to require all contractors performing work with respect to Joint Operations to:

4.7.H.1 Obtain and maintain any insurance in the types and amounts required by the Licence, the Laws or any decision of the Operating Committee;

4.7.H.2 Name the Parties as additional insureds on the contractor's insurance policies and obtain from their insurers waivers of all rights of recourse against the Parties and their insurers; and

4.7.H.3 Provide Operator with certificates evidencing such insurance before the commencement of their services.

4.8 Commingling of Funds

4.8.A Operator may not commingle with Operator's own funds the monies that Operator receives from or for the Joint Account under this Agreement. However, Operator reserves the right to make future proposals to the Operating Committee concerning the commingling of funds to achieve financial efficiency.

4.8.B The Operating Committee may require Operator to deposit monies received for the Joint Account in an interest-bearing account after the approval of the Development Plan.

Operator shall allocate interest earned among the Parties on an equitable basis taking into account the amounts received from each Party and the date of receipt. Operator shall apply each Party's allocation of earned interest to such Party's next succeeding Cash Call or, if directed by the Operating Committee, pay it to each such Party.

4.9 Resignation of Operator

Subject to Article 4.11, Operator may resign as Operator by so notifying the other Parties at least one hundred and twenty (120) Days before the effective date of such resignation.

4.10 Removal of Operator

4.10.A Subject to Article 4.11, Operator shall be removed upon receipt of notice from any Non-Operator if:

4.10.A.1 Operator becomes insolvent or bankrupt, or makes an assignment for the benefit of creditors;

4.10.A.2 A court order is made or an effective resolution is passed for the reorganization under any bankruptcy law, dissolution, liquidation, or winding up of Operator;

4.10.A.3 A receiver is appointed for a substantial part of Operator's assets; or

4.10.A.4 Operator dissolves, liquidates, winds up, or otherwise terminates its existence.

4.10.B Subject to Article 4.11, Operator may be removed by the decision of the Non-Operators, as set out below, if Operator has committed a material breach of this Agreement and has either failed to commence to cure that breach within thirty (30) Days of receipt of a notice from Non-Operators detailing the alleged breach or failed to diligently pursue the cure to completion. Any decision of Non-Operators to give notice of breach to Operator or to remove Operator under this Article 4.10.B shall be made by an affirmative vote of Non-Operators, excluding any Affiliates of the Operator, holding a combined Participating Interest of at least sixty five percent (65%) of the Participating Interests of the Non-Operators excluding the Participating Interests held by Affiliates of the Operator. However, if Operator disputes such alleged commission of or failure to cure a material breach and Dispute resolution proceedings are initiated under Article 18.2 concerning such breach, then Operator shall remain appointed and no successor Operator may be appointed pending the conclusion or abandonment of such proceedings, subject to the terms of Article 8.3 with respect to Operator's breach of its payment obligations.

4.10.C If as a result of a Transfer, the total Participating Interests of Operator and its Affiliates would become equal to or less than thirty percent (30%), then Operator shall promptly notify the other Parties. The Parties shall vote within thirty (30) Days of such notification on whether or not Operator should be removed and a successor Operator should be named under Article 4.11.

4.10.D If there is a Change in Control of Operator (other than a transfer of Control to an Affiliate of Operator), Operator shall promptly notify the other Parties. The Parties shall vote within thirty (30) Days of such notification on whether or not Operator should be removed and a successor Operator should be named under Article 4.11.

An affirmative vote of one (1) or more of the total number of Non-Operators holding a combined Participating Interest of at least sixty five percent (65%) of the Participating Interest held by all of the Non-Operators excluding Participating Interests held by Affiliates of the Operator, shall be required to remove Operator under this Article.

4.11 Appointment of Successor

When a change of Operator occurs under Article 4.9 or Article 4.10:

4.11.A The Operating Committee shall meet as soon as possible to appoint a successor Operator under the voting procedure of Article 5.9. No Party may be appointed successor Operator against its will.

4.11.B If Operator is removed, other than under Article 4.10.C or Article 4.10.D, neither Operator, nor any Affiliate of Operator, shall have the right to be considered as a candidate for the successor Operator.

4.11.C The resigning or removed Operator shall, subject to its duty to use reasonable efforts to mitigate the costs related to its resignation or removal, be compensated out of the Joint Account for its reasonable costs directly related to its resignation or removal, except for removal under Article 4.10.B.

4.11.D The resigning or removed Operator and the successor Operator shall arrange to take an inventory of all Joint Property and Hydrocarbons, and to audit the books and records of the removed Operator. Such inventory and audit shall be completed, if possible, no later than the effective date of the change of Operator and shall be subject to the approval of the Operating Committee. The costs and liabilities of such inventory and audit shall be charged to the Joint Account.

4.11.E The resignation or removal of Operator and its replacement by the successor Operator shall not become effective before receipt of any necessary Government approvals. Upon the effective date of the resignation or removal, the successor Operator shall succeed to all duties, rights and authority prescribed for Operator. The former Operator shall transfer to the successor Operator all Joint Property, books of account, records and other documents maintained by Operator pertaining to the Contract Area and to Joint Operations, and shall endeavor to transfer rights, warranties, indemnities and duties under contracts and licenses entered into for Joint Operations. Upon the effective date of its resignation or removal the former Operator shall be released and discharged from all obligations and liabilities as Operator accruing after the date the former Operator transfers all contracts and data to the successor Operator.

ARTICLE 5 - OPERATING COMMITTEE

5.1 Establishment of Operating Committee

To provide for the overall supervision and direction of Joint Operations, the Parties establish an Operating Committee composed of representatives of each Party holding a Participating Interest. Each Party shall appoint one (1) representative and one (1) alternate representative to serve on the Operating Committee. Each Party shall as soon as possible after the date of this Agreement give notice in writing to the other Parties of the name and address of its representative and alternate representative to serve on the Operating Committee. Each Party shall have the right to change its representative and alternate representative at any time by giving notice of such change to the other Parties.

5.2 Powers and Duties of Operating Committee

The Operating Committee shall have the power and duty to authorize and supervise Joint Operations that are necessary or desirable to fulfill the Licence and properly explore and exploit the Contract Area under this Agreement, the Licence, the Laws, and generally accepted practices of the international petroleum industry under similar circumstances; provided that Operating Committee may not compel any Party to exercise, make, or take, or prevent any Party from exercising, making, or taking, any right, decision, or action concerning any matter or proposal under this Agreement, which right, decision or action is reserved or delegated to a Party or the Parties.

5.3 Authority to Vote

The representative of a Party, or in the representative's absence the alternate representative, shall be authorized to represent and bind such Party with respect to any matter that is within the powers and duties of the Operating Committee and is properly brought before the Operating Committee. Each such representative or alternate representative shall have a vote equal to the Participating Interest of the Party such person represents. The alternate representative of each Party may attend any Operating Committee meetings, but shall have no vote at such meetings, unless such Party's representative is absent. In addition to the representative and alternate representative, each Party may send technical and other advisors to any Operating Committee meetings.

5.4 Subcommittees

The Operating Committee will establish a Technical Subcommittee and such other subcommittees as may be deemed necessary composed of repesentatives of each Party. Each subcommittee shall function in an advisory capacity to the Operating Committee or as otherwise determined unanimously by the Parties. Each Party shall have the right to appoint a representative to each subcommittee.

5.5 Notice of Meeting

5.5.A Operator may call a meeting of the Operating Committee by giving notice to the Parties at least fifteen (15) Days in advance of such meeting.

5.5.B Any Non-Operator may request a meeting of the Operating Committee by giving notice to all the other Parties. Upon receiving such request, Operator shall call such meeting for a date not fewer than fifteen (15) Days nor more than twenty (20) Days after receipt of the request.

5.5.C The notice periods above may only be waived with the unanimous consent of all the Parties.

5.6 Contents of Meeting Notice

5.6.A Each notice of a meeting of the Operating Committee as provided by Operator shall contain:

5.6.A.1 The date, time, and location of the meeting;

5.6.A.2 An agenda of the matters and proposals to be considered and/or voted upon at such meeting; and

5.6.A.3 Information about each matter and proposal to be considered and/or voted on at the meeting (including all appropriate supporting information not previously distributed to the Parties) sufficient to enable the Parties to be well informed about such matters and proposals before such meeting.

5.6.B A Party may add additional matters and proposals to the agenda for any meeting, by giving notice to the other Parties not fewer than seven (7) Days before such meeting.

5.6.C On the request of a Party, and with the unanimous consent of all Parties, the Operating Committee may consider at a meeting a matter and/or proposal not in the agenda for such meeting.

5.7 Location of Meetings

All meetings of the Operating Committee shall be held in Melbourne, Victoria, or elsewhere as the Operating Committee may decide.

5.8 Operator's Duties for Meetings

5.8.A Operator's duties, concerning meetings of the Operating Committee and any subcommittee, shall include:

5.8.A.1 Timely preparation and distribution of the agenda;

5.8.A.2 Organization and conduct of the meeting; and

5.8.A.3 Preparation of a written record or minutes of each meeting.

5.8.B Operator shall have the right to appoint the chairman of the Operating Committee and all subcommittees.

5.9 Voting Procedure

5.9.A Except as otherwise expressly provided in this Agreement, decisions, approvals, and other actions of the Operating Committee on all proposals (other than proposals on matters reserved to the Parties) coming before it shall be decided by the affirmative vote of two (2) or more Parties that are not Affiliates then having collectively at least sixty five percent (65%) of the Participating Interests.

5.9.B Notwithstanding the provisions of Article 5.9(A), the unanimous vote of the Parties shall be required to approve the following:

5.9.B.1 Subject to Article 7, Drilling, Deepening, Testing, Sidetracking, Plugging Back, Recompleting or Reworking Exploration Wells beyond the Minimum Work Obligation.

5.9.B.2 Subject to Article 7, Development Plans.

5.9.B.3 Subject to Article 7, determination that a Discovery is a Commercial Discovery.

5.9.B.4 Unitization with an adjoining contract area.

5.9.B.5 Modifications in scope of an approved Development Plan which result in a more than 25% increase or decrease in the total cost of the Development Plan.

5.9.B.6 Voluntary relinquishment of all or any part of the Contract Area.

5.9.B.7 Voluntary termination of the Licence.

5.9.B.8 Subject to Article 11, Amendments, Renewals and Extensions to the Licence.

5.10 Record of Votes

The chairman of the Operating Committee shall appoint a secretary who shall make a record of each proposal voted on and the results of such voting at each Operating Committee meeting. Each representative shall sign and be provided a copy of such record of votes at the end of such meeting. Such signed record shall be considered the final record of the decisions of the Operating Committee.

5.11 Minutes

The secretary shall provide each Party with a copy of the minutes of the Operating Committee meeting within fifteen (15) Business Days after the end of the meeting. Each Party shall notify the secretary within fifteen (15) Days after receipt of such minutes specifying any objections and corrections to the minutes. A failure to give notice specifying objections and corrections to such minutes within such fifteen (15) Day period shall be deemed to be approval of such minutes. In any event, the record of votes under Article 5.10 shall take precedence over the minutes described above.

5.12 Voting by Notice

5.12.A In lieu of a meeting, any Party may submit any proposal to the Operating Committee for a vote by notice. The proposing Party or Parties shall notify Operator who shall give each Party's representative notice describing the proposal so submitted and whether Operator considers such proposal to require urgent determination. Operator shall include with such notice adequate documentation in connection with such proposal to enable the Parties to decide. Each Party shall communicate its vote by notice to Operator and the other Parties within one of the following appropriate time periods after receipt of Operator's notice:

5.12.A.1 Forty-eight (48) hours in the case of Urgent Operational Matters; and

5.12.A.2 Fifteen (15) Days in the case of all other proposals.

5.12.B Except in the case of Article 5.12.A.1, any Party may, by notice delivered to all Parties within five (5) Days of receipt of Operator's notice, request that the proposal be decided at a meeting rather than by notice. In such event, that proposal shall be decided at a meeting duly called for that purpose.

5.12.C Except as provided in Article 10, any Party failing to communicate its vote in a timely manner shall be deemed to have voted against such proposal.

5.12.D If a meeting is not requested, then at the expiration of the appropriate time period, Operator shall give each Party a confirmation notice stating the tabulation and results of the vote.

5.13 Effect of Vote

All decisions taken by the Operating Committee under this Article 5 shall be conclusive and binding on all the Parties, except in the following cases.

5.13.A If under this Article 5, a Joint Operation has been properly proposed to the Operating Committee and the Operating Committee has not approved such proposal in a timely manner, then any Party that voted for such proposal shall have the right for the appropriate period specified below to propose, under Article 7, an Exclusive Operation involving operations essentially the same as those proposed for such Joint Operation.

5.13.A.1 For proposals related to Urgent Operational Matters, such right shall be exercisable for twenty-four (24) hours after the time specified in Article 5.12.A.1 has expired or after receipt of Operator's notice given to the Parties under Article 5.13.D, as applicable.

5.13.A.2 For proposals to develop a Discovery, such right shall be exercisable for ten (10) Days after the date the Operating Committee was required to consider such proposal under Article 5.6 or Article 5.12.

5.13.A.3 For all other proposals, such right shall be exercisable for five (5) Days after the date the Operating Committee was required to consider such proposal under Article 5.6 or Article 5.12.

5.13.B If a Party voted against any proposal that was approved by the Operating Committee and is of a type that could be conducted as an Exclusive Operation under Article 7, then such Party shall have the right not to participate in the operation contemplated by such approval. Any such Party wishing to exercise its right of non-consent must give notice of non-consent to all other Parties within five (5) Days (or twenty-four (24) hours for Urgent Operational Matters) after Operating Committee approval of such proposal. If a Party exercises its right of non-consent, the Parties who were not entitled to give or did not give notice of non-consent shall be Consenting Parties as to the operation contemplated by the Operating Committee approval, and shall conduct such operation as an Exclusive Operation under Article 7; provided, however, that any such Party who was not entitled to give or did not give notice of non-consent may, by notice provided to the other Parties within five (5) Days (or twenty-four (24) hours for Urgent Operational Matters) after the notice of non-consent given by any Non-Consenting Party, require that the Operating Committee vote again on the proposal in question. Only the Parties that were not entitled to or have not exercised their right of non-consent with respect to the contemplated operation shall participate in such second vote of the Operating Committee, with voting rights proportional to their respective Participating Interest. If the Operating Committee approves again the contemplated operation, any Party that voted against the contemplated operation in such second vote may elect to be a Non-Consenting Party with respect to such operation, by notice of non-consent provided to all other Parties within five (5) Days (or twenty-four (24) hours for Urgent Operational Matters) after the Operating Committee's second approval of such contemplated operation.

5.13.C If the Consenting Parties to an Exclusive Operation under Article 5.13.A or Article 5.13.B concur, then the Operating Committee may, at any time, under this Article 5, reconsider and approve, decide or take action on any proposal that the Operating Committee declined to approve earlier, or modify or revoke an earlier approval, decision or action.

5.13.D Once a Joint Operation for the drilling, Deepening, Testing, Sidetracking, Plugging Back, Completing, Recompleting, Reworking, or plugging of a well has been approved and commenced, such operation shall not be stopped without the consent of the Operating Committee; provided, however, that such operation may be stopped if:

5.13.D.1 An impenetrable substance or other condition in the hole is encountered which in the reasonable judgment of Operator causes the continuation of such operation to be impractical; or

5.13.D.2 Other circumstances occur that in the reasonable judgment of Operator cause the continuation of such operation to be unwarranted and the Operating Committee, within the period required under Article 5.12.A.1 after receipt of Operator's notice, approves discontinuing such operation.

On the occurrence of either of the above, Operator shall promptly notify the Parties that such operation is being stopped, and any Party shall have the right to propose under Article 7 an Exclusive Operation to continue such operation.

ARTICLE 6 - WORK PROGRAMS AND BUDGETS

6.1 Preparation and Approval

6.1.A Within thirty (30) Days after the signing of this Agreement, Operator shall deliver to the Parties a proposed annual Work Program and Budget detailing the Joint Operations proposed to be performed and the estimated costs forecast to be charged to the Joint Account during the remainder of the Calendar Year in which this Agreement was signed and, if appropriate, for the next Calendar Year. On or before the 1st Day of September of each Calendar Year afterwards, Operator shall deliver to the Parties a proposed annual Work Program and Budget detailing the Joint Operations Operator proposes to be performed and the estimated costs forecast to be charged to the Joint Account during the next Calendar Year.

6.1.B During the preparation of the proposed Work Programs and Budgets, Appraisal Plans and Development Plans contemplated in this Article 6, Operator shall consult with the Operating Committee or the appropriate subcommittees regarding the contents of such Work Programs and Budgets, Appraisal Plans, and Development Plans.

6.1.C Each annual Work Program and Budget shall with respect to the applicable Calendar Year contain inter alia:

6.1.C.1 An itemized list of the operations and activities to be conducted, described in sufficient detail to afford ready identification of the nature, scope, location, timing, and duration of each such operation and activity, including:

(a) designating whether such line item is intended to satisfy the Minimum Work Obligations of the Licence, the commitments of a previously approved Work Program and Budget, and/or the commitments of a previously approved Development Plan; and

(b) specifying whether such line item is firm or contingent and the conditions under which the Operating Committee may decide to make a contingent line item firm;

6.1.C.2 An estimate of the costs corresponding to each such line item enumerated in sufficient detail to be readily tracked and charged under the Accounting Procedure and consistent with the Contract;

6.1.C.3 An estimate of funds to be expended by Calendar Quarter;

6.1.C.4 During the Exploration Period, a forecast of annual operations and activities and corresponding estimated costs through the end of the Exploration Period;

6.1.C.5 Information with respect to Operator's estimated manpower requirements and costs and Operator's allocation procedures under the Accounting Procedure;

6.1.C.6 Reasonable and necessary supporting information; and

6.1.C.7 Any additional information and detail as the Operating Committee may deem suitable.

6.1.D Within thirty (30) Days of such delivery, or earlier if necessary to meet any applicable deadline under the Licence, the Operating Committee shall meet to consider, modify (if appropriate), and either approve or reject the proposed Work Program and Budget (including any agreed modifications) under Article 5.9; provided that no Work Program and Budget may provide for Appraisal Operations that exceed the scope of, or conflict with, any previously approved Appraisal Plan, and/or provide for Development Operations that exceed the scope of, or conflict with, any previously approved Development Plan, unless such previously approved plans, programs, and budgets are amended at or before the adoption of the annual Work Program and Budget.

6.1.E Any Joint Operations that cannot be efficiently completed within a single Calendar Year may be proposed in a multi-year Work Program and Budget. Upon approval by the Operating Committee, such multi-year Work Program and Budget shall, subject only to revisions approved by the Operating Committee afterwards: (i) remain in effect as between the Parties (and the associated cost estimate shall be a binding pro-rata obligation of each Party) through the completion of such Joint Operations; and (ii) be reflected in each annual Work Program and Budget. If the Licence requires that Work Programs and Budgets be submitted to the Government for approval, such multi-year Work Program and Budget shall be submitted to the Government either in a single request for a multi-year approval or as part of the annual approval process, under the Licence.

6.1.F Approval of a Work Program and Budget by the Operating Committee shall authorize Operator to submit such Work Program and Budget to the Government for approval (if required) under the Licence. If the Government requests changes to such Work Program and Budget as a condition to granting its approval under the Licence, Operator shall promptly notify the Parties of the Government's proposed changes and shall submit a revised Work Program and Budget to the Operating Committee for further consideration.

6.1.G If a Work Program and Budget is not approved by the Operating Committee at least two (2) Business Days before the last date for Government approval under the Licence, Operator may submit to the Government a Work Program and Budget for the applicable Calendar Year, setting out those Joint Operations, which are:

6.1.G.1 consistent with the scope of, and not in conflict with, the Minimum Work Obligations of the Licence, the commitments of a previously approved appraisal Work Program and Budget, and/or the commitments of a previously approved Development Plan; and

6.1.G.2 reasonably necessary to keep the Licence in full force and effect, to satisfy the Minimum Work Obligations of the Licence, to meet the commitments of a previously approved appraisal Work Program and Budget, and to meet the commitments of a previously approved Development Plan, that in each case are required to be carried out during the relevant Calendar Year. In determining the Joint Operations that are reasonably necessary for the purposes of the preceding sentence, the proposed Joint Operations receiving the largest Participating Interest vote (even if less than the applicable percentage under Article 5.9) shall be adopted. If competing proposals receive equal Participating Interests votes, then Operator shall choose between those competing proposals.

In this event, the Operating Committee shall be deemed to have approved such Work Program and Budget. Operator shall be reimbursed by the Parties for their Participating Interest shares of costs incurred by Operator and deemed approved under this Article 6.1.G.

6.1.H A Party may at any time, by notice to the other Parties, propose that a Work Program and Budget be amended. To the extent that such amendment is approved by the Operating Committee, the relevant Work Program and/or Budget shall, subject to obtaining any requisite Government approval under the Licence, be deemed amended accordingly; provided that, any such amendment shall not deauthorize or invalidate any commitment or expenditure already made by the Operator in accordance with any previous authorization given under this Agreement.

6.1.I If a Work Program and Budget, as proposed, revised and/or amended, is approved by the Operating Committee and satisfies the requirements of the Licence, including (if required) being approved, or deemed to be approved, by the Government, Operator shall, subject to complying with Articles 6.8 and 6.9, be authorized to conduct the Joint Operations set out in such approved Work Program and Budget.

6.2 Exploration and Appraisal

6.2.A Subject to Article 6.8, approval of any Work Program and Budget that includes:

6.2.A.1 An Exploration Well, whether by drilling, Deepening or Sidetracking, shall include approval for: Only expenditures necessary for the drilling, Deepening or Sidetracking of such Exploration Well, as applicable. When an Exploration Well has reached its authorized depth, all logs, cores and other approved Tests have been conducted and the results furnished to the Parties, Operator shall submit to the Parties under Article 5.12.A.1 an election to participate in an attempt to Complete such Exploration Well. Operator shall include in such submission Operator's recommendation on such Completion attempt and an AFE for such Completion costs.

6.2.A.2 An Appraisal Well, whether by drilling, Deepening or Sidetracking, shall include approval for: Only expenditures necessary for the drilling, Deepening or Sidetracking of such Appraisal Well, as applicable. When an Appraisal Well has reached its authorized depth, all logs, cores and other approved Tests have been conducted and the results furnished to the Parties, Operator shall submit to the Parties under Article 5.12.A.1 an election to participate in an attempt to Complete such Appraisal Well. Operator shall include in such submission Operator's recommendation on such Completion attempt and an AFE for such Completion costs.

6.2.B Any Party desiring to propose a Completion attempt, or an alternative Completion attempt, must do so within the time period provided in Article 5.12.A.1 by notifying all other Parties. Any such proposal shall include an AFE for such Completion costs.

6.2.C If a Discovery is made, Operator shall deliver any notice of Discovery required under the Licence and shall as soon as possible submit to the Parties a report containing available details concerning the Discovery and Operator's recommendation as to whether the Discovery merits appraisal.

6.2.D If the Operating Committee determines that the Discovery merits appraisal, Operator within thirty (30) Days shall deliver to the Parties a proposed Appraisal Plan for such Discovery, which shall in addition to the information required under Article 6.1.C contain:

6.2.D.1 A delineation of the proposed Appraisal Area; and

6.2.D.2 Any other information concerning the proposed Appraisal Operations requested by a Party,

together with the proposed appraisal Work Program and Budget (or a multi-year appraisal Work Program and Budget under Article 6.1.E) to carry out the first Calendar Year of the Appraisal Plan, and provisional Work Programs and Budgets to carry out the remainder of the Appraisal Plan.

6.2.E Within sixty (60) Days after receipt of the proposed Appraisal Plan and associated proposed appraisal Work Program and Budget, or earlier if necessary to meet any applicable deadline under the Licence, the Operating Committee shall meet to consider, modify (if appropriate), and then either approve or reject the proposed Appraisal Plan (including any proposed modifications) and the first annual (or multi-year) appraisal Work Program and Budget.

6.2.F If the Operating Committee approves the Appraisal Plan and the associated appraisal Work Program and Budget, Operator shall, as soon as possible, take such steps as may be required under the Licence to secure approval of such Appraisal Plan and the associated appraisal Work Program and Budget for the first Calendar Year by the Government. If the Government requests changes to such Appraisal Plan or associated appraisal Work Program and Budget for the first Calendar Year as a condition to granting its approval under the Licence, then Operator shall promptly notify the Parties of the Government's proposed changes and may submit a revised Appraisal Plan and associated appraisal Work Program and Budget for the first Calendar Year to the Operating Committee for further consideration.

6.2.G If the Appraisal Plan is approved by the Government, the associated appraisal Work Program and Budget for the first Calendar Year shall be deemed to be incorporated into and form part of the then current annual Work Program and Budget.

6.3 Development

6.3.A If the Operating Committee determines that a Discovery may be a Commercial Discovery, Operator, within ninety (90) Days of such determination but within any time limit which may be imposed by the Licence, shall deliver to the Parties a proposed Development Plan for such Discovery, which shall in addition to the information required under Article 6.1.C contain:

6.3.A.1 A delineation of the proposed Exploitation Area;

6.3.A.2 An estimated date for the commencement of Production Operations;

6.3.A.3 A production forecast of estimated production of each type of Hydrocarbon to be produced by Calendar Year for the estimated productive life of the Commercial Discovery;

6.3.A.4 A description of all material facilities to be constructed as Joint Property;

6.3.A.5 An estimated Abandonment Work Program and Budget; and

6.3.A.6 Any other information related to Development Operations and Production Operations requested by the Operating Committee,

together with the proposed development Work Program and Budget (or a multi-year development Work Program and Budget under Article 6.1.E) for the first Calendar Year of the Development Plan, and work schedule for the remainder of the Development Plan.

6.3.B As soon as practicable after receipt of the proposed Development Plan and associated proposed development Work Program and Budget, each Party shall furnish to Operator and the other Parties any comments, suggestions, or proposed amendments it may have for the proposed Development Plan.

6.3.C Within ninety (90) Days after receipt of the proposed Development Plan and associated proposed development Work Program and Budget, or earlier if necessary to meet any applicable deadline under the Licence, the Operating Committee shall meet to consider, modify (if appropriate) and then either approve or reject the proposed Development Plan (including any proposed modifications) and the associated first annual (or multi-year) Work Program and Budget.

6.3.D If the Operating Committee determines that the Discovery is a Commercial Discovery and approves the corresponding Development Plan, Operator shall, as soon as possible, deliver any notice of Commercial Discovery required under the Licence and take such other steps as may be required under the Licence to secure approval of the Development Plan and associated development Work Program and Budget for the first Calendar Year by the Government. If the Government requests changes in the Development Plan and associated development Work Program and Budget for the first Calendar Year as a condition to granting approval under the Licence, then Operator shall promptly notify the Parties of the Government's proposed changes and may submit a revised Development Plan and associated development Work Program and Budget for the first Calendar Year to the Operating Committee for further consideration.

6.3.E If the Development Plan is approved by the Government, the associated development Work Program and Budget for the first Calendar Year shall be incorporated into and form part of the then current Work Program and Budget. Operator shall periodically review the Development Plan and development Work Program and Budget and propose amendments as may be prudent, and the Operating Committee shall consider, modify (if necessary), and approve or reject those proposed amendments under Article 5.9.

6.4 Production

6.4.A Within sixty (60) Days before first commercial production, Operator shall deliver to the Parties a proposed production Work Program and Budget that shall in addition to the information required under Article 6.1.C contain the projected production schedule for the remainder of the Calendar Year in which first commercial production begins and, if fewer than four (4) Months remain in the current Calendar Year, for the next Calendar Year. On or before the 1st Day of September of each Calendar Year thereafter, Operator shall deliver to the Parties a proposed production Work Program and Budget that shall in addition to the information required under Article 6.1.C contain the projected production schedule for the next Calendar Year.

6.4.B Within thirty (30) Days after receipt of the proposed production Work Program and Budget, or earlier if necessary to meet any applicable deadline under the Licence, the Operating Committee shall meet to consider, modify (if appropriate) and then either approve or reject the proposed production Work Program and Budget.

6.4.C If the Operating Committee approves the production Work Program and Budget, Operator shall, as soon as possible, take such steps as may be required under the Licence to secure approval of such production Work Program and Budget by the Government. If the Government requests changes to such production Work Program and Budget Year as a condition to granting its approval under the Licence, then Operator shall promptly notify the Parties of the Government's proposed changes and shall submit a revised production Work Program and Budget to the Operating Committee for further consideration.

6.4.D If a production Work Program and Budget is not approved by the Operating Committee before the date by which approval is required under the Licence, Operator may submit to the Government a Work Program and Budget for the applicable Calendar Year, setting out those Joint Operations that are:

6.4.D.1 consistent with the scope of, and not in conflict with, the commitments of a previously approved Development Plan; and

6.4.D.2 necessary to keep the Licence in full force and effect and meet the commitments of a previously approved Development Plan that are required to be carried out during the relevant Calendar Year.

6.5 HSE Plan

6.5.A Operator shall in the conduct of Joint Operations:

6.5.A.1 Prepare and establish an HSE Plan designed to achieve safe and reliable conduct of operations and activities, to avoid significant and unintended impact on the safety and health of people, on property, and on the environment, and to comply with Laws relating to HSE;

6.5.A.2 Carry out the HSE Plan in conformance with Laws relating to HSE and in a manner consistent with standards and procedures generally followed in the international petroleum industry under similar circumstances;

6.5.A.3 Plan and conduct Joint Operations consistent with the HSE Plan; and

6.5.A.4 Design and operate Joint Property consistent with the HSE Plan.

6.5.B The Operating Committee shall at least annually review and approve the details of the HSE Plan, the implementation of the HSE Plan, and of the effectiveness of the HSE Plan.

6.5.C In the conduct of Joint Operations, Operator shall establish and carry out a program for regular HSE assessments. The purpose of such assessments is to periodically review HSE systems and procedures, including actual practice and performance, to verify that the HSE Plan is in place and fulfills the requirements of Article 6.6.A, that the HSE Plan is being properly carried out and that the HSE Plan as carried out is effective. Operator shall, at a minimum, conduct such an assessment before entering into significant new Joint Operations and before undertaking any major changes to existing Joint Operations. Upon reasonable notice given to Operator, Non-Operators shall have the right to participate in such HSE assessments.

6.5.D Without prejudice to a Party's rights under Article 4.2.B.8, with reasonable advance notice, Operator shall permit at all reasonable times during normal business hours each Non-Operator (at its own risk and cost) to conduct an audit of the HSE Plan, its implementation and effectiveness. Where there are two or more Non-Operators, the Non-Operators shall make a reasonable effort to conduct joint or simultaneous HSE audits in a manner that will result in a minimum of inconvenience to Operator.

6.6 Contract Awards

Subject to the Licence, Operator shall award each contract for Joint Operations on the following basis (the amounts stated are in thousands of Australian dollars):

	Procedure A	Procedure B	Procedure C
Exploration and Appraisal Operations	0 to 99	100 to 250	> 250
Development Operations	0 to 99	100 to 250	> 250
Production Operations	0 to 249	250 to 500	> 500

6.6.A Procedure A

Operator shall award the contract to the best qualified contractor, as determined by cost, quality, and ability to perform the contract properly, on time, within budgeted cost, and in compliance with applicable legal and contractual requirements, without the obligation to tender and without informing or seeking the approval of the Operating Committee, except that before entering into contracts with Affiliates of Operator or of any Non-Operator, Operator shall obtain the approval of the Operating Committee.

6.6.B Procedure B

Operator shall:

6.6.B.1 Provide the Parties with a list of the entities whom Operator proposes to invite to tender for the contract;

6.6.B.2 Add to the tender list any entity whom a Party reasonably requests to be added within fourteen (14) Days of receipt of such list;

6.6.B.3 Complete the tendering process within a reasonable period of time;

6.6.B.4 Inform the Parties of the entities to whom the contract has been awarded, provided that before awarding contracts to Affiliates of Operator or of any Non-Operator, Operator shall obtain the approval of the Operating Committee;

6.6.B.5 Circulate to the Parties a competitive bid analysis stating the reasons for the choice made; and

6.6.B.6 Upon the request of a Party, provide such Party with a copy of the final version of the contract.

6.6.C Procedure C

Operator shall:

6.6.C.1 Provide the Parties with a list of the entities whom Operator proposes to invite to tender for the contract;

6.6.C.2 Add to such list any entity whom a Party reasonably requests to be added within fourteen (14) Days of receipt of such list;

6.6.C.3 Prepare and dispatch the tender documents to the entities on the tender list and to Non-Operators;

6.6.C.4 After the expiration of the period allowed for tendering, consider, and analyze the details of all bids received;

6.6.C.5 Prepare and circulate to the Parties a competitive bid analysis, stating Operator's recommendation as to the entity to whom the contract should be awarded, the reasons for the recommendation, and the technical, commercial, and contractual terms to be agreed upon;

6.6.C.6 Obtain the approval of the Operating Committee to the recommended bid; and

6.6.C.7 Upon the request of a Party, provide such Party with a copy of the final version of the contract.

6.7 Authorization for Expenditure ("AFE") Procedure

6.7.A Before incurring any commitment or expenditure for a Joint Operation, which commitment or expenditure is estimated to be:

6.7.A.1 More than 300,000 Australian dollars in an exploration or appraisal Work Program and Budget;

6.7.A.2 More than 500,000 Australian dollars in a development Work Program and Budget;

6.7.A.3 More than 500,000 Australian dollars in a production Work Program and Budget.

Operator shall send to each Non-Operator an AFE as described in Article 6.7.C; provided that, Operator shall not be obliged to furnish an AFE to the Parties with respect to any Minimum Work Obligations, workovers of wells and general and administrative costs that are listed as separate line items in an approved Work Program and Budget.

6.7.B Before entering into any commitments or making any expenditures subject to the AFE procedure in Article 6.7.A, Operator shall submit the corresponding AFE for approval by the Operating Committee. If the Operating Committee approves an AFE for a commitment or expenditure within the applicable time period under Article 5.12.A, Operator shall be authorized to enter into such commitment or incur such expenditure and conduct the corresponding Joint Operation under this Agreement. If the Operating Committee fails to approve an AFE for a commitment or expenditure within the applicable time period, the corresponding Joint Operation shall be deemed rejected. Operator shall promptly notify the Parties that the Joint Operation has been rejected, and, subject to Article 7, any Party may afterwards propose to conduct such operation or activity as an Exclusive Operation under Article 7. When a Joint Operation is rejected under this Article 6.7.B or a commitment or expenditure is approved for differing amounts than those provided for in the applicable line items of the approved Work Program and Budget, the Work Program and Budget shall, subject to obtaining any Government consent required under the Licence, be deemed to be revised accordingly; provided that no revised Work Program and Budget may provide for Appraisal Operations that exceed the scope of, or conflict with, any previously approved Appraisal Plan, and/or provide for Development Operations that exceed the scope of, or conflict with, any previously approved Development Plan, unless such previously approved plans, programs and budgets are amended at or before the adoption of the revised Work Program and Budget.

6.7.C Each AFE furnished by Operator shall:

6.7.C.1 Identify the corresponding Joint Operation by specific reference to the applicable line items in the Work Program and Budget;

6.7.C.2 Describe the Joint Operation in detail;

6.7.C.3 Contain Operator's best estimate of the total commitments and expenditures required to carry out such Joint Operation;

6.7.C.4 Outline the proposed work schedule;

6.7.C.5 Provide a forecast schedule of commitments and expenditures, if known; and

6.7.C.6 Be accompanied by such other supporting information as is necessary for an informed decision, or as may be requested by a Party.

6.8 Over-expenditures of Work Programs and Budgets

6.8.A For commitments and expenditures with respect to any line item of an approved Work Program and Budget, Operator shall be entitled to incur in connection with the corresponding Joint Operation without further approval of the Operating Committee a combined over-commitment and over-expenditure for such line item up to ten percent (10%) of the authorized amount for such line item; provided that the cumulative total of all over-commitments and over-expenditures for a Calendar Year shall not exceed five percent (5%) of the total annual Work Program and Budget in question.

6.8.B At such time Operator reasonably anticipates that the total amount of the commitments and expenditures actually incurred plus the commitments to be incurred with respect to such line item exceeds the limits of Article 6.8.A, Operator shall furnish to the Operating Committee Operator's reasonably detailed estimate of the total commitments and expenditures required to carry out the Joint Operation corresponding to such line item, together with supporting information.

6.8.B.1 Within fifteen (15) Days after receipt of such proposal, or earlier if necessary to meet any applicable deadline under the Licence, the Operating Committee shall meet to consider, modify (if appropriate), and then either approve or reject the proposed revised Work Program and Budget (including any agreed modifications); provided that no revised Work Program and Budget may provide for Appraisal Operations that exceed the scope of, or conflict with, any previously approved Appraisal Plan, and/or provide for Development Operations that exceed the scope of, or conflict with, any previously approved Development Plan, unless such previously approved plans, programs, and budgets are amended at or before the adoption of the revised Work Program and Budget.

6.8.B.2 If the Operating Committee approves the revised Work Program and Budget, Operator shall, as soon as possible, take such steps as may be required under the Licence to secure approval of such revised Work Program and Budget by the Government. If the Government requires changes to such revised Work Program and Budget Year as a condition to granting its approval under the Licence, then Operator shall resubmit the proposed changes to the revised Work Program and Budget to the Operating Committee for further consideration.

6.8.C The requirements contained in this Article 6 shall be without prejudice to Operator's rights and duties to make immediate expenditures, incur commitments and/or take actions for emergencies under Article 4.2.B.14; provided that Operator shall promptly report the particulars of the emergency to the Parties, together with the future actions it intends to take and its estimate of the cost of expenditures and commitments incurred or to be incurred. As soon as practicable, Operator shall submit any necessary budget revision concerning such emergencies to the Operating Committee for approval and incorporation into the relevant Work Program and Budget.

ARTICLE 7 - OPERATIONS BY FEWER THAN ALL PARTIES

7.1 Limitation on Applicability

7.1.A No operations may be conducted under the Licence except as Joint Operations under Article 5 or as Exclusive Operations under this Article 7. No Exclusive Operation shall be conducted (other than the tie-in of Exclusive Operation facilities with existing production facilities under Article 7.10) that conflicts with a previously approved Joint Operation or with a previously approved Exclusive Operation.

7.1.B Operations that are required to fulfill the Minimum Work Obligations for the then current phase or period of the Licence must be proposed and conducted as Joint Operations under Article 5, and may not be proposed or conducted as Exclusive Operations under this Article 7.

Except for Exclusive Operations relating to Deepening, Testing, Completing, Sidetracking, Plugging Back, Recompletions or Reworking of a well originally drilled to fulfill the Minimum Work Obligations for the then current phase or period of the Licence, no Exclusive Operations may be proposed or conducted until the Minimum Work Obligations for the then current phase or period of the Licence are fulfilled.

7.1.C No Party may propose or conduct an Exclusive Operation under this Article 7 unless and until such Party has properly exercised its right to propose an Exclusive Operation under Article 5.13, or is entitled to conduct an Exclusive Operation under Article 10.

7.1.D Only the following operations may be proposed and conducted as Exclusive Operations, subject to the terms of this Article 7:

7.1.D.1 Drilling of Exploration Wells and Appraisal Wells;

7.1.D.2 Testing of Exploration Wells and Appraisal Wells;

7.1.D.3 Completion of Exploration Wells and Appraisal Wells not then Completed as productive of Hydrocarbons;

7.1.D.4 Deepening, Sidetracking, Plugging Back, Reworking and/or Recompletion of Exploration Wells and Appraisal Wells;

7.1.D.5 Development of a Commercial Discovery;

7.1.D.6 Any operations specifically authorized to be undertaken as an Exclusive Operation under Article 10; and

No other type of operation may be proposed or conducted as an Exclusive Operation.

7.2 Procedure to Propose Exclusive Operations

7.2.A Subject to Article 7.1, if any Party proposes to conduct an Exclusive Operation, such Party shall give notice of the proposed operation to all Parties, other than Non-Consenting Parties who have relinquished their rights to participate in such operation under Article 7.4.B or Article 7.4.F and have no option to reinstate such rights under Article 7.4.C. Such notice shall specify that such operation is proposed as an Exclusive Operation and include the work to be performed, the location, the objectives, and estimated cost of such operation.

7.2.B Any Party entitled to receive such notice shall have the right to participate in the proposed operation.

7.2.B.1 For proposals to Deepen, Test, Complete, Sidetrack, Plug Back, Recomplete, or Rework related to Urgent Operational Matters, any such Party wishing to exercise such right must so notify the proposing Party and Operator within twenty-four (24) hours after receipt of the notice proposing the Exclusive Operation.

7.2.B.2 For proposals to develop a Discovery, any Party wishing to exercise such right must so notify Operator and the Party proposing to develop within sixty (60) Days, or earlier if necessary to meet any applicable deadline under the Licence, after receipt of the notice proposing the Exclusive Operation.

7.2.B.3 For all other proposals, any such Party wishing to exercise such right must so notify the proposing Party and Operator within ten (10) Days, or earlier if necessary to meet any applicable deadline under the Licence, after receipt of the notice proposing the Exclusive Operation.

7.2.C Failure of a Party to whom a proposal notice is delivered to reply properly within the period specified above shall be deemed an election by that Party not to participate in the proposed operation.

7.2.D If all Parties properly exercise their rights to participate, then the proposed operation shall be conducted as a Joint Operation. Operator shall commence such Joint Operation as promptly as practicable and conduct it with due diligence.

7.2.E If fewer than all Parties entitled to receive such proposal notice properly exercise their rights to participate, then:

7.2.E.1 Immediately after the expiration of the applicable notice period set out in Article 7.2.B, Operator shall notify all Parties of the names of the Consenting Parties and the recommendation of the proposing Party as to whether the Consenting Parties should proceed with the Exclusive Operation.

7.2.E.2 Concurrently, Operator shall request the Consenting Parties to specify the Participating Interest each Consenting Party is willing to bear in the Exclusive Operation.

7.2.E.3 Within twenty-four (24) hours after receipt of such notice, each Consenting Party shall respond to Operator stating that it is willing to bear a Participating Interest in such Exclusive Operation equal to:

(a) Only its Participating Interest as stated in Article 3.2.A;

(b) A fraction, the numerator of which is such Consenting Party's Participating Interest as stated in Article 3.2.A and the denominator of which is the aggregate of the Participating Interests of the Consenting Parties as stated in Article 3.2.A; or

(c) The Participating Interest as contemplated by Article 7.2.E.3.b plus all or any part of the difference between one hundred percent (100%) and the total of the Participating Interests subscribed by the other Consenting Parties. Any portion of such difference claimed by more than one Party shall be distributed to each claimant on a pro-rata basis.

7.2.E.4 Any Consenting Party failing to advise Operator within the response period set out above shall be deemed to have elected to bear the Participating Interest set out in Article 7.2.E.3.b as to the Exclusive Operation.

7.2.E.5 If, within the response period set out above, the Consenting Parties subscribe less than one hundred percent (100%) of the Participating Interest in the Exclusive Operation, the Party proposing such Exclusive Operation shall be deemed to have withdrawn its proposal for the Exclusive Operation, unless within twenty-four (24) hours of the expiry of the response period set out in Article 7.2.E.3, the proposing Party notifies the other Consenting Parties that the proposing Party shall bear the unsubscribed Participating Interest.

7.2.E.6 If one hundred percent (100%) subscription to the proposed Exclusive Operation is obtained, Operator shall promptly notify the Consenting Parties of their Participating Interests in the Exclusive Operation.

7.2.E.7 As soon as any Exclusive Operation is fully subscribed under Article 7.2.E.6, Operator, subject to Article 7.12.F, shall commence such Exclusive Operation as promptly as practicable and conduct it with due diligence under this Agreement.

7.2.E.8 If such Exclusive Operation has not been commenced within ninety (90) Days (excluding any extension specifically agreed by all Parties or allowed by the Force Majeure provisions of Article 16) after the date of the notice given by Operator under Article 7.2.E.6, the right to conduct such Exclusive Operation shall terminate. If any Party still desires to conduct such Exclusive Operation, then such Party must resubmit to the Parties notice proposing such operation under Article 5, as if no proposal to conduct an Exclusive Operation had been previously made.

7.3 Responsibility for Exclusive Operations

7.3.A The Consenting Parties shall bear in accordance with the Participating Interests agreed under Article 7.2.E the entire cost and liability of conducting an Exclusive Operation and shall indemnify the Non-Consenting Parties from any damages, losses, costs (including reasonable legal costs and attorneys' fees), and liabilities incurred incident to such Exclusive Operation (including Consequential Loss and Environmental Loss) and shall keep the Contract Area free of all liens and Encumbrances of every kind created by or arising from such Exclusive Operation.

7.3.B Despite Article 7.3.A, each Party shall continue to bear its Participating Interest share of the cost and liability incident to the operations in which it participated, including plugging and abandoning and restoring the surface location, but only to the extent those costs were not increased by the Exclusive Operation.

7.4 Consequences of Exclusive Operations

7.4.A With respect to any Exclusive Operation, for so long as a Non-Consenting Party has the option under Article 7.4.C to reinstate the rights it relinquished under Article 7.4.B, such Non-Consenting Party shall be entitled to have access concurrently with the Consenting Parties to all data and other information relating to such Exclusive Operation, other than G&G Data obtained in an Exclusive Operation. If a Non-Consenting Party desires to receive and acquire the right to use such G & G Data, then such Non-Consenting Party shall have the right to do so by paying to the Consenting Parties its Participating Interest share as set out in Article 3.2.A of the cost incurred in obtaining such G & G Data.

7.4.B Subject to Article 7.4.C Article 7.6.E and Article 7.8, each Non-Consenting Party shall be deemed to have relinquished to the Consenting Parties, and the Consenting Parties shall be deemed to own, in proportion to the incremental Participating Interest that each agreed to bear under Article 7.2.E in any Exclusive Operation:

7.4.B.1 All of each such Non-Consenting Party's right:

(a) to participate in further operations to drill, Deepen, Recomplete, Rework, Sidetrack, Test in the well, or Deepened or Sidetracked portion of a well, in which the Exclusive Operation was conducted; and

(b) under the Licence to take and dispose of Hydrocarbons produced and saved from the well, or from a Recompleted, Reworked, Deepened or Sidetracked portion of a well, in which the Exclusive Operation was conducted; and

7.4.B.2 All of each such Non-Consenting Party's right:

(a) to participate in any Discovery made during such Exclusive Operation;

(b) to participate in any Discovery appraised in the course of such Exclusive Operation; and

(c) under the Licence to take and dispose of Hydrocarbons produced and saved from any Appraisal Well or Development Well drilled during such Exclusive Operation.

7.4.C A Non-Consenting Party shall have only the following options to reinstate the rights it relinquished under Article 7.4.B:

7.4.C.1 If the Consenting Parties decide to appraise a Discovery made in the course of an Exclusive Operation, the Consenting Parties shall submit to each Non-Consenting Party the approved Appraisal Plan. For thirty (30) Days (or forty-eight (48) hours for Urgent Operational Matters) from receipt of such Appraisal Plan, each Non-Consenting Party shall have the option to reinstate the rights it relinquished under Article 7.4.B and to participate in such Appraisal Plan. The Non-Consenting Party may exercise such option by notifying Operator within the period specified above that such Non-Consenting Party agrees to bear its Participating Interest share of the cost and liability of such Appraisal Plan, and to pay such amounts as set out in Articles 7.5.A and 7.5.B.

7.4.C.2 If the Consenting Parties decide to develop a Discovery made or appraised during an Exclusive Operation, the Consenting Parties shall submit to the Non-Consenting Parties a Development Plan substantially in the form intended to be submitted to the Government under the Licence. For sixty (60) Days from receipt of such Development Plan or such lesser period of time prescribed by the Licence, each Non-Consenting Party shall have the option to reinstate the rights it relinquished under Article 7.4.B and to participate in such Development Plan. The Non-Consenting Party may exercise such option by notifying Operator within the period specified above that such Non-Consenting Party agrees to bear its Participating Interest share of the cost and liability of such Development Plan and such future operating and producing costs, and to pay the amounts as set out in Articles 7.5.A and 7.5.B.

7.4.C.3 Subject to Article 7.8, if the Consenting Parties decide to Deepen, Complete, Sidetrack, Plug Back or Recomplete an Exclusive Well and such further operation was not included in the original proposal for such Exclusive Well, the Consenting Parties shall submit to the Non-Consenting Parties the approved AFE for such further operation. For thirty (30) Days (or forty-eight (48) hours for Urgent Operational Matters) from receipt of such AFE, each Non-Consenting Party shall have the option to reinstate the rights it relinquished under Article 7.4.B and to participate in such operation. The Non-Consenting Party may exercise such option by notifying Operator within the period specified above that such Non-Consenting Party agrees to bear its Participating Interest share of the cost and liability of such further operation, and to pay the amounts as set out in Articles 7.5.A and 7.5.B.

A Non-Consenting Party shall not be entitled to reinstate its rights in any other type of operation.

7.4.D If a Non-Consenting Party does not properly and in a timely manner exercise its option under Article 7.4.C, including paying all amounts due under Articles 7.5.A and 7.5.B, such Non-Consenting Party shall have forfeited the options as set out in Article 7.4.C and the right to participate in the proposed program, unless such program, plan or operation is materially modified or expanded (in which case a new notice and option shall be given to such Non-Consenting Party under Article 7.4.C).

7.4.E A Non-Consenting Party exercising its option under Article 7.4.C shall notify the other Parties that it agrees to bear its share of the cost and liability of such further operation and to reimburse the amounts set out in Articles 7.5.A and 7.5.B that such Non-Consenting Party had not previously paid. Such Non-Consenting Party shall in no way be deemed to be entitled to any amounts paid under Articles 7.5.A and 7.5.B incident to such Exclusive Operations. The Participating Interest of such Non-Consenting Party in such Exclusive Operation shall be its Participating Interest set out in Article 3.2.A. The Consenting Parties shall contribute to the Participating Interest of the Non-Consenting Party in proportion to the incremental Participating Interest that each agreed to bear under Article 7.2.E. If all Parties participate in the proposed operation, then such operation shall be conducted as a Joint Operation under Article 5.

7.4.F If after the expiry of the period in which a Non-Consenting Party may exercise its option to participate in a Development Plan the Consenting Parties desire to proceed, Operator shall give notice to the Government under the appropriate provision of the Licence requesting a meeting to advise the Government that the Consenting Parties consider the Discovery to be a Commercial Discovery. After such meeting such Operator for such development shall apply for an Exploitation Area (if applicable in the Licence). Unless the Development Plan is materially modified or expanded before the commencement of operations under such plan (in which case a new notice and option shall be given to the Non-Consenting Parties under Article 7.4.C), each Non-Consenting Party to such Development Plan shall:

7.4.F.1 If the Licence so allows, elect not to apply for an Exploitation Area covering such development and forfeit all interest in such Exploitation Area, or

7.4.F.2 If the Licence does not so allow, be deemed to have:

(a) Elected not to apply for an Exploitation Area covering such development;

(b) Forfeited all economic interest in such Exploitation Area; and

(c) Assumed a fiduciary duty to exercise its legal interest in such Exploitation Area for the benefit of the Consenting Parties.

In either case such Non-Consenting Party shall be deemed to have withdrawn from this Agreement to the extent it relates to such Exploitation Area, even if the Development Plan is modified or expanded after the start of operations under such Development Plan and shall be further deemed to have forfeited any right to participate in the construction and ownership of facilities outside such Exploitation Area designed solely for the use of such Exploitation Area.

7.5 Premium to Participate in Exclusive Operations

7.5.A Each such Non-Consenting Party shall:

Immediately upon the exercise of its option under Article 7.4.C, begin to bear one hundred percent (100%) of the Cash Calls made on each Consenting Party that took the risk of such Exclusive Operations in respect of both Joint Operations and Exclusive Operations until such Non-Consenting Party has reimbursed the original Consenting Parties (in proportion to the incremental Participating Interest that each agreed to bear under Article 7.2.E in such Exclusive Operations in which such Non-Consenting Party is reinstating its rights) an amount equal to such Non-Consenting Party's Participating Interest share of all costs and liabilities that were incurred in every Exclusive Operation relating to the Discovery (or Exclusive Well, as applicable) in which the Non-Consenting Party desires to reinstate the rights it relinquished under Article 7.4.B and that were not previously paid by such Non-Consenting Party.

7.5.B In addition to the payment required under Article 7.5.A, immediately after the exercise of its option under Article 7.4.C each such Non-Consenting Party shall be liable to reimburse the Consenting Parties that took the risk of such Exclusive Operations (in proportion to the incremental Participating Interest that each agreed to bear under Article 7.2.E in such Exclusive Operations in which such Non-Consenting Party is reinstating its rights) an amount equal to the total of:

7.5.B.1 Six hundred percent (600%) of such Non-Consenting Party's Participating Interest share of all costs and liabilities that were incurred in any Exclusive Operation relating to the drilling, Deepening, Testing, Completing, Sidetracking, Plugging Back, Recompleting, and Reworking of the Exploration Well that made the Discovery in which the Non-Consenting Party desires to reinstate the rights it relinquished under Article 7.4.B, and that were not previously paid by such Non-Consenting Party; plus

7.5.B.2 Three hundred percent (300%) of the Non-Consenting Party's Participating Interest share of all costs and liabilities that were incurred in any Exclusive Operation relating to the drilling, Deepening, Testing, Completing, Sidetracking, Plugging Back, Recompleting and Reworking of the Appraisal Well(s) that delineated the Discovery in which the Non-Consenting Party desires to reinstate the rights it relinquished under Article 7.4.B, and that were not previously paid by such Non-Consenting Party.

7.5.C Each such Non-Consenting Party that is liable for the amounts set out in Article 7.5.B shall:

Within thirty (30) Days of the exercise of its option under Article 7.4.C, pay in immediately available funds the full amount due from it under Article 7.5.B to such Consenting Parties, in the currency designated by such Consenting Parties.

7.6 Order of Preference of Operations

7.6.A Except as otherwise specifically provided in this Agreement, if any Party desires to propose the conduct of an operation that will conflict with an existing proposal for an Exclusive Operation, such Party shall have the right exercisable for five (5) Days (or twenty-four (24) hours for Urgent Operational Matters) from receipt of the proposal for the Exclusive Operation, to deliver such Party's alternative proposal to all Parties entitled to participate in the proposed operation. Such alternative proposal shall contain the information required under Article 7.2.A.

7.6.B Each Party receiving such proposals shall elect by delivery of notice to Operator and to the proposing Parties within the appropriate response period set out in Article 7.2.B to participate in one of the competing proposals. Any Party not notifying Operator and the proposing Parties within the response period shall be deemed to have voted against the proposals.

7.6.C The proposal receiving the largest aggregate Participating Interest vote shall have priority over all other competing proposals. In the case of a tie vote, Operator shall choose among the proposals receiving the largest aggregate Participating Interest vote. Operator shall deliver notice of such result to all Parties entitled to participate in the operation within five (5) Days (or twenty-four (24) hours for Urgent Operational Matters).

7.6.D Each Party shall then have two (2) Days (or twenty-four (24) hours for Urgent Operational Matters) from receipt of such notice to elect by delivery of notice to Operator and the proposing Parties whether such Party will participate in such Exclusive Operation, or will relinquish its interest under Article 7.4.B. Failure by a Party to deliver such notice within such period shall be deemed an election not to participate in the prevailing proposal.

7.6.E Despite the provisions of Article 7.4.B, if for reasons other than the encountering of granite or other practically impenetrable substance or any other condition in the hole rendering further operations impracticable, a well drilled as an Exclusive Operation fails to reach the deepest objective Zone described in the notice proposing such well, Operator shall give notice of such failure to each Non-Consenting Party who submitted or voted for an alternative proposal under this Article 7.6 to drill such well to a shallower Zone than the deepest objective Zone proposed in the notice under which such well was drilled. Each such Non-Consenting Party shall have the option exercisable for forty-eight (48) hours from receipt of such notice to participate for its Participating Interest share in the initial proposed Completion of such well. Each such Non-Consenting Party may exercise such option by notifying Operator that it wishes to participate in such Completion and by paying its Participating Interest share of the cost of drilling such well to its deepest depth drilled in the Zone in which it is Completed. All costs and liabilities for drilling and Testing the Exclusive Well below that depth shall be for the sole account of the Consenting Parties. If any such Non-Consenting Party does not properly elect to participate in the first Completion proposed for such well, the relinquishment provisions of Article 7.4.B shall continue to apply to such Non-Consenting Party's interest.

7.7 Stand-By Costs

7.7.A When an operation has been performed, all tests have been conducted and the results of such tests furnished to the Parties, stand by costs incurred pending response to any Party's notice proposing an Exclusive Operation for Deepening, Testing, Sidetracking, Completing, Plugging Back, Recompleting, Reworking, or other further operation in such well (including the period required under Article 7.6 to resolve competing proposals) shall be charged and borne by the Parties as part of the operation just completed. Stand by costs incurred after all Parties respond, or after expiration of the response time permitted, whichever first occurs, shall be charged to and borne by the Parties proposing the Exclusive Operation in proportion to their Participating Interests, regardless of whether such Exclusive Operation is actually conducted.

7.7.B If a further operation related to Urgent Operational Matters is proposed while the drilling rig to be used is on location, any Party may request and receive up to five (5) additional Days after expiration of the applicable response period specified in Article 7.2.B.1 within which to respond by notifying Operator that such Party agrees to bear all stand by costs and other costs incurred during such extended response period. Operator may require such Party to pay the estimated stand by costs in advance as a condition to extending the response period. If more than one Party requests such additional time to respond to the notice, stand by costs shall be allocated between such Parties on a Day-to-Day basis in proportion to their Participating Interests.

7.8 Special Considerations Regarding Deepening and Sidetracking

7.8.A An Exclusive Well shall not be Deepened or Sidetracked without first affording the Non-Consenting Parties under this Article 7.8 the opportunity to participate in such operation.

7.8.B If any Consenting Party desires to Deepen or Sidetrack an Exclusive Well, such Party shall initiate the procedure contemplated by Article 7.2. If a Deepening or Sidetracking operation is approved under such provisions, and if any Non-Consenting Party to the Exclusive Well elects to participate in such Deepening or Sidetracking operation, such Non-Consenting Party shall not owe amounts under Article 7.5.B, and such Non-Consenting Party's payment under Article 7.5.A shall be such Non-Consenting Party's Participating Interest share of the costs and liabilities incurred in connection with drilling the Exclusive Well from the surface to the depth previously drilled which such Non-Consenting Party would have paid had such Non-Consenting Party agreed to participate in such Exclusive Well; provided, however, all costs and liabilities for Testing and Completing or attempting Completion of the well incurred by Consenting Parties before the commencement of actual operations to Deepen or Sidetrack beyond the depth previously drilled shall be for the sole account of the Consenting Parties.

7.9 Use of Property

7.9.A The Parties participating in any Deepening, Testing, Completing, Sidetracking, Plugging Back, Recompleting, or Reworking of any well drilled under this Agreement shall be permitted to use (free of cost) all casing, tubing, and other equipment in the well that is not needed for operations by the owners of the wellbore, but the ownership of all such equipment shall remain unchanged. On abandonment of a well in which operations with differing participation have been conducted, the Parties abandoning the well shall account for all equipment in the well to the Parties owning such equipment by tendering to them their respective Participating Interest shares of the value of such equipment less the cost of salvage.

7.9.B Spare capacity in equipment that is constructed under this Agreement and used for processing or transporting Crude Oil and Natural Gas after it has passed through primary separators and dehydrators (including treatment facilities, gas processing plants and pipelines) shall be available for use by any Party for Hydrocarbon production from the Contract Area on the terms set forth below. All Parties desiring to use such equipment shall nominate capacity in such equipment on a monthly basis by notice to Operator at least ten (10) Days before the beginning of each month. Operator may nominate capacity for the owners of the equipment if they so elect. If at any time the capacity nominated exceeds the total capacity of the equipment, the capacity of the equipment shall be allocated in the following priority: (1) first, to the owners of the equipment up to their respective Participating Interest shares of total capacity, (2) second, to owners of the equipment desiring to use capacity in excess of their Participating Interest shares, in proportion to the Participating Interest of each such Party and (3) third, to Parties not owning interests in the equipment, in proportion to their Participating Interests in this Agreement. Owners of the equipment shall be entitled to use up to their Participating Interest share of total capacity without payment of a fee under this Article 7.9.B. Otherwise, each Party using equipment under this Article 7.9.B shall pay to the owners of the equipment monthly throughout the period of use an arm's-length fee based upon third party charges for similar services in the vicinity of the Contract Area. If no arm's-length rates for such services are available, then the Party desiring to use equipment under this Article 7.9.B shall pay to the owners of the equipment a monthly fee equal to (1) that portion of the total cost of the equipment, divided by the number of months of useful life established for such equipment under the tax law of Australia, that the capacity made available to such Party on a fee basis under this Article 7.9.C bears to the total capacity of the equipment plus (2) that portion of the monthly cost of maintaining, operating and financing the equipment that the capacity made available to such Party on a fee basis under this Article 7.9.B bears to the total capacity of the equipment.

7.9.C Payment for the use of equipment under Article 7.9.B shall not result in an acquisition of any additional interest in the equipment by the paying Parties. However, such payments shall be included in the costs that the paying Parties are entitled to recoup under Article 7.5.

7.9.D Parties electing to use spare capacity in equipment under Article 7.9.B shall indemnify the owners of the equipment or platform against any costs and liabilities incurred as a result of such use (including any Consequential Loss and Environmental Loss) but excluding costs and liabilities for which Operator is solely responsible under Article 4.6.

7.10 Lost Production during Tie-In of Exclusive Operation Facilities

If, during the tie-in of Exclusive Operation facilities with the existing production facilities of another operation, the production of Hydrocarbons from such other pre-existing operations is temporarily lessened as a result, then the Consenting Parties shall compensate the parties to such existing operation for such loss of production in the following manner. Operator shall determine the amount by which each Day's production during the tie-in of Exclusive Operation facilities falls below the previous month's average daily production from the existing production facilities of such operation. The so-determined amount of lost production shall be recovered by all Parties who experienced such loss in proportion to their respective Participating Interest. Upon completion of the tie-in, such lost production shall be recovered in full by Operator deducting up to one hundred percent (100%) of the production from the Exclusive Operation, before the Consenting Parties being entitled to receive any such production.

7.11 Conduct of Exclusive Operations

7.11.A Each Exclusive Operation shall be carried out by the Consenting Parties acting as the Operating Committee, subject to the provisions of this Agreement applied mutatis mutandis to such Exclusive Operation and subject to the terms and conditions of the Licence.

7.11.B The computation of costs and liabilities incurred in Exclusive Operations, including the costs and liabilities of Operator for conducting such operations, shall be made in accordance with the principles set out in the Accounting Procedure.

7.11.C Operator shall maintain separate books, financial records and accounts for Exclusive Operations which shall be subject to the same rights of audit and examination as the Joint Account and related records, all as provided in the Accounting Procedure. Said rights of audit and examination shall extend to each of the Consenting Parties and each of the Non-Consenting Parties so long as the latter are, or may be, entitled to elect to participate in such Exclusive Operations.

7.11.D If Operator is conducting an Exclusive Operation for the Consenting Parties, regardless of whether it is participating in that Exclusive Operation, Operator shall be entitled to request cash advances and shall not be required to use its own funds to pay any cost or liability attributable to any Exclusive Operations and shall not be obliged to commence or continue Exclusive Operations until cash advances requested have been made, and the Accounting Procedure shall apply to Operator concerning any Exclusive Operations conducted by it.

7.11.E If a Development Plan has been approved under Article 6.3, or if any Party proposes (but does not yet have the right to commence) a development under this Article 7 where neither the Development Plan nor the development proposal call for the drilling of one or more Appraisal Wells, and should any Party wish to drill an additional Appraisal Well before development, then the Party proposing the Appraisal Well as an Exclusive Operation shall be entitled to proceed first, but without the right (subject to the following sentence) to future reimbursement under Article 7.5. If such an Appraisal Well is produced, any Consenting Party shall own and have the right to take in kind and separately dispose of all of the Non-Consenting Party's Entitlement from such Appraisal Well until the value received in sales to purchasers in arm-length transactions equals one hundred percent (100%) of such Non-Consenting Party's Participating Interest shares of all costs and liabilities that were incurred in any Exclusive Operations relating to the Appraisal Well. After the completion of drilling such Appraisal Well as an Exclusive Operation, the Parties may proceed with the Development Plan approved under Article 5.9, or (if applicable) the Parties may complete the procedures to propose an Exclusive Operation to develop a Discovery. If, as the result of drilling such Appraisal Well as an Exclusive Operation, the Party or Parties proposing to develop the Discovery decide(s) not to do so, then each Non-Consenting Party who voted in favor of such Development Plan before the drilling of such Appraisal Well shall pay to the Consenting Party the amount such Non-Consenting Party would have paid had such Appraisal Well been drilled as a Joint Operation.

7.11.F If Operator is a Non-Consenting Party to an Exclusive Operation to develop a Discovery, then Operator may resign, but in any event shall resign on the unanimous request of the Consenting Parties, as Operator for the Exploitation Area for such Discovery, and the Consenting Parties shall select a Consenting Party to serve as Operator for such Exclusive Operation only.

ARTICLE 8 - DEFAULT

8.1 Default and Notice

8.1.A Any Party that fails to pay when due its share of Joint Account charges (including Cash Calls and interest), or provide when due and maintain any Security required of such Party under the Licence, this Agreement or the Farmout Agreement, or perform its obligations under the Licence, this Agreement or the Farmout Agreement, shall be in default under this Agreement (together with each of its Affiliates party to this Agreement or otherwise owning an interest in the Licece, a "Defaulting Party"). Operator, or any non-defaulting Party in case Operator is in default under this Agreement, shall promptly give a Default Notice to the Defaulting Party and each of the other Parties.

8.1.B For the duration of the Default Period the Party in default shall be a Defaulting Party for the purposes of this Agreement. All Default Amounts shall bear interest at the Default Interest Rate from the due date to the date of receipt of payment.

8.2 Operating Committee Meetings, Data, and Entitlements

8.2.A Except as provided in Article 8.3.C, the Defaulting Party has no right, during the Default Period, to:

8.2.A.1 Call or attend Operating Committee or subcommittee meetings;

8.2.A.2 Vote on any matter coming before the Operating Committee or any subcommittee;

8.2.A.3 Have access to any data or information relating to any operations under this Agreement;

8.2.A.4 Consent to or reject data trades between the Parties and third parties, nor access any data received in such data trades;

8.2.A.5 Consent to or reject any Transfer or otherwise exercise any other rights with respect to Transfers under this Article 8 or under Article 12;

8.2.A.6 Receive its Entitlement under Article 8.4; or

8.2.A.7 Take assignment of any portion of another Party's Participating Interest if such other Party is either in default or withdrawing from this Agreement and the Licemce.

8.2.B During the Default Period the Defaulting Party:

May not Transfer all or part of its Participating Interest, except to non-defaulting Parties under this Article 8.

8.2.C Despite any other provisions in this Agreement, during the Default Period:

8.2.C.1 Unless agreed otherwise by the non-defaulting Parties, the voting interest of each non-defaulting Party shall be equal to the ratio such non-defaulting Party's Participating Interest bears to the total Participating Interests of the non-defaulting Parties;

8.2.C.2 Any matters requiring a unanimous vote or approval of the Parties shall not require the vote or approval of the Defaulting Party;

8.2.C.3 The Defaulting Party shall be deemed to have elected not to participate in any operations that are voted upon during the Default Period, to the extent such an election would be permitted by Article 5.13 and Article 7; and

8.2.C.4 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.

8.3 Allocation of Defaulted Amounts

8.3.A The Party providing the Default Notice under Article 8.1 shall include in the Default Notice to each non-defaulting Party a statement of:

8.3.A.1 The amount that the non-defaulting Party shall pay as its portion of the Amount in Default; and

8.3.A.2 If the Defaulting Party has failed to obtain or maintain any Security required of such Party in order to maintain the Licence in full force and effect, the type and amount of the Security the non-defaulting Parties shall post or the funds they shall pay in order to allow Operator, or (if Operator is in default) the notifying Party, to post and maintain such Security.

Unless otherwise agreed, the non-defaulting Parties shall satisfy the obligations for which the Defaulting Party is in default in proportion to the ratio that each non-defaulting Party's Participating Interest bears to the Participating Interests of all non-defaulting Parties.

8.3.B If the Defaulting Party remedies its default in full before the Default Period commences, the notifying Party shall promptly notify each non-defaulting Party by facsimile and by telephone or email, and the non-defaulting Parties shall be relieved of their obligations under Article 8.3.A. Otherwise, each non-defaulting Party shall satisfy its obligations under Article 8.3.A.1 before the Default Period commences and its obligations under Article 8.3.A.2 within ten (10) Days after the Default Notice. If any non-defaulting Party fails to timely satisfy such obligations, such Party shall be a Defaulting Party subject to the provisions of this Article 8. The non-defaulting Parties shall be entitled to receive their respective shares of the Total Amount in Default payable by such Defaulting Party under this Article 8.

8.3.C At any time before the date of:

Notice of exercise of the rights under Article 8.4.D to compel the Defaulting Party to withdraw from this Agreement or to sell its Participating Interest, as applicable, a Defaulting Party may remedy its default by paying to the Operator the Total Amount in Default. A Party may pay a portion of its default by paying to the Operator less than the Total Amount in Default, but shall remain in default.

8.3.C.1 If a Defaulting Party makes any payment, the amount so received shall first be applied first to the payment of interest due and then to payment of principal.

8.3.C.2 Operator shall pay any such payment to the non-defaulting Parties in proportion to the ratio of the amount each non-defaulting Party has paid for the Defaulting Party bears to the total amounts all non-defaulting Parties have paid for the Defaulting Party.

8.3.D If Operator is a Defaulting Party, then all payments otherwise payable to the Joint Account under this Agreement shall be made to the notifying Party instead of to the Joint Account until the Operator's default is cured or a successor Operator appointed.

8.3.D.1 The notifying Party shall maintain such funds in a segregated account separate from its own funds and shall apply such funds to third party claims due and payable from the Joint Account of which it has notice, to the extent Operator would be authorized to make such payments under this Agreement. The notifying Party shall be entitled to bill or Cash Call the other Parties under the Accounting Procedure for proper third party charges that become due and payable during such period to the extent sufficient funds are not available. When Operator has cured its default or a successor Operator is appointed, the notifying Party shall turn over all remaining funds in the account to Operator and shall provide Operator and the other Parties with a detailed accounting of the funds received and expended during this period. The notifying Party shall not be liable for damages, losses, costs, or liabilities arising as a result of its actions under this Article 8.3.D, except to the extent Operator would be liable under Article 4.6.

8.3.D.2 While the Operator is a Defaulting Party, the Operator shall continue to perform its other functions as the Operator that are not transferred to the notifying Party by this Article, until Operator is removed or resigns.

8.3.E If all Parties are Defaulting Parties, then the Parties shall be deemed to have collectively decided to withdraw, and the Parties agree that they shall be bound by the terms and conditions of this Agreement for so long as may be necessary to wind up the affairs of the Parties with the Government, to satisfy any requirements of the Licence and Laws and to facilitate the sale, disposition or abandonment of property or interests held by the Joint Account, all under Article 2.

8.4 Remedies

8.4.A During the Default Period, the Defaulting Party has no right to take in kind or separately dispose of its Entitlement, which Entitlement shall under this Article 8.4.A vest in and be the property of the non-defaulting Parties. Operator (or the notifying Party if Operator is a Defaulting Party) shall be authorized and under Article 8.4.I has a power of attorney to take and sell such Entitlement in an arm's-length sale on terms that are commercially reasonable under the circumstances and, after deducting all costs and liabilities incurred in connection with such sale pay the net proceeds to the non-defaulting Parties in proportion to the amounts they are owed by the Defaulting Party as a part of the Total Amount in Default (in payment of first the interest and then the principal) and apply such net proceeds toward the establishment of the Reserve Fund, if applicable, until the Total Amount in Default is recovered and such Reserve Fund is established. Any surplus remaining shall be paid to the Defaulting Party, and any deficiency shall be carried forward as a Default Amount. When making sales under this Article 8.4.A, the non-defaulting Parties shall have no obligation to share any existing market or obtain a price equal to the price at which their own production is sold.

8.4.B If Operator disposes of any Joint Property or if any other credit or adjustment is made to the Joint Account during the Default Period, Operator (or the notifying Party if Operator is a Defaulting Party) shall be entitled to apply the Defaulting Party's Participating Interest share of the proceeds of such disposal, credit, or adjustment against the Total Amount in Default (against first the interest and then the principal) and toward the establishment of the Reserve Fund, if applicable. Any surplus remaining shall be paid to the Defaulting Party, and any deficiency shall be carried forward as a Default Amount.

8.4.C The non-defaulting Parties shall be entitled to apply the net proceeds received under Articles 8.4.A and 8.4.B toward the creation of a reserve fund (the "Reserve Fund") in an amount equal to the Defaulting Party's Participating Interest share of:

8.4.C.1 The estimated Decommissioning Costs, to the extent the Parties have not provided for Decommissioning Security under Article 10;

8.4.C.2 The estimated cost of severance benefits for local employees upon cessation of operations; and

8.4.C.3 Any other identifiable costs that the non-defaulting Parties anticipate will be incurred in connection with the cessation of operations.

Upon the conclusion of the Default Period, all amounts held in the Reserve Fund shall be returned to the Party previously in Default.

8.4.D If a Defaulting Party fails to fully remedy all its defaults by the thirtieth (30th) Day of the Default Period, or by the fifteenth (15th) Day of the corresponding Default Period of any subsequent default occurring within twelve (12) Months of the preceding default, then, without prejudice to any other rights available to each non-defaulting Party to recover its portion of the Total Amount in Default, at any time afterwards until the Defaulting Party has cured its defaults:

8.4.D.1 any non-defaulting Party shall have the option, exercisable in its discretion at any time, to require that the Defaulting Party offer to completely withdraw from this Agreement and assign all of its Participating Interest, as described in Article 8.4.E; and/or

8.4.D.2 any non-defaulting Party shall have the option, exercisable in its discretion at any time, to require that the Defaulting Party offer to sell and assign all of its Participating Interest to any non-defaulting Parties wishing to purchase such Participating Interest, as described in Article 8.4.F; and/or

8.4.D.3 any non-defaulting Party shall have the option, exercisable in its discretion with respect to a default occurring at any time under an approved Development Plan, to require that the Defaulting Party offer to assign a part of the Defaulting Party's Participating Interest in the corresponding Exploitation Area to any non-defaulting Parties wishing to accept assignment of such part, as described in Article 8.4.G; and/or

8.4.D.4 any non-defaulting Party shall have the option, exercisable in its discretion at any time, to foreclose its mortgage and security interest against a pro rata share of the Collateral, as described in Article 8.4.H.

Such options shall be exercised by providing notice of such election to the Defaulting Party and each non-defaulting Party. Until the Defaulting Party's Participating Interest has been assigned in full under this Article 8.4, each option is cumulative, not exclusive. The exercise of one option that does not result in the assignment of the Defaulting Party's Participating Interest shall not preclude the non-defaulting Parties from exercising such option again, or from exercising another option; provided that if an option set out in Article 8.4.D.2 or Article 8.4.D.3 is exercised, then the other options may not be exercised unless and until the non-defaulting Parties have been deemed to have elected not to acquire all or part of the Participating Interest of the Defaulting Party under Article 8.4.F or Article 8.4.G, as applicable. All costs pertaining to any such assignment (including any stamp duty incurred on the documents signed to effect such assignment) shall be the responsibility of the Defaulting Party.

8.4.E If the option set out in Article 8.4.D.1 is exercised, the Defaulting Party shall be deemed to have proposed to withdraw and assign, under Article 13.6, effective on the date of the non-defaulting Party's or Parties' notice, its Participating Interest to the non-defaulting Parties; provided that any non-defaulting Party that did not join in the notice of exercise of such option shall have the right exercisable for ten (10) Days from the date of such notice to notify the other non-defaulting Parties that it refuses to accept such proposed assignment. In the absence of an agreement to the contrary among the non-defaulting Parties willing to accept an assignment, any assignment to the non-defaulting Parties after a withdrawal under this Article 8.4.E shall be in proportion to the Participating Interests of the non-defaulting Parties, excluding any non-defaulting Party that has given notice that it refuses to accept such proposed assignment.

8.4.F In connection with the option set out in Article 8.4.D.2 each Party grants to each of the other Parties the right and option to acquire (the "Buy-Out Option") under Article 8.4.F.1 all of its Participating Interest for the consideration determined under Article 8.4.F.2 (the "Buy-Out Price") and paid under Article 8.4.F.3.

8.4.F.1 Each non-defaulting Party may, but shall not be obligated to, exercise such Buy-Out Option by notice to the Defaulting Party and each other non-defaulting Party (the "Buy-Out Notice"). The Defaulting Party shall be deemed to have proposed to sell and assign, effective on the date of the Buy-Out Notice, its entire Participating Interest to the non-defaulting Parties having exercised the Buy-Out Option (each, an "Acquiring Party"). Any other non-defaulting Party that gives an Option Notice within thirty (30) Days after the Buy-Out Option is first exercised by an Acquiring Party shall also become an Acquiring Party. Any non-defaulting Party that fails to exercise its Buy-Out Option during such thirty (30) Day period shall be deemed to have elected not to become an Acquiring Party, and its Buy-Out Option with respect to the Defaulting Party shall terminate. Each Acquiring Party shall be deemed to have proposed to acquire a proportion of the Participating Interest of the Defaulting Party equal to the ratio of such Acquiring Party's Participating Interest to the total Participating Interests of all Acquiring Parties and pay such proportion of the Buy-Out Price, unless they otherwise agree.

8.4.F.2 The Buy-Out Price shall be determined as follows:

Each Acquiring Party shall specify in its Buy-Out Notice a value for the Defaulting Party's entire Participating Interest. Within five (5) Days after the thirty (30) Day period after the Buy-Out Option is first exercised, the Defaulting Party shall (i) notify the Acquiring Parties that it accepts, with respect to each Acquiring Party, such Acquiring Party's proportionate share of the value specified by such Acquiring Party in its Buy-Out Notice (in which case this value is, with respect to such Acquiring Party, the "Buy-Out Price"); or (ii) refer the Dispute to an independent expert pursuant to Article 18.3 for determination of the value of its entire Participating Interest (in which case each Acquiring Party's proportionate share of the value determined by such expert shall be deemed the "Buy-Out Price" with respect to each such Acquiring Party). If the Defaulting Party fails to so notify the Acquiring Parties, then the Defaulting Party shall be deemed to have accepted, with respect to each Acquiring Party, such Acquiring Party's proportionate share of the value proposed by such Acquiring Party as the Buy-Out Price. If the valuation of the Defaulting Party's Participating Interest is referred to an expert, such expert shall determine the Buy-Out Price which shall be deemed to be equal to the fair market value of the Defaulting Party's entire Participating Interest, less the following:

(a) The Total Amount in Default;

(b) All costs, including the costs of the expert, to obtain such valuation; and

(c) thirty percent (30%) of the fair market value of the Defaulting Party's Participating Interest.

8.4.F.3 The Buy-Out Price shall be paid to the Defaulting Party in four (4) installments, each equal to 25% of the Buy-Out Price as follows:

(a) The first installment shall be due and payable to the Defaulting Party within 15 Days after the date on which the Defaulting Party's Participating Interest is effectively assigned to the Acquiring Parties (the "Assignment Date");

(b) The second installment shall be due and payable to the Defaulting Party within 180 Days after the Assignment Date;

(c) The third installment shall be due and payable to the Defaulting Party within 365 Days after the Assignment Date; and

(d) The fourth installment shall be due and payable to the Defaulting Party within 545 Days after the Assignment Date.

8.4.F.4 On the Assignment Date the Total Amount in Default shall be deemed to have been satisfied, and if the assignment under Article 8.4.F was to fewer than all of the non-defaulting Parties, the Acquiring Parties in proportion to their proportionate share of the Buy-Out Price shall pay to each non-defaulting Party that was not an Acquiring Party the portion of the Total Amount in Default owed to such non-defaulting Party.

8.4.G In connection with the option set out in Article 8.4.D.3 each Defaulting Party grants to each of the other Parties the right and option to acquire under this Article 8.4.G a part of its Participating Interest in the applicable Exploitation Area (the "Withering Option"), in which it is in default.

8.4.G.1 Each non-defaulting Party may, but shall not be obligated to, exercise such Withering Option by notice to the Defaulting Party and each other non-defaulting Party (the "Withering Notice"). The Defaulting Party shall be deemed to have proposed to assign, effective on the date of the Withering Notice, the Withering Interest to the non-defaulting Parties having exercised the Withering Option (each, an "Acquiring Party"). Any other non-defaulting Party that gives a Withering Notice within thirty (30) Days after the Withering Option is first exercised by an Acquiring Party shall also become an Acquiring Party. Any non-defaulting Party that fails to exercise its Withering Option during such thirty (30) Day period shall be deemed to have elected not to become an Acquiring Party and its Withering Option regarding the Defaulting Party shall terminate. Each Acquiring Party shall be deemed to have proposed to acquire a proportion of the Withering Interest of the Defaulting Party equal to the ratio of such Acquiring Party's Participating Interest to the total Participating Interests of all Acquiring Parties and pay such proportion of the Withering Price, unless they otherwise agree.

8.4.G.2 The Withering Interest shall be determined based on the following formula:

$$\textit{Withering Interest} = \frac{[\textit{Withering Price x Default Factor x DPPI}]}{\textit{DPETC}}$$

Where:

"Withering Interest" means the lesser of: (i) the Defaulting Party's entire Participating Interest, in the applicable Exploitation Area to be assigned to the Acquiring Parties (expressed as a percentage); or (ii) the part out of the Defaulting Party's Participating Interest, in the applicable Exploitation Area to be assigned to the Acquiring Parties (expressed as a percentage).

"Withering Price" means the amount equal to DPETC less DPACP.

"Estimated Total Costs" means the estimated total costs to be expended to complete the approved Development Plan for the applicable Exploitation Area, including any contingent amounts, amendments and approved cost over-runs arising before the due date of the Cash Call giving rise to the default.

"DPETC" means the Defaulting Party's Participating Interest share of the Estimated Total Costs.

"DPACP" means the aggregate costs paid by the Defaulting Party regarding the applicable Development Plan before the date of the Cash Call giving rise to the default.

"Default Factor" means:

1.25, if less than twenty-five percent (25%) of the Estimated Total Costs have been expended by the Parties;

1.20, if at least twenty-five percent (25%) but less than fifty percent (50%) of the Estimated Total Costs have been expended by the Parties;

1.15, if at least fifty percent (50%) but less than seventy-five percent (75%) of the Estimated Total Costs have been expended by the Parties; or

1.10, if at least seventy five percent (75%) of the Estimated Total Costs have been expended by the Parties.

"DPPI" means the Defaulting Party's Participating Interest as of the due date of the Cash Call giving rise to the default (expressed as a percentage).

8.4.G.3 If the Withering Interest is effectively assigned to the Acquiring Parties under Article 8.4.G, then from the due date of the Cash Call giving rise to the default:

(a) The Defaulting Party has no obligation to pay any further Cash Calls under the applicable Development Plan, except to the extent of the Defaulting Party's obligation to fund its revised Participating Interest share of any cost over-runs arising after such date;

(b) The Acquiring Parties shall bear all costs attributable to the Withering Interest and the Defaulting Party's revised Participating Interest under the applicable Development Plan, except to the extent of the Defaulting Party's obligation to fund its revised Participating Interest share of any cost over-runs arising after such date.

8.4.G.4 On the date the Withering Interest is effectively assigned the Total Amount in Default shall be deemed to have been satisfied, and if the assignment under Article 8.4.G was to fewer than all of the non-defaulting Parties, the Acquiring Parties in proportion to their proportionate share of the Withering Price shall pay to each non-defaulting Party that was not an Acquiring Party the portion of the Total Amount in Default owed to such non-defaulting Party.

8.4.H In addition to the other remedies available to the non-defaulting Parties under this Article 8 and any other rights available to each non-defaulting Party to recover its portion of the Total Amount in Default, if a Defaulting Party fails to remedy its default within thirty (30) Days of the Default Notice, the non-Defaulting Parties may elect to enforce a mortgage and security interest on the Defaulting Party's Participating Interest as set forth below, subject to the Licence and the Laws.

8.4.H.1 Each Party grants to each of the other Parties, in pro rata shares based on their relative Participating Interests, a mortgage and security interest on its Participating Interest, whether now owned or later acquired, together with all products and proceeds derived from that Participating Interest (collectively, the "Collateral") as security for:

(a) The payment of all amounts owing by such Party (including interest and costs of collection) under this Agreement and the Farmout Agreement; and

(b) Any Security that such Party is required to provide under the Licence, this Agreement or the Farmout Agreement.

8.4.H.2 Should a Defaulting Party fail to remedy its default by the thirtieth (30th) Day after the date of the Default Notice, then, each non-defaulting Party shall have the option, exercisable at any time afterwards during the Default Period, to foreclose its mortgage and security interest against its pro rata share of the Collateral by any means permitted under the Licence and the Laws and to sell all or any part of that Collateral in public or private sale after providing the Defaulting Party and other creditors with any notice required by the Licence or the Laws, and subject to the provisions of Article 12. Except as may be prohibited by the Licence or the Laws, the non-defaulting Party that forecloses its mortgage and security interest shall be entitled to become the purchaser of the Collateral sold and shall have the right to credit toward the purchase price the amount to which it is entitled under Article 8.4. Any deficiency in the amounts received by the foreclosing Party shall remain a debt due by the Defaulting Party. The foreclosure of mortgages and security interests by one non-defaulting Party shall neither affect the amounts owed by the Defaulting Party to the other non-defaulting Parties nor in any way limit the rights or remedies available to them. Each Party agrees that, should it become a Defaulting Party, it waives the benefit of any Appraisal Operation, valuation, stay, extension or redemption law and any other debtor protection law that otherwise could be invoked to prevent or hinder the enforcement of the mortgage and security interest granted above.

8.4.H.3 Each Party agrees to sign such memoranda, financing statements and other documents, and make such filings and registrations, as may be reasonably necessary to perfect, validate and provide notice of the mortgages and security interests granted by this Article 8.4.H.

8.4.I The Defaulting Party shall promptly join in such actions as may be necessary or desirable to obtain any Government approvals required regarding such proposed withdrawal and assignment. The non-defaulting Parties shall use reasonable endeavors to assist the Defaulting Party in obtaining such approvals. Any penalties, damages, losses, costs (including reasonable legal costs and attorneys' fees) and liabilities incurred by the Parties in connection with such proposed withdrawal and assignment shall be borne by the Defaulting Party. If the Government does not approve the Defaulting Party's proposed withdrawal and assignment, then the non-defaulting Parties (excluding any non-defaulting Party that has given notice that it refuses to accept such proposed assignment) shall have the right to retract the notice of proposed withdrawal and assignment by notice to all Parties. The acceptance by a non-defaulting Party of any portion of a Defaulting Party's Participating Interest shall not limit any rights or remedies that such non-defaulting Party has to recover any remaining balance plus interest owing under this Agreement by the Defaulting Party. For purposes of Article 8.4.E, 8.4.F, 8.4.G, or 8.4.H, as elected, the Defaulting Party shall, without delay after any request from the non-defaulting Parties, do any act required to be done by the Laws and any other applicable laws in order to render the sale of its Entitlement and/or assignment of its Participating Interest legally valid, including obtaining all necessary governmental consents and approvals, and shall sign any document and take such other actions as may be necessary in order to effect a prompt and valid sale of its Entitlement and/or assignment of its Participating Interest. The Defaulting Party shall promptly remove any Encumbrances which may exist on the date of sale of its Entitlement and/or assignment of its Participating Interests (other than any existing Encumbrances that affect all Parties in proportion to their Participating Interests). If all Government approvals are not timely obtained, the Defaulting Party shall to the extent allowed under the Licence and applicable Laws hold its Participating Interest in trust or escrow arrangement for the benefit of the non-defaulting Parties who are entitled to receive it. Each Party appoints each other Party its true and lawful attorney to sign such instruments and make such filings and applications as may be necessary to make such sale or assignment legally effective and to obtain any necessary consents of the Government. Actions under this power of attorney may be taken by any Party individually without the joinder of the others. This power of attorney is irrevocable for the term of this Agreement and is coupled with an interest. If requested, each Party shall execute a form prescribed by the Operating Committee setting forth this power of attorney in more detail.

8.4.J The non-defaulting Parties shall be entitled to recover from the Defaulting Party all reasonable attorneys' fees and all other reasonable costs sustained in the collection of amounts owing by the Defaulting Party.

8.4.K The rights and remedies granted to the non-defaulting Parties in this Article 8 shall be cumulative, not exclusive, and shall be in addition to any other rights and remedies that may be available to the non-defaulting Parties, whether at law, in equity or otherwise. Each right and remedy available to the non-defaulting Parties may be exercised from time to time and so often and in such order as may be considered expedient by the non-defaulting Parties in their sole discretion.

8.5 Survival

The obligations of the Defaulting Party and the rights of the non-defaulting Parties shall survive the surrender of the Licence, Decommissioning, and termination of this Agreement.

8.6 No Right of Set Off

Each Party acknowledges and accepts that a fundamental principle of this Agreement is that each Party pays its Participating Interest share of all amounts due under this Agreement as and when required. Accordingly, any Party that becomes a Defaulting Party undertakes that, in respect of either any exercise by the non-defaulting Parties of any rights under or the application of any of the provisions of this Article 8, such Party hereby waives any right to raise by way of set off or invoke as a defense, whether in law or equity, any failure by any other Party to pay amounts due and owing under this Agreement or any alleged claim that such Party may have against Operator or any Non-Operator, whether such claim arises under this Agreement or otherwise. Each Party further agrees that the nature and the amount of the remedies granted to the non-defaulting Parties are reasonable and appropriate in the circumstances.

ARTICLE 9 - DISPOSITION OF PRODUCTION

9.1 Right and Obligation to Take in Kind

Except as otherwise provided in this Article 9 or in Article 8, each Party shall have the right and obligation to own, take in kind and separately dispose of its Entitlement.

9.2 Disposition of Crude Oil and/or Natural Gas

If Crude Oil (or Natural Gas) is to be produced from an Exploitation Area, the Parties shall in good faith, and not fewer than six (6) Months before the anticipated first delivery of Crude Oil (or Natural Gas), as promptly notified by Operator, negotiate and conclude the terms of a lifting agreement to cover the offtake of Crude Oil (or Natural Gas) produced under the Licence.

ARTICLE 10 - ABANDONMENT

10.1 Abandonment of Wells Drilled as Joint Operations

10.1.A A decision to plug and abandon any well that was drilled as a Joint Operation shall require the approval of the Operating Committee.

10.1.B If any Party fails to reply within the period prescribed in Article 5.12.A.1 or Article 5.12.A.2, whichever applies, after delivery of notice of Operator's proposal to plug and abandon such well, such Party shall be deemed to have consented to the proposed abandonment.

10.1.C If the Operating Committee approves a decision to plug and abandon an Exploration Well or Appraisal Well, subject to the Laws, any Party voting against such decision may propose (within the time periods allowed by Article 5.13.A) to conduct an alternate Exclusive Operation in the wellbore. If no Exclusive Operation is timely proposed, or if an Exclusive Operation is timely proposed but is not commenced within the applicable time periods under Article 7.2, such well shall be plugged and abandoned.

10.1.D Any well plugged and abandoned under this Agreement shall be plugged and abandoned under the Laws and at the cost and risk of the Parties who participated in the cost of drilling such well.

10.1.E Despite anything to the contrary in this Article 10.1:

10.1.E.1 If the Operating Committee approves a decision to plug and abandon a well from which Hydrocarbons have been produced and sold, subject to the Laws, any Party voting against the decision may propose (within five (5) Days after the time specified in Article 5.6, Article 5.12.A.1 or Article 5.12.A.2, whichever applies, has expired) to take over the entire well as an Exclusive Operation. Any Party originally participating in the well shall be entitled to participate in the operation of the well as an Exclusive Operation by response notice within ten (10) Days after receipt of the notice proposing the Exclusive Operation. In such event, the Consenting Parties shall be entitled to conduct an Exclusive Operation in the well; provided that the proposed operation may not be in the same Zone from which production was previously obtained nor be in a Zone that is produced by any other Joint Operation wells.

10.1.E.2 Each Non-Consenting Party shall be deemed to have relinquished free of cost to the Consenting Parties in proportion to their Participating Interests all of its interest in the wellbore of a produced well and related equipment under Article 7.4.B. The Consenting Parties shall afterwards bear all cost and liability of plugging and abandoning such well under the Laws, to the extent the Parties are or become obligated to contribute to such costs and liabilities, and the Consenting Parties shall indemnify the Non-Consenting Parties against all such costs and liabilities.

10.1.E.3 Subject to Article 7.12.F, Operator shall continue to operate a produced well for the account of the Consenting Parties at the rates and charges contemplated by this Agreement, plus any additional costs that may arise as the result of the separate allocation of interest in such well.

10.2 Abandonment of Exclusive Operations

This Article 10 shall apply mutatis mutandis to the Decommissioning of facilities and/or equipment acquired for an Exclusive Operation and abandonment of an Exclusive Well or any well in which an Exclusive Operation has been conducted (in which event all Parties having the right to conduct further operations in such well shall be notified and have the opportunity to conduct Exclusive Operations in the well under this Article 10).

10.3 Provision for and Conduct of Abandonment

If under the Licence or the Laws, the Parties are or become obliged to pay or contribute to the cost of ceasing operations, then during preparation of a Development Plan, the Parties shall make a preliminary plan for the abandonment of wells, and shall negotiate a security agreement which shall be completed and executed by all Parties participating in such Development Plan.

ARTICLE 11 - SURRENDER, EXTENSIONS AND RENEWALS

11.1 Surrender

11.1.A If the Licence requires the Parties to surrender any portion of the Contract Area, Operator shall advise the Operating Committee of such requirement at least one hundred and twenty (120) Days in advance of the earlier of the date for filing irrevocable notice of such surrender or the date of such surrender. Before the end of such period, the Operating Committee shall determine under Article 5 the size and shape of the surrendered area, consistent with the requirements of the Licence. If a sufficient vote of the Operating Committee cannot be attained, then the proposal supported by a simple majority of the Participating Interests shall be adopted. If no proposal attains the support of a simple majority of the Participating Interests, then the proposal receiving the largest aggregate Participating Interest vote shall be adopted. In the event of a tie, Operator shall choose among the proposals receiving the largest aggregate Participating Interest vote. The Parties shall sign any documents and take such other actions as may be necessary to effect the surrender. Each Party renounces all claims and causes of action against Operator and any other Parties on account of any area surrendered in accordance with the foregoing but against its recommendation if Hydrocarbons are later discovered under the surrendered area.

11.1.B A surrender of all or any part of the Contract Area that is not required by the Licence shall require the unanimous consent of the Parties.

11.2 Extension of the Term

11.2.A A proposal by any Party to enter into or extend the term of any Exploration Period or Exploitation Period or any phase of the Licence, or a proposal to extend the term of the Licence, shall be brought before the Operating Committee under Article 5.

11.2.B Any Party shall have the right to enter into or extend the term of any Exploration Period or Exploitation Period or any phase of the Licence or to extend the term of the Licence, regardless of the level of support in the Operating Committee. If any Party takes such action, any Party not wishing to extend shall have a right to withdraw, subject to the requirements of Article 13.

ARTICLE 12 - TRANSFER OF INTEREST OR RIGHTS AND CHANGES IN CONTROL

12.1 Obligations

Subject to the requirements of the Licence,

12.1.A Any Transfer (except Transfers under Article 7, Article 8, or Article 13) shall be effective only if it satisfies the terms and conditions of Article 12.2; and

12.1.B A Party subject to a Change in Control must satisfy the terms and conditions of Article 12.3.

If a Transfer subject to this Article or a Change in Control occurs without satisfaction (in all material respects) by the transferor or the Party subject to the Change in Control, as applicable, of the requirements of this Agreement, then each other Party shall be entitled to enforce specific performance of the terms of this Article, in addition to any other remedies (including damages) to that it may be entitled. Each Party agrees that monetary damages alone would not be an adequate remedy for the breach of any Party's obligations under this Article.

Notwithstanding anything to the contrary, the requirements for assignment or transfer under this Agreement shall not apply to or restrict any assignment or transfer by DESAL of any interests or obligations pertaining to the West Block.

12.2 Transfer

12.2.A Except in the case of a Party transferring all of its Participating Interest, no Transfer shall be made by any Party that results in the transferor or the transferee holding a Participating Interest of less than ten percent (10%) or any interest other than a Participating Interest in this Agreement.

12.2.B Subject to the terms of Articles 4.9 and 4.10, the Party serving as Operator shall remain Operator after Transfer of a portion of its Participating Interest. In the event of a Transfer of all of its Participating Interest, except to an Affiliate, the Party serving as Operator shall be deemed to have resigned as Operator, effective on the date the Transfer becomes effective under this Article 12, in which event a successor Operator shall be appointed under Article 4.11. If Operator transfers all of its Participating Interest to an Affiliate, that Affiliate shall automatically become the successor Operator, provided that the transferring Operator shall remain liable for its Affiliate's performance of its obligations.

12.2.C Despite such Transfer, both the transferee and the transferring Party shall be liable to the other Parties for the transferring Party's Participating Interest share of any obligations (financial or otherwise) that have vested, matured, or accrued under the Licence or this Agreement before such Transfer. Such obligations, shall include any proposed expenditure approved by the Operating Committee before the transferring Party notifying the other Parties of its proposed Transfer but shall not include costs of plugging and abandoning wells or portions of wells and Decommissioning facilities in which the transferring Party participated (or was required to bear a share of the costs pursuant to this sentence) to the extent such costs are payable by the Parties under the Licence.

12.2.D A transferee has no rights in the Licence or this Agreement (except any notice and cure rights or similar rights that may be provided to a Lien Holder (as defined in Article 12.2.E) by separate instrument signed by all Parties) unless and until:

12.2.D.1 such transferee expressly undertakes in an instrument reasonably satisfactory to the other Parties to perform the obligations of the transferor under the Licence and this Agreement to the extent of the Participating Interest being transferred and obtains any necessary Government approval for the Transfer and furnishes any guarantees required by the Government or the Licence on or before the applicable deadlines; and

12.2.D.2 in the case of a Transfer to a transferee other than an Affiliate, each Party has consented in writing to such Transfer, which consent shall be denied only if the transferee fails to establish to the reasonable satisfaction of each Party its financial capability, including enforceability of remedies under this Agreement against such transferee, to perform its payment obligations under the Licence and this Agreement, and its ability to comply with the provisions of Article 19.1.

12.2.D.3 in the case of a Transfer to an Affiliate, each Party has consented in writing to such Transfer, which consent shall be denied only if the transferee fails to establish to the reasonable satisfaction of each Party its ability to comply with the provisions of Article 19.1, and the transferring Party agrees in an instrument reasonably satisfactory to the other Parties to remain liable for its Affiliate's performance of its obligations.

12.2.E Nothing contained in this Article 12 shall prevent a Party from Encumbering all or any undivided portion of its Participating Interest to a third party (a "Lien Holder") as security relating to financing, provided that:

12.2.E.1 Such Party shall remain liable for all obligations relating to such interest;

12.2.E.2 The Encumbrance shall be subject to any necessary approval of the Government and be expressly subordinated to the rights of the other Parties under this Agreement under a subordination agreement in favour of and reasonably satisfactory to the other Parties;

12.2.E.3 Such Party shall ensure that any Encumbrance shall be expressed to be without prejudice to the provisions of this Agreement.

12.2.F Any Transfer of all or a portion of a Party's Participating Interest, other than a Transfer to an Affiliate or the granting of an Encumbrance as provided in Article 12.2.E, shall be subject to the following procedure.

12.2.F.1 Once the final terms and conditions of a Transfer have been fully negotiated, the transferor shall disclose all such final terms and conditions as are relevant to the acquisition of the Participating Interest (and, if applicable, the determination of the Cash Value of the Participating Interest) in a notice to the other Parties, which notice shall be accompanied by a copy of all instruments or relevant portions of instruments establishing such terms and conditions. Each other Party shall have the right to acquire the Participating Interest subject to the proposed Transfer from the transferor on the terms and conditions described in Article 12.2.F.3 if, within thirty (30) Days of the transferor's notice, such Party delivers to all other Parties a counter-notification that it accepts such terms and conditions without reservations or conditions (subject to Articles 12.2.F.3 and 12.2.F.4, where applicable). If no Party delivers such counter-notification, the Transfer to the proposed transferee may be made, subject to the other provisions of this Article 12, under terms and conditions no more favorable to the transferee than those set forth in the notice to the Parties, provided that the Transfer shall be concluded within one hundred eighty (180) Days from the date of the notice plus such additional period as may be required to secure governmental approvals. No Party shall have a right under this Article 12.2.F to acquire any asset other than a Participating Interest, nor may any Party be required to acquire any asset other than a Participating Interest, regardless of whether other properties are included in the Transfer.

12.2.F.2 If more than one Party counter-notifies that it intends to acquire the Participating Interest subject to the proposed Transfer, then each such Party shall acquire a proportion of the Participating Interest to be transferred equal to the ratio of its own Participating Interest to the total Participating Interests of all the counter-notifying Parties, unless the counter-notifying Parties otherwise agree.

12.2.F.3 If a Cash Transfer that does not involve other properties as part of a wider transaction, each other Party shall have a right to acquire the Participating Interest subject to the proposed Transfer on the same final terms and conditions as were negotiated with the proposed transferee. If a Transfer that is not a Cash Transfer or involves other properties included in a wider transaction (package deal), the transferor shall include in its notification to the other Parties a statement of the Cash Value of the Participating Interest subject to the proposed Transfer, and each other Party shall have a right to acquire such Participating Interest on the same final terms and conditions as were negotiated with the proposed transferee except that the acquiring Party shall pay the Cash Value in immediately available funds at the closing of the Transfer instead of the consideration payable in the third party offer, and the terms and conditions of the applicable instruments shall be modified as necessary to reflect the acquisition of a Participating Interest for cash. In the case of a package sale, no Party may acquire the Participating Interest subject to the proposed package sale unless and until the completion of the wider transaction (as modified by the exclusion of properties subject to preemptive rights or excluded for other reasons) with the package sale transferee. If for any reason the package sale terminates without completion, the other Parties' rights to acquire the Participating Interest subject to the proposed package sale shall also terminate.

12.2.F.4 For purposes of Article 12.2.F.3, the Cash Value proposed by the transferor in its notice shall be conclusively deemed correct unless any Party (each a "Disagreeing Party") gives notice to the transferor with a copy to the other Parties within ten (10) Days of receipt of the transferor's notice stating that it does not agree with the transferor's statement of the Cash Value, stating the Cash Value that the Disagreeing Party believes is correct, and providing any supporting information that the Disagreeing Party believes is helpful. In such event, the transferor and the Disagreeing Parties shall have fifteen (15) Days in which to attempt to negotiate an agreement on the applicable Cash Value. If no agreement has been reached by the end of such fifteen (15) Day period, either the transferor or any Disagreeing Party shall be entitled to refer the matter to an independent expert as provided in Article 18.3 for determination of the Cash Value.

12.2.F.5 If the determination of the Cash Value is referred to an independent expert and the value submitted by the transferor is no more than five percent (5%) above the Cash Value determined by the independent expert, the transferor's value shall be used for the Cash Value and the Disagreeing Parties shall pay all costs of the expert. If the value submitted by the transferor is more than five percent (5%) above the Cash Value determined by the independent expert, the independent expert's value shall be used for the Cash Value and the transferor shall pay all costs of the expert. Subject to the independent expert's value being final and binding under Article 18.3, the Cash Value determined by the procedure shall be final and binding on all Parties.

12.2.F.6 Once the Cash Value is determined under Article 12.2.F.5, Operator shall provide notice of such Cash Value to all Parties, and subject to the Licence, the transferor shall be obligated to sell and the Parties which provided notice of their intention to purchase the transferor's Participating Interest under Article 12.2.F.1 shall be obligated to buy the Participating Interest at said value.

12.3 Change in Control

12.3.A A Party subject to a Change in Control shall obtain any necessary Government approval with respect to the Change in Control and furnish any replacement Security required by the Government or the Licence on or before the applicable deadlines.

12.3.B A Party subject to a Change in Control shall provide evidence reasonably satisfactory to the other Parties that after the Change in Control such Party shall continue to have the financial capability to satisfy its payment obligations under the Licence and this Agreement. If the Party that is subject to the Change in Control fail to provide such evidence, any other Party, by notice to such Party, may require such Party to provide Security satisfactory to the other Parties concerning its Participating Interest share of any obligations or liabilities that the Parties may reasonably be expected to incur under the Licence and this Agreement during the then-current Exploration or Exploitation Period or phase of the Licence.

12.3.C Any Change in Control of a Party, other than one that results in ongoing Control by an Affiliate, shall be subject to the following procedure.

12.3.C.1 Once the final terms and conditions of a Change in Control have been fully negotiated, the Acquired Party shall disclose all such final terms and conditions as are relevant to the acquisition of such Party's Participating Interest and the determination of the Cash Value of that Participating Interest in a notice to the other Parties, which notice shall be accompanied by a copy of all instruments or relevant portions of instruments establishing such terms and conditions. Each other Party shall have the right to acquire the Acquired Party's Participating Interest on the terms and conditions described in Article 12.3.C.3 if, within thirty (30) Days of the Acquired Party's notice, such Party delivers to all other Parties a counter-notification that it accepts such terms and conditions without reservations or conditions (subject to Articles 12.3.C.3 and 12.3.C.4, where applicable). If no Party delivers such counter-notification, the Change in Control may proceed without further notice, subject to the other provisions of this Article 12, under terms and conditions no more favorable to the Acquirer than those set forth in the notice to the Parties, provided that the Change in Control shall be concluded within one hundred eighty (180) Days from the date of the notice plus such additional period as may be required to secure governmental approvals. No Party shall have a right under this Article 12.3.C to acquire any asset other than a Participating Interest, nor may any Party be required to acquire any asset other than a Participating Interest, regardless of whether other properties are subject to the Change in Control.

12.3.C.2 If more than one Party counter-notifies that it intends to acquire the Participating Interest subject to the proposed Change in Control, then each such Party shall acquire a proportion of that Participating Interest equal to the ratio of its own Participating Interest to the total Participating Interests of all the counter-notifying Parties, unless the counter-notifying Parties otherwise agree.

12.3.C.3 The Acquired Party shall include in its notification to the other Parties a statement of the Cash Value of the Participating Interest subject to the proposed Change in Control, and each other Party shall have a right to acquire such Participating Interest for the Cash Value, on the final terms and conditions negotiated with the proposed Acquirer that are relevant to the acquisition of a Participating Interest for cash. No Party may acquire the Acquired Party's Participating Interest under this Article 12.3.C unless and until completion of the Change in Control. If for any reason the Change in Control agreement terminates without completion, the other Parties' rights to acquire the Participating Interest subject to the proposed Change in Control shall also terminate.

12.3.C.4 For purposes of Article 12.3.C.3, the Cash Value proposed by the Acquired Party in its notice shall be conclusively deemed correct unless any Party (each a "Disagreeing Party") gives notice to the Acquired Party with a copy to the other Parties within ten (10) Days of receipt of the Acquired Party's notice stating that it does not agree with the Acquired Party's statement of the Cash Value, stating the Cash Value that the Disagreeing Party believes is correct, and providing any supporting information that the Disagreeing Party believes is helpful. In such event, the Acquired Party and the Disagreeing Parties shall have fifteen (15) Days in which to attempt to negotiate an agreement on the applicable Cash Value. If no agreement has been reached by the end of such fifteen (15) Day period, either the Acquired Party or any Disagreeing Party shall be entitled to refer the matter to an independent expert as provided in Article 18.3 for determination of the Cash Value.

12.3.C.5 If the determination of Cash Value is referred to an independent expert, and the value submitted by the Acquired Party is no more than five percent (5%) above the Cash Value determined by the independent expert, the Acquired Party's value shall be used for the Cash Value and the Disagreeing Parties shall pay all costs of the expert. If the value submitted by the Acquired Party is more than five percent (5%) above the Cash Value determined by the independent expert, the independent expert's value shall be used for the Cash Value and the Acquired Party shall pay all costs of the expert. Subject to the independent expert's value being final and binding under Article 18.3, the Cash Value determined by the procedure shall be final and binding on all Parties.

12.3.C.6 Once the Cash Value is determined under Article 12.3.C.4, Operator shall provide notice of such Cash Value to all Parties, and subject to the Licenec, the acquired Party shall be obligated to sell and the Parties that provided notice of their intention to purchase the acquired Party's Participating Interest under Article 12.3.C.1 shall be obligated to buy the Participating Interest at said value.

12.3.C.7 Despite anything to the contrary contained in this Agreement, Article 12.3.C shall not apply to any Change of Control of the ultimate holding company or parent company of a Party.

ARTICLE 13 - WITHDRAWAL FROM AGREEMENT

13.1 Right of Withdrawal

13.1.A Subject to this Article 13 and the Licence, any Party not in default may at its option withdraw from this Agreement and the Licence by giving notice to all other Parties stating its decision to withdraw. Such notice shall be unconditional and irrevocable when given, except as may be provided in Article 13.7.

13.1.B The effective date of withdrawal for a withdrawing Party shall be the end of the Calendar Month after the Calendar Month in which the notice of withdrawal is given, provided that if all Parties elect to withdraw, the effective date of withdrawal for each Party shall be the date determined by Article 13.9.

13.2 Partial or Complete Withdrawal

13.2.A Within thirty (30) Days of receipt of each withdrawing Party's notification, each of the other Parties may also give notice that it desires to withdraw from this Agreement and the Licence. If all Parties give notice of withdrawal, the Parties shall proceed to abandon the Contract Area and terminate the Licence and this Agreement. If fewer than all of the Parties give such notice of withdrawal, then the withdrawing Parties shall take all steps to withdraw from the Licence and this Agreement on the earliest possible date and sign and deliver all necessary instruments and documents to assign their Participating Interest to the Parties that are not withdrawing, without any compensation whatsoever, under Article 13.6.

13.2.B Any Party withdrawing under Article 11.2 or under this Article 13 shall at its option: (i) withdraw from the entirety of the Contract Area; or (ii) withdraw only from all Exploration Operations under the Licence, but not from any Exploitation Area, Commercial Discovery, or Discovery (whether appraised or not) made before such withdrawal. Such withdrawing Party shall retain its rights in Joint Property, but only insofar as they relate to any such Exploitation Area, Commercial Discovery, or Discovery, and shall abandon all other rights in Joint Property.

13.3 Rights of a Withdrawing Party

A withdrawing Party shall have the right to receive its Entitlement produced through the effective date of its withdrawal. The withdrawing Party shall be entitled to receive all information to which such Party is otherwise entitled under this Agreement until the effective date of its withdrawal. After giving its notification of withdrawal, a Party shall not be entitled to vote on any matters coming before the Operating Committee, other than matters for which such Party has financial responsibility.

13.4 Obligations and Liabilities of a Withdrawing Party

13.4.A A withdrawing Party shall, after its notification of withdrawal, remain liable only for its share of the following:

13.4.A.1 Costs of Joint Operations, and costs of Exclusive Operations in which such withdrawing Party has agreed to participate, that were approved by the Operating Committee or Consenting Parties as part of a Work Program and Budget (including a multi-year Work Program and Budget under Article 6.1.E) or AFE before such Party's notification of withdrawal, regardless of when they are incurred;

13.4.A.2 Any Minimum Work Obligations for the current period or phase of the Licence, and for any subsequent period or phase that has been approved under Article 11.2 and with respect to which such Party has failed to timely withdraw under Article 13.4.B;

13.4.A.3 Expenditures described in Articles 4.2.B.14 and 13.5 related to an emergency occurring before the effective date of a Party's withdrawal, regardless of when such expenditures are incurred;

13.4.A.4 All other obligations and liabilities of the Parties or Consenting Parties, as applicable, concerning acts or omissions under this Agreement before the effective date of such Party's withdrawal for which such Party would have been liable, had it not withdrawn from this Agreement; and

13.4.A.5 In the case of a partially withdrawing Party, any costs and liabilities concerning Exploitation Areas, Commercial Discoveries and Discoveries from which it has not withdrawn.

13.4.A.6 The obligations and liabilities for which a withdrawing Party remains liable shall specifically include its share of any costs of plugging and abandoning wells or portions of wells in which it participated (or was required to bear a share of the costs under Article 13.4.A.1) to the extent such costs of plugging and abandoning are payable by the Parties under the Licence. Any Encumbrances that were placed on the withdrawing Party's Participating Interest before such Party's withdrawal shall be fully satisfied or released, at the withdrawing Party's expense, before its withdrawal. A Party's withdrawal shall not relieve it from liability to the non-withdrawing Parties concerning any obligations or liabilities attributable to the withdrawing Party under this Article 13 merely because they are not identified or identifiable at the time of withdrawal.

13.4.B Despite the foregoing, a Party shall not be liable for any operations or expenditures it voted against (other than operations and expenditures described in Article 13.4.A.2 or Article 13.4.A.3) if it sends notification of its withdrawal within five (5) Days (or within twenty-four (24) hours for Urgent Operational Matters) of the Operating Committee vote approving such operation or expenditure. Likewise, a Party voting against voluntarily entering into, or extending, an Exploration Period or Exploitation Period or any phase of the Licence, or voting against voluntarily extending the Licence shall not be liable for the Minimum Work Obligations associated therewith provided that it sends notification of its withdrawal within thirty (30) Days of such vote under Article 11.2.

13.5 Emergency

If a well goes out of control or a fire, blow out, sabotage or other emergency occurs before the effective date of a Party's withdrawal, the withdrawing Party shall remain liable for its Participating Interest share of the costs of such emergency, regardless of when they are incurred.

13.6 Assignment

A withdrawing Party shall assign its Participating Interest free of cost to each of the non-withdrawing Parties in the proportion that each of their Participating Interests (before the withdrawal) bears to the total Participating Interests of all the non-withdrawing Parties (before the withdrawal), unless the non-withdrawing Parties agree otherwise. The costs associated with the withdrawal and assignments shall be borne by the withdrawing Party.

13.7 Approvals

A withdrawing Party shall promptly join in such actions as may be necessary or desirable to obtain any Government approvals required in connection with the withdrawal and assignments. The non-withdrawing Parties shall use reasonable endeavors to assist the withdrawing Party in obtaining such approvals. If the Government does not approve a Party's withdrawal and assignment to the other Parties, then the withdrawing Party shall at its option either (1) retract its notice of withdrawal by notice to the other Parties and remain a Party as if such notice of withdrawal had never been sent, or (2) to the extent allowed under the Licence and Laws hold its Participating Interest in trust for the exclusive benefit of the non-withdrawing Parties with the right to be reimbursed by the non-withdrawing Parties for any subsequent costs and liabilities incurred by it for which it would not have been liable, had it successfully withdrawn. Any penalties or costs incurred by the Parties in connection with such withdrawal shall be borne by the withdrawing Party.

13.8 Security

A Party withdrawing from this Agreement and the Licence under this Article 13 shall provide Security satisfactory to the other Parties to satisfy any obligations or liabilities for which the withdrawing Party remains liable under Article 13.4, but which become due after its withdrawal, including Security to cover the costs of Abandonment, if applicable.

13.9 Withdrawal or Abandonment by All Parties

If all Parties decide to withdraw, the Parties agree that they shall be bound by the terms and conditions of this Agreement for so long as may be necessary to wind up the affairs of the Parties with the Government, to satisfy any requirements of the Licence and the Laws, and to facilitate the sale, disposition or abandonment of property or interests held by the Joint Account, all under Article 2.

ARTICLE 14 - RELATIONSHIP OF PARTIES AND TAX

14.1 Relationship of Parties

The rights, duties, obligations, and liabilities of the Parties under this Agreement shall be individual, not joint or collective. It is not the intention of the Parties to create, nor shall this Agreement be deemed or construed to create, a mining or other partnership, joint venture or association or (except as explicitly provided in this Agreement) a trust. This Agreement shall not be deemed or construed to authorize any Party to act as an agent, servant or employee for any other Party for any purpose whatsoever except as explicitly set forth in this Agreement. In their relations with each other under this Agreement, the Parties shall not be considered fiduciaries except as expressly provided in this Agreement.

14.2 Tax

Each Party shall be responsible for reporting and discharging its own tax measured by the profit or income of the Party and the satisfaction of such Party's share of all contract obligations under the Licence and under this Agreement. Each Party shall protect, defend, and indemnify each other Party from any damage, loss, cost or liability arising from the indemnifying Party's failure to report and discharge such taxes or satisfy such obligations. The Parties intend that all income and all tax benefits (including deductions, depreciation, credits and capitalization) regarding the expenditures made by the Parties under this Agreement will be allocated by the Government tax authorities to the Parties based on the share of each tax item actually received or allocated to the Participating Interest share of each Party. If such allocation is not accomplished due to the application of the Laws or other Government action, the Parties shall attempt to adopt mutually agreeable arrangements that will allow the Parties to achieve the financial results intended. Operator shall provide each Party, in a timely manner and at such Party's sole expense, with such information concerning Joint Operations as such Party may reasonably request for preparation of its tax returns or responding to any audit or other tax proceeding.

14.3 United States Tax Election

14.3.A If, for United States federal income tax purposes, this Agreement and the operations under this Agreement are regarded as a partnership and if the Parties have not agreed to form a tax partnership, each U.S. Party elects to be excluded from the application of all of the provisions of Subchapter "K", Chapter 1, Subtitle "A" of the United States Internal Revenue Code of 1986, as amended (the "Code"), to the extent permitted and authorized by Section 761(a) of the Code and the regulations promulgated under the Code. Operator, if it is a U.S. Party, is authorized and directed to sign and file for each U.S. Party such evidence of this election as may be required by the Internal Revenue Service, including all of the returns, statements, and data required by United States Treasury Regulations Sections 1.761-2 and 1.6031(a)-1(b)(5) and shall provide a copy of such filing to each U.S. Party. However, if Operator is not a U.S. Party, the Party who holds the greatest Participating Interest among the U.S. Parties shall fulfill the obligations of Operator under this Article 14.3. Should there be any requirement that any U.S. Party give further evidence of this election, each U.S. Party shall execute such documents and furnish such other evidence as may be required by the Internal Revenue Service or as may be necessary to evidence this election.

14.3.B No Party shall give any notice or take any other action inconsistent with the foregoing election. If any income tax laws of any state or other political subdivision of the United States or any future income tax laws of the United States or any such political subdivision contain provisions similar to those in Subchapter "K", Chapter 1, Subtitle "A" of the Code, under which an election similar to that provided by Section 761(a) of the Code is permitted, each U.S. Party shall make such election as may be permitted or required by such laws. In making the foregoing election or elections, each U.S. Party states that the income derived by it from operations under this Agreement can be adequately determined without the computation of partnership taxable income.

14.3.C Unless approved by every Non-U.S. Party, no activity shall be conducted under this Agreement that would cause any Non-U.S. Party to be deemed to be engaged in a trade or business within the United States under United States income tax laws and regulations.

14.3.D A Non-U.S. Party shall not be required to do any act or sign any instrument that might subject it to the taxation jurisdiction of the United States.

14.3.E For the purposes of this Article 14.3, "U.S. Party" shall mean any Party that is subject to the income tax law of the United States in respect with operations under this Agreement. "Non-U.S. Party" shall mean any Party that is not subject to such income tax law.

ARTICLE 15 - VENTURE INFORMATION - CONFIDENTIALITY - INTELLECTUAL PROPERTY

15.1 Venture Information

Except as otherwise provided in this Article 15 or in Article 4.4 and Article 8.4.A, each Party is entitled to receive all Venture Information related to operations in which such party is a participant. "Venture Information" means any information and results developed or acquired as a result of Joint Operations and shall be Joint Property, unless provided otherwise under this Agreement and the Licence. Each Party shall have the right to use all Venture Information it receives without accounting to any other Party, subject to any applicable patents and any limitations set forth in this Agreement and the Licence. For purposes of this Article 15, such right to use shall include, the rights to copy, prepare derivative works, disclose, license, distribute, and sell.

15.2 Confidentiality

15.2.A Subject to the provisions of the Licence and this Article 15, the Parties agree that all information in relation with Joint Operations or Exclusive Operations shall be considered confidential and shall be kept confidential, and shall not be disclosed during the term of the Licence and for a period of two (2) years afterwards to any person or entity not a Party to this Agreement, except:

15.2.A.1 To an Affiliate under Article 15.1.B;

15.2.A.2 To a governmental agency or other entity when required by the Licence;

15.2.A.3 To the extent such information must be furnished in compliance with the applicable law or regulations, or pursuant to any legal proceedings or because of any order of any court binding upon a Party;

15.2.A.4 To prospective or actual attorneys engaged by any Party where disclosure of such information is essential to such attorney's work for such Party;

15.2.A.5 To prospective or actual contractors and consultants engaged by any Party where disclosure of such information is essential to such contractor's or consultant's work for such Party;

15.2.A.6 To a bona fide prospective transferee of a Party's Participating Interest to the extent appropriate in order to allow the assessment of such Participating Interest (including an entity with whom a Party and/or its Affiliates are conducting bona fide negotiations directed toward a merger, consolidation, or the sale of a majority of its or an Affiliate's shares);

15.2.A.7 To a bank or other financial institution to the extent appropriate to a Party arranging for funding;

15.2.A.8 To the extent such information must be disclosed pursuant to any rules or requirements of any government or stock exchange having jurisdiction over such Party, or its Affiliates; provided that if any Party desires to disclose information in an annual or periodic report to its or its Affiliates' shareholders and to the public and if such disclosure is not required under any rules or requirements of any government or stock exchange, then such Party shall comply with Article 20.3;

15.2.A.9 To its respective employees for the purposes of Joint Operations or Exclusive Operations, as applicable, subject to each Party taking customary precautions to ensure such information is kept confidential; and

15.2.A.10 Any information that, through no fault of a Party, becomes a part of the public domain.

15.2.B Disclosure under Articles 15.2.A.5, 15.2.A.6, and 15.2.A.7 shall not be made unless before such disclosure the disclosing Party has obtained a written undertaking from the recipient party to keep the information strictly confidential for at least as long as the period set out in Article 15.2.A and to use the information for the sole purpose described in Articles 15.2.A.5, 15.2.A.6, and 15.2.A.7, whichever applies, with respect to the disclosing Party.

15.3 Intellectual Property

15.3.A Subject to Articles 15.3.C and 15.5 and unless provided otherwise in the Licence, all intellectual property rights in the Venture Information shall be Joint Property. Each Party and its Affiliates have the right to use all such intellectual property rights in their own operations (including joint operations or a production sharing arrangement in which the Party or its Affiliates has an ownership or equity interest) without the approval of any other Party. Decisions regarding obtaining, maintaining and licensing such intellectual property rights shall be made by the Operating Committee, and the associated costs shall be charged to the Joint Account. With the unanimous agreement of the Operating Committee concerning ownership, licensing rights, and income distribution, the ownership of intellectual property rights in the Venture Information may be assigned to the Operator or to a Party.

15.3.B Nothing in this Agreement shall be deemed to require a Party to

15.3.B.1 Divulge proprietary technology to any of the other Parties; or

15.3.B.2 Grant a license or other rights under any intellectual property rights owned or controlled by such Party or its Affiliates to any of the other Parties.

15.3.C If while carrying out activities charged to the Joint Account, a Party or an Affiliate of a Party makes or conceives any inventions, discoveries, or improvements that primarily relate to or are primarily based on the proprietary technology of such Party or its Affiliates, then all intellectual property rights to such inventions, discoveries, or improvements shall vest exclusively in such Party and each other Party shall have a perpetual, royalty-free, irrevocable license to use such inventions, discoveries, or improvements, but only in connection with Joint Operations.

15.3.C Subject to Article 4.6.B, all costs (including reasonable legal costs and attorneys' fees) of defending, settling, or otherwise handling any claim that is based on the actual or alleged infringement of any intellectual property right shall be for the account of the operation from which the claim arose, whether Joint Operations or Exclusive Operations.

15.4 Continuing Obligations

Any Party ceasing to own a Participating Interest during the term of this Agreement shall nonetheless remain bound by the obligations of confidentiality in Article 15.2, and any Disputes in relation thereto shall be resolved under Article 18.2.

15.5 Trades

Operator may, with approval of the Operating Committee, make well trades and data trades for the benefit of the Parties, with any data so obtained to be furnished to all Parties who participated in the cost of the data that was traded. Operator shall cause any third party to such trade to enter into an undertaking to keep the traded data confidential.

ARTICLE 16 - FORCE MAJEURE

If as a result of Force Majeure any Party is rendered unable, wholly or in part, to carry out its obligations under this Agreement, other than the obligation to pay any amounts due or to furnish Security, then the obligations of the Party giving such notice, so far as and to the extent that the obligations are affected by such Force Majeure, shall be suspended during the continuance of any inability so caused and for such reasonable period afterwards as may be necessary for the Party to put itself in the same position that it occupied before the Force Majeure, but for no longer period. The Party claiming Force Majeure shall notify the other Parties of the Force Majeure within a reasonable time after the occurrence of the facts relied on and shall keep all Parties informed of all significant developments. Such notice shall give reasonably full particulars of the Force Majeure and also estimate the period of time that the Party will probably require to remedy the Force Majeure. The affected Party shall use all reasonable diligence to remove or overcome the Force Majeure situation as quickly as possible in an economic manner but shall not be obligated to settle any labor dispute except on terms acceptable to it, and all such disputes shall be handled within the sole discretion of the affected Party.

ARTICLE 17 - NOTICES

17.1 Form of Notices

17.1.A Except as otherwise specifically provided, all notices authorized or required between the Parties by any of the provisions of this Agreement shall be in writing (in English), shall be deemed to have been properly given when addressed to the appropriate Parties at the addresses as set out below, and:

17.1.A.1 delivered in person or by a recognized international courier service maintaining records of delivery; or

17.1.A.2 transmitted by facsimile; provided that the sender can and does provide evidence of successful and complete transmission; or

17.1.A.3 transmitted by e-mail; provided that the recipient transmits a manual written acknowledgment of successful receipt, which the recipient shall have an affirmative duty to furnish promptly after successful receipt.

Name: WESI PEL512 Pty Ltd	Name: Discovery Energy SA Pty Ltd
Address: Suite 33.01, Chifley Tower	Address: Level 8, 350 Collins Street
2 Chifley Square, Sydney NSW 2000	Melbourne VIC 3000
Attention: Mr Simon Philis	Attention: Mr Keith Spickelmier
Email: sphilis@wesicorp.com	Email: ks@discoveryenergy.com

17.1.B Oral communication does not constitute notice for purposes of this Agreement, and telephone numbers for the Parties are listed above as a matter of convenience only. With respect to facsimile and/or e-mail communication automatic delivery receipts issued without direct human authorization shall not be evidence of effective notices for purposes of this Agreement.

17.2 Delivery of Notices

A notice given under this Agreement shall be deemed delivered only when received by the Party to whom such notice is directed, and the time for such Party to deliver any notice in response to such originating notice shall run from the date the originating notice is received. “Received” for purposes of giving notice under this Agreement shall mean actual delivery of the notice to the address of the Party specified in Article 17.1 or to the most current address specified in a notice under Article 17.3; provided that any notice sent by facsimile or email after 5:00 p.m. on a Business Day or on a weekend or holiday at the location of the receiving Party shall be deemed given on the next following Business Day of the receiving Party.

17.3 Change of Address

Each Party shall have the right to change its address at any time and/or designate that copies of all such notices be directed to another person at another address, by giving written notice thereof to all other Parties.

ARTICLE 18 - APPLICABLE LAW - DISPUTE RESOLUTION - WAIVER OF SOVEREIGN IMMUNITY

18.1 Applicable Law

The substantive laws of the State of South Australia, exclusive of any conflicts of laws principles that could require the application of any other law, shall govern this Agreement for all purposes.

18.2 Dispute Resolution

18.2.A Notification. A Party who desires to submit a Dispute for resolution shall commence the Dispute resolution process by providing the other parties to the Dispute written notice of the Dispute ("Notice of Dispute"). The Notice of Dispute shall identify the parties to the Dispute and contain a brief statement of the nature of the Dispute and the relief requested. The submission of a Notice of Dispute shall toll any applicable statutes of limitation related to the Dispute, pending the conclusion or abandonment of Dispute resolution proceedings under this Article 18.

18.2.B Negotiations. The parties to the Dispute shall seek to resolve any Dispute by negotiation between Senior Executives. A "Senior Executive" means any individual who has authority to negotiate the settlement of the Dispute for a Party. Within thirty (30) Days after the date of the receipt by each party to the Dispute of the Notice of Dispute (which notice shall request negotiations among Senior Executives), the Senior Executives representing the parties to the Dispute shall meet at a mutually acceptable time and place to exchange relevant information in an attempt to resolve the Dispute. If a Senior Executive intends to be accompanied at the meeting by an attorney, each other party's Senior Executive shall be given written notice of such intention at least three (3) Days in advance and may also be accompanied at the meeting by an attorney. Despite the above, any Party may initiate arbitration proceedings under Article 18.2.C concerning such Dispute within thirty (30) Days after the date of receipt of the Notice of Dispute.

18.2.C Arbitration. Any Dispute not finally resolved by alternative Dispute resolution procedures set forth in Articles 18.2.B shall be resolved through final and binding arbitration, it being the intention of the Parties that this is a broad form arbitration agreement designed to encompass all possible Disputes, including Disputes about the arbitrability of a Dispute.

18.2.C.1 Rules. The arbitration shall be conducted under the arbitration rules (as then in effect) of Australian Centre for Internal Commercial Arbitration (ACICA) (the "Rules").

18.2.C.2 Number of Arbitrators. The arbitration shall be conducted by three arbitrators, unless all parties to the Dispute agree to a sole arbitrator within thirty (30) Days after the commencement of the arbitration. For greater certainty, for purposes of this Article 18.2.C, the commencement of the arbitration means the date on which the claimant's request or demand for, or notice of, arbitration is received by the other parties to the Dispute.

18.2.C.3 Method of Appointment of the Arbitrators. If the arbitration is to be conducted by a sole arbitrator, then the arbitrator will be jointly selected by the parties to the Dispute within thirty (30) Days after the commencement of the arbitration.

If the arbitration is to be conducted by three arbitrators and there are only two parties to the Dispute, then each party to the Dispute shall appoint one arbitrator within thirty (30) Days of the commencement of the arbitration, and the two arbitrators so appointed shall select the presiding arbitrator within thirty (30) Days after the latter of the two arbitrators has been appointed by the parties to the Dispute.

18.2.C.4 Place of Arbitration. Unless otherwise agreed by all parties to the Dispute, the place of arbitration shall be the the Melbourne Commercial Arbitration and Mediation Centre.

18.2.C.5 Language. The arbitration proceedings shall be conducted in the English language and the arbitrator(s) shall be fluent in the English language.

18.2.C.6 Entry of Judgment. The award of the arbitral tribunal shall be final and binding. Judgment on the award of the arbitral tribunal may be entered and enforced under the non-exclusive jurisdiction of the Courts of the State of Victoria.

18.2.C.7 Subject to Article 18.2.C.6, the Parties agree to submit to the non-exclusive jurisdiction of the Courts of the State of Victoria with respect only to any application for interim measures.

18.2.C.8 Notice. All notices required for any arbitration proceeding shall be deemed properly given if sent under Article 17.

18.2.C.9 Interest. The award shall include interest, as determined by the arbitral tribunal, from the date of any default or other breach of this Agreement until the arbitral award is paid in full. Interest shall be awarded at the Agreed Interest Rate.

18.2.C.10 Currency of Award. The arbitral award shall be made and payable in Australian dollars, free of any tax or other deduction.

18.2.C.11 Exemplary Damages. The Parties waive their rights to claim or recover from each other, and the arbitral tribunal shall not award, any punitive, multiple, or other exemplary damages (whether statutory or common law) except to the extent such damages have been awarded to a third party and are subject to allocation between or among the parties to the Dispute.

18.2.C.12 Consolidation. If the Parties initiate multiple arbitration proceedings, the subject matters of which are related by common questions of law or fact and that could result in conflicting awards or obligations, then all such proceedings may be consolidated into a single arbitral proceeding.

18.2.D Confidentiality. All negotiations, mediation, arbitration, and expert determinations relating to a Dispute (including a settlement resulting from negotiation or mediation, an arbitral award, documents exchanged or produced during a mediation or arbitration proceeding, and memorials, briefs or other documents prepared for the arbitration) are confidential and may not be disclosed by the Parties, their employees, officers, directors, counsel, consultants, and expert witnesses, except (under Article 15.2) to the extent necessary to enforce this Article 18 or any arbitration award, to enforce other rights of a Party, or as required by law; provided, however, that breach of this confidentiality provision shall not void any settlement, expert determination or award.

18.3 Expert Determination

For any decision referred to an expert under Article 8.4, 12.2 or 12.3, the Parties hereby agree that such decision shall be conducted expeditiously by an expert selected unanimously by the parties to the Dispute. The expert is not an arbitrator of the Dispute and shall not be deemed to be acting in an arbitral capacity. The Party desiring an expert determination shall give the other parties to the Dispute written notice of the request for such determination. If the parties to the Dispute are unable to agree upon an expert within ten (10) Days after receipt of the notice of request for an expert determination, then, upon the request of any of the parties to the Dispute, the International Centre for Expertise of the International Chamber of Commerce (ICC) shall appoint such expert and shall administer such expert determination through the ICC's Rules for Expertise. The expert, once appointed, must not have any ex parte communications with any of the parties to the Dispute concerning the expert determination or the underlying Dispute. All Parties agree to cooperate fully in the expeditious conduct of such expert determination and to provide the expert with access to all facilities, books, records, documents, information, and personnel necessary to make a fully informed decision in an expeditious manner. Before issuing his final decision, the expert shall issue a draft report and allow the parties to the Dispute to comment on it. The expert shall endeavor to resolve the Dispute within thirty (30) Days (but no later than sixty (60) Days) after his appointment, taking into account the circumstances requiring an expeditious resolution of the matter in Dispute. The expert's decision shall be final and binding on the parties to the Dispute unless challenged in an arbitration under Article 18.2.C within sixty (60) Days of the date the expert's final decision is received by the parties to the Dispute. In such arbitration (i) the expert determination on the specific matter under Article 8.4, 12.2 or 12.3 shall be entitled to a rebuttable presumption of correctness; and (ii) the expert shall not (without the written consent of the parties to the Dispute) be appointed to act as an arbitrator or as adviser to the parties to the Dispute.

18.4 Waiver of Sovereign Immunity

Any Party that now or later has a right to claim sovereign immunity for itself or any of its assets hereby waives any such immunity to the fullest extent permitted by the laws of any applicable jurisdiction. This waiver includes immunity from:

18.4.A any expert determination, mediation, or arbitration proceeding commenced under this Agreement;

18.4.B any judicial, administrative or other proceedings to aid the expert determination, mediation, or arbitration commenced under this Agreement; and

18.4.C any effort to confirm, enforce, or execute any decision, settlement, award, judgment, service of process, execution order or attachment (including pre-judgment attachment) that results from an expert determination, mediation, arbitration or any judicial or administrative proceedings commenced under this Agreement.

For the purposes of this waiver only, each Party acknowledges that its rights and obligations under this Agreement are of a commercial and not a governmental nature.

ARTICLE 19 - GENERAL PROVISIONS

19.1 Conduct of the Parties

19.1.A Each Party with regard to operations and/or activities under this Agreement (i) warrants that such Party and its Affiliates and their respective directors, officers, employees and personnel have not made, offered, or authorized, and (ii) covenants that such Party and its Affiliates and their respective directors, officers, employees, and personnel will not make, offer, or authorize, any payment, gift, promise or other advantage, whether directly or through any other person or entity, to or for the use or benefit of any Public Official, any political party, political party official, or candidate for office, or any other individual or entity, where such payment, gift, promise or advantage would violate the Anti-Bribery Laws and Obligations applicable to such Party.

19.1.B Each Party shall as soon as possible notify the other Parties of any investigation or proceeding initiated by a governmental authority relating to an alleged violation of applicable Anti-Bribery Laws and Obligations by such Party, or its Affiliates, or any of their directors, officers, employees, personnel, or any service providers of such Party or its Affiliates, concerning operations and activities under this Agreement. Such Party shall use reasonable efforts to keep the other Parties informed as to the progress and disposition of such investigation or proceeding, except that such Party shall not be obligated to disclose to the other Parties any information that would be considered legally privileged.

19.1.C Each Party shall indemnify the other Parties for any damages, losses, penalties, costs (including reasonable legal costs and attorneys' fees), and liabilities arising from, or related to the events underlying:

19.1.C.1 such Party's admission of allegations made by a governmental authority concerning operations and/or activities under this Agreement that such Party or its Affiliates or their directors, officers, employees and personnel have violated Anti-Bribery Laws and Obligations applicable to such Party; or

19.1.C.2 the final adjudication concerning operations and/or activities under this Agreement that such Party or its Affiliates or their directors, officers, employees and personnel have violated Anti-Bribery Laws and Obligations applicable to such Party.

Such indemnity obligations shall survive termination or expiration of this Agreement.

19.1.D Each Party shall concerning matters that are the subject of this Agreement:

19.1.D.1 Devise and maintain adequate internal controls concerning such Party's undertakings under Article 20.1.A;

19.1.D.2 Establish and prepare its books and records in accordance with generally accepted accounting practices applicable to such Party;

19.1.D.3 Properly record and report such Party's transactions in a manner that accurately and fairly reflects in reasonable detail such Party's assets and liabilities;

19.1.D.4 Retain such books and records for a period of at least 6 Calendar Years; and

19.1.D.5 Comply with the laws applicable to such Party.

19.1.E Each Party must be able to rely on the adequacy of the other Parties' system of internal controls, and on the adequacy of full disclosure of the facts, and of financial and other information concerning operations and/or activities under this Agreement.

19.1.F Each Party shall promptly respond in reasonable detail to any reasonable request from any other Party concerning a notice sent by such Party under Article 19.1.B and shall furnish applicable documentary support for such Party's response, including showing such Party's compliance with the undertakings set out in Article 19.1.A and Article 19.1.D, except that such Party shall not be obligated to disclose to the other Parties any information that would be considered legally privileged.

19.2 Conflicts of Interest

19.2.A Operator 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 organizations or individuals doing or seeking to do business with the Parties concerning activities contemplated under this Agreement.

19.2.B The provisions of the preceding paragraph shall not apply to:

19.2.B.1 Operator's performance that is in accordance with the local preference laws or policies of the Government; or

19.2.B.2 Operator's acquisition of products or services from an Affiliate, or the sale of products to an Affiliate, made under this Agreement.

19.2.C Unless otherwise agreed, the Parties and their Affiliates are free to engage or invest (directly or indirectly) in an unlimited number of activities or businesses, any one or more of which may be related to or in competition with the business activities contemplated under this Agreement, without having or incurring any obligation to offer any interest in such business activities to any Party.

19.3 Public Announcements

19.3.A Operator shall be responsible for the preparation and release of all public announcements and statements regarding this Agreement or the Joint Operations; provided that no public announcement or statement shall be issued or made unless, before its release, all the Parties have been furnished with a copy of such statement or announcement and the approval of at least two (2) Parties that are not Affiliates of Operator holding fifty percent (50%) or more of the Participating Interests not held by Operator or its Affiliates has been obtained. If a public announcement or statement becomes necessary or desirable because of danger to, or loss of, life, damage to property or pollution resulting from activities arising under this Agreement, Operator is authorized to issue and make such announcement or statement without prior approval of the Parties, but Operator shall promptly furnish all the Parties with a copy of such announcement or statement.

19.3.B If a Party wishes to issue or make any public announcement or statement regarding this Agreement or the Joint Operations, it shall not do so unless, before the release of the public announcement or statement, such Party furnishes all the Parties with a copy of such announcement or statement, and obtains the approval of at least two (2) Parties which are not Affiliates holding fifty percent (50%) or more of the Participating Interests not held by such announcing Party or its Affiliates; provided that, despite any failure to obtain such approval, no Party shall be prohibited from issuing or making any such public announcement or statement if it is necessary to do so in order to comply with the applicable laws, rules, or regulations of any government, legal proceedings or stock exchange having jurisdiction over such Party or its Affiliates as set forth in Article 15.2.

19.4 Successors and Assignees

Subject to the limitations on Transfer contained in Article 12, this Agreement shall inure to the benefit of and be binding upon the successors and assignees of the Parties except for any successor or assignee of DESAL's rights, interests, or obligations in the West Block.

19.5 Waiver

No waiver by any Party of any one or more defaults by another Party in the performance of any provision of this Agreement shall operate or be construed as a waiver of any future default or defaults by the same Party, whether of a like or of a different character. Except as expressly provided in this Agreement no Party shall be deemed to have waived, released, or modified any of its rights under this Agreement unless such Party has expressly stated, in writing, that it does waive, release, or modify such right.

19.6 No Third Party Beneficiaries

Except as provided under Article 4.6.B, the interpretation of this Agreement shall exclude any rights under legislative provisions conferring rights under a contract to persons not a party to that contract.

19.7 Joint Preparation

Each provision of this Agreement shall be construed as though all Parties participated equally in the drafting of the same. Consequently, the Parties acknowledge and agree that any rule of construction that a document is to be construed against the drafting party shall not be applicable to this Agreement.

19.8 Severance of Invalid Provisions

If and for so long as any provision of this Agreement shall be deemed to be judged invalid for any reason whatsoever, such invalidity shall not affect the validity or operation of any other provision of this Agreement except only so far as shall be necessary to give effect to the construction of such invalidity, and any such invalid provision shall be deemed severed from this Agreement without affecting the validity of the balance of this Agreement.

19.9 Counterpart Execution

This Agreement may be signed in any number of counterparts and each such counterpart shall be deemed an original Agreement for all purposes; provided that no Party shall be bound to this Agreement unless and until all Parties have signed a counterpart. For purposes of assembling all counterparts into one document, Operator is authorized to detach the signature page from one or more counterparts and, after signature of such page by the respective Party, attach each signed signature page to a counterpart.

19.10 Entirety

This Agreement, including any attachments, constitutes the entire agreement of the Parties, supersedes all prior representations, understandings and negotiations of the Parties relating to the subject matter of this Agreement, and except as set out in Article 19.8, may not be modified except by a written amendment signed by all Parties.

IN WITNESS of their agreement each Party has caused its duly authorized representative to sign this instrument on the date indicated below such representative's signature.

For and on behalf of **Discovery Energy SA Pty Ltd ABN 89 158 204 052** in accordance with section 127(1) of the *Corporations Act 2001* (Cth):)

Signature of director	Signature of company secretary
Name (please print)	Name (please print)

For and on behalf of **WESI PEL512 Pty Ltd ACN 635 946 682** in accordance with section 127(1) of the *Corporations Act 2001* (Cth):)

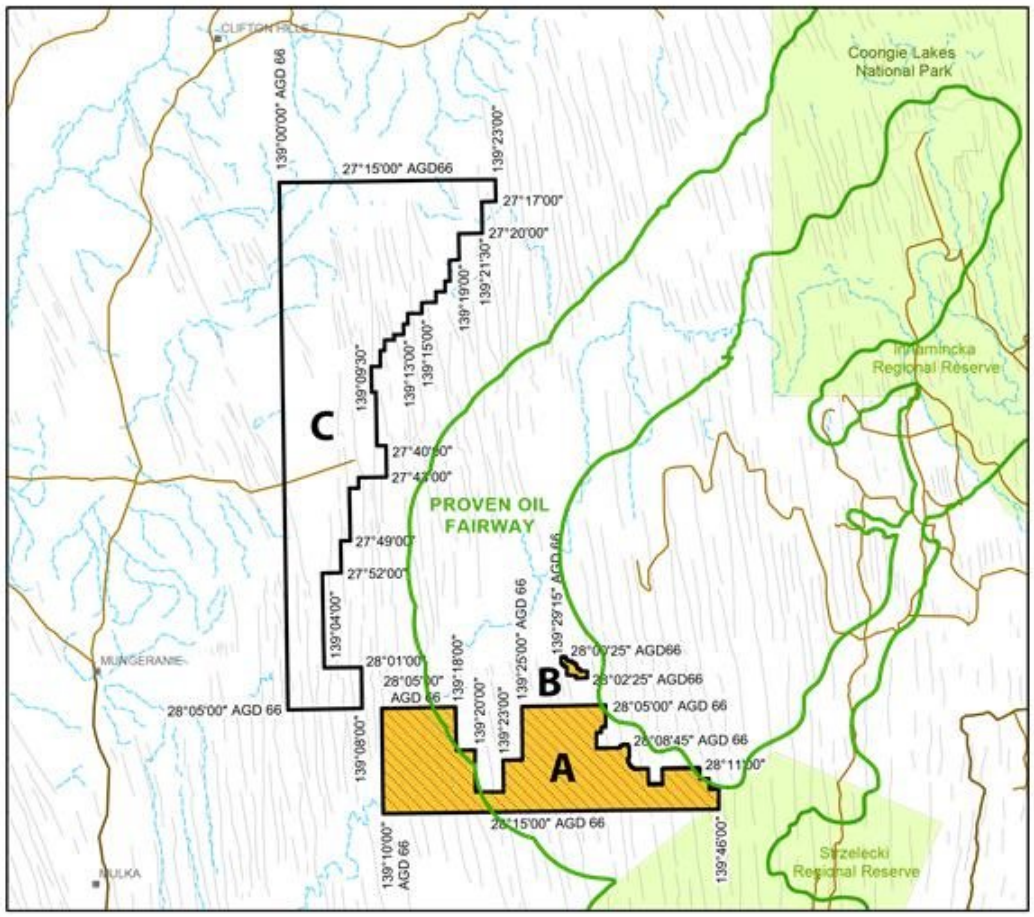
Signature of director	Signature of director
Name (please print)	Name (please print)

EXHIBIT A

ACCOUNTING PROCEDURE

EXHIBIT B

CONTRACT AREA



SCALE 1:1 000 000

20 10 0 20 40 60

Kilometres

DISCOVERY ENERGY SA PTY LTD

September 26, 2018

Block A - PEL 512 South Block (734.3 km^2 / 238.6 m^2 / 179,486 Acres)

Block B - Lycium Block (4.9 km^2 / 3.1 mi^2 / 1,965 Acres)

TOTAL FARM-OUT AREA = 739.3 km^2 / 286.7 mi^2 / 181,451 Acres

Exhibit 10.3

Execution Version

FOURTH AMENDMENT TO SECURITIES PURCHASE AGREEMENT AND AMENDMENT TO DEBENTURES

This FOURTH AMENDMENT TO SECURITIES PURCHASE AGREEMENT AND AMENDMENT TO DEBENTURES (this "Amendment") is dated as of October 18, 2019, and is by and among DISCOVERY ENERGY CORP., a Nevada corporation (the "Company"), DEC FUNDING LLC, a Texas limited liability company ("Original Purchaser"), TEXICAN ENERGY CORPORATION, a Texas corporation ("New Purchaser") and, for purposes of Section 4, DISCOVERY ENERGY SA PTY LTD, a company formed under the laws of Australia ("Australian Subsidiary"). The Company, Original Purchaser, New Purchaser and, for purposes of Section 4, the Australian Subsidiary are hereinafter sometimes collectively referred to as the "Parties" and each individually as a "Party".

WHEREAS, the Company, Original Purchaser and New Purchaser are party to (i) that certain Securities Purchase Agreement dated May 27, 2016, as amended by the First Amendment to Securities Purchase Agreement dated August 16, 2016, the Second Amendment to Securities Purchase Agreement dated February 10, 2017 and the Third Amendment to Securities Purchase Agreement, Amendment to Debentures and Reaffirmation of Security Documents dated September 19, 2017 (the "SPA") and (ii) certain Debentures issued by the Company pursuant to the SPA;

WHEREAS, in connection with the SPA, Australian Subsidiary entered into the Australian Security Agreement and the Subsidiary Guarantees;

WHEREAS, Australian Subsidiary desires to enter into the Farmout Transaction (defined below); and

WHEREAS, subject to the satisfaction of the conditions precedent set forth herein, the Parties desire to amend the SPA and the Debentures and provide certain waivers and consents under the Australian Security Agreement and the Subsidiary Guarantees, as set forth herein to facilitate the Farmout Transaction.

NOW, THEREFORE, IN CONSIDERATION of the mutual covenants contained in this Amendment, and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the Company, Original Purchaser and New Purchaser agree as follows:

1. Definitions. Capitalized terms used in this Amendment but not otherwise defined herein have the meanings given such terms in the SPA. The SPA, as amended by this Amendment, is hereinafter referred to as the "Agreement".

2. Amendments to SPA. Subject to the satisfaction of the conditions precedent set forth in Section 6, each of the Company, Original Purchaser and New Purchaser agree to amend the SPA as follows:

(a) The following definitions are hereby inserted in *Section 1.1* of the SPA in appropriate alphabetical order:

"Farmout Agreement" means that certain Farmout Agreement dated October 18, 2019 by and between Australian Subsidiary and WESI, as amended, restated or modified from time to time as permitted hereby.

"Farmout Deeds" means, collectively, the "Assignment of Beneficial Interest" and the "Assignment of License", as defined in the Farmout Agreement, each as amended, restated or modified from time to time as permitted hereby.

"Farmout Operating Agreement" means that certain Joint Operating Agreement dated October 18, 2019 by and between Australian Subsidiary and WESI, as amended, restated or modified from time to time as permitted hereby.

"Farmout Documents" means the Farmout Agreement, the Farmout Operating Agreement, the Farmout Deeds and each instrument or other agreement expressly contemplated by the Farmout Agreement or the Farmout Operating Agreement, each as amended, restated or modified from time to time as permitted hereby.

"Farmout Transaction" means the transactions contemplated by the Farmout Documents as in effect on the date of the Fourth Amendment, together with any amendments, restatements or modifications from time to time as permitted hereby.

"Fourth Amendment" means that certain Fourth Amendment to Securities Purchase Agreement and Amendment to Debentures dated as of October 18, 2019.

"WESI" means WESI PEL512 Pty Ltd.

(b) The definition of "Petroleum Exploration License" in *Section 1.1* of the SPA is hereby amended and restated in its entirety to read as follows:

"Petroleum Exploration License" means and includes (a) that certain Petroleum Exploration License issued to Australian Subsidiary by the Energy Resource Division of the Department for Manufacturing, Innovation, Trade, Resources and Energy on October 26, 2012, otherwise referred to as PEL 512 (the "Existing License") and (b) any replacement Petroleum Exploration License(s) issued to Australian Subsidiary, separating the Existing License into two (2) Petroleum Exploration Licenses covering, collectively, the PEL 512 Area.

(c) *Section 3.1(m)* of the SPA is hereby amended by (i) inserting immediately succeeding the reference therein to "except" the phrase "(i) pursuant to the transfers effected by the Farmout Deeds and (ii)" and (ii) inserting immediately succeeding the reference therein to "revocation or modification" the phrase "(other than a separation of the Existing License into two (2) Petroleum Exploration Licenses covering, collectively, the PEL 512 Area)".

(d) *Section 3.1(n)* of the SPA is hereby amended by (i) inserting immediately succeeding the reference therein to "Disclosure Schedule" the phrase "or pursuant to the Farmout Deeds" and (ii) replacing "and" immediately preceding clause (ii) thereof with "," and inserting immediately succeeding the reference therein to "subject to penalties" the phrase "and (iii) Liens granted to WESI by Australian Subsidiary in the Petroleum Exploration License and property associated therewith pursuant to the Farmout Documents".

3. Amendments to Debentures. Subject to the satisfaction of the conditions precedent set forth in Section 6, each of the Company, Original Purchaser and New Purchaser agree to amend the Debentures as follows:

(a) The definition of "Permitted Lien" in *Section 1* of the Debentures is hereby amended by replacing "and" immediately preceding clause (f) thereof with "," and inserting immediately succeeding the reference therein to "Permitted Indebtedness" the phrase "and (g) Liens granted to WESI by Australian Subsidiary in the Petroleum Exploration License and property associated therewith pursuant to the Farmout Documents".

(b) The definition of "Petroleum Exploration License" in *Section 1* of the Debentures is hereby amended and restated in its entirety to read as follows:

"Petroleum Exploration License" means and includes (a) that certain Petroleum Exploration License issued to Australian Subsidiary by the Energy Resource Division of the Department for Manufacturing, Innovation, Trade, Resources and Energy on October 26, 2012, otherwise referred to as PEL 512 (the "Existing License") and (b) any replacement Petroleum Exploration License(s) issued to Australian Subsidiary, separating the Existing License into two (2) Petroleum Exploration Licenses covering, collectively, the PEL 512 Area.

(c) Section 7(k) of the Debentures is hereby amended by inserting the phrase "Except, in all cases under this Section 7(k), pursuant to the Farmout Deeds," immediately preceding the reference therein to "sell, lease".

(d) Section 8(a)(vi) of the Debentures is hereby amended by inserting the phrase ", except pursuant to the Farmout Deeds," immediately succeeding the reference therein to "Control Transaction)".

(e) *Section 7* of the Debentures is hereby amended by inserting the following as a new clause (l) thereof and renumbering the existing clause (l) as clause "(n)":

"l) amend or modify the Farmout Documents (including, without limitation, the final drafts thereof delivered on the closing date of the Fourth Amendment) in any manner material to the Noteholders, without the prior written consent of the Majority Holders."

4. Waivers and Consents to the Subsidiary Guarantees. Subject to the satisfaction of the conditions precedent set forth in Section 6, pursuant to *Sections 5.5* and *5.8* of the Subsidiary Guarantees, each Purchaser hereby (i) consents to the "Farmout Transaction" (as defined in the Financing Documents) upon the terms set forth in the Farmout Documents and (ii) acknowledges receipt of notice of the Farmout Transaction.

5. Reaffirmation of Security Documents. Except with respect to the Farmout Transactions, nothing contained herein or done pursuant hereto shall affect or be construed to affect the security interest, lien, charge or encumbrance heretofore granted and/or any guaranty provided by the Company and/or the Australian Subsidiary to the Purchasers (including to the Original Purchaser, in its capacity as agent), or the priority thereof over other liens and security interests, or to release or affect the liability of the Company and/or the Australian Subsidiary pursuant to the Security Documents. The Company and Australian Subsidiary hereby (a) reaffirm all of the Security Documents and all security interests, liens, charges, encumbrances or guaranties provided therein and (b) confirm that all such security interests, liens, charges, encumbrances or guaranties shall secure and guaranty the Company's obligations under the additional Debentures purchased by Original Purchaser and New Purchaser pursuant to the SPA including this Amendment.

6. Conditions Precedent. This Amendment and the agreements of the Parties hereunder are subject to the satisfaction of the following conditions precedent:

(a) Each Party shall have delivered an executed counterpart of its signature page to this Amendment to each other Party; and

(b) Purchasers shall have received a fully executed and effective copy of the Farmout Agreement, together with final drafts of the other Farmout Documents, all on terms and in form and substance satisfactory to Purchasers.

7. Representations and Warranties.

(a) As of the date of the effectiveness of this Amendment, and after giving effect to the amendments in Section 2 and Section 3, the Company hereby represents and warrants to New Purchaser and Original Purchaser that the representations and warranties of the Company and its Subsidiaries contained in the Agreement and in each other Transaction Document are true and correct on and as of such date (unless as of a specific date therein in which case they shall be accurate as of such date).

(b) As of the date of the effectiveness of this Amendment, New Purchaser hereby represents and warrants to the Company that the representations and warranties applicable to New Purchaser contained in the Agreement are true and correct on and as of such date.

8. Miscellaneous.

(a) Each of the Parties acknowledges and agrees that from and after the date of the effectiveness of this Amendment, (i) each reference in the SPA to "this Agreement", "herein", "hereof", "hereunder" or other words of like import shall mean and be a reference to the Agreement and (ii) each reference in the Debentures to "this Debenture", "herein", "hereof", "hereunder" or other words of like import shall mean and be a reference to such Debenture, as amended hereby. Each Debenture hereafter issued shall contain the amended provisions contained herein rather than those related provisions contained in any previously approved form of Debenture.

(b) This Amendment, the Agreement and the other Transaction Documents (as amended hereby), together with the exhibits and schedules thereto, contain the entire understanding of the Parties with respect to the subject matter hereof and thereof and supersede all prior agreements and understandings, oral or written, with respect to such matters, which the parties acknowledge have been merged into such documents, exhibits and schedules.

(c) ***SECTIONS 5.6* (*HEADINGS*), *5.9* (*GOVERNING LAW*), *5.11* (*EXECUTION*), *5.15* (*REMEDIES*), *5.18* (*INDEPENDENT NATURE, ETC.*), *5.21* (*CONSTRUCTION*) AND *5.22* (*WAIVER OF JURY TRIAL*) OF THE SPA ARE HEREBY INCORPORATED INTO THIS AMENDMENT, *MUTATIS MUTANDIS*, AS A PART HEREOF FOR ALL PURPOSES**.

[*Signature Page Follows*]

IN WITNESS WHEREOF, the Parties hereto have caused this Amendment to be executed by their respective officers or representatives thereunto duly authorized.

COMPANY:

DISCOVERY ENERGY CORP.

By: _____
Keith D. Spickelmier, Chairman

ORIGINAL PURCHASER:

DEC FUNDING LLC

By: _____
Steven Webster, Manager

NEW PURCHASER:

TEXICAN ENERGY CORPORATION

By: _____
Name: _____
Title: _____

For purposes of Sections 4 and 5 only:

DISCOVERY ENERGY SA PTY LTD

By: _____
Name: _____
Title: _____

Exhibit 31.01

CERTIFICATIONS

I, Keith J. McKenzie, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Discovery Energy Corp. (the "Company");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of Discovery as of, and for, the periods presented in this report;

4. Discovery's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for Discovery and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to Discovery, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of Discovery's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in Discovery's internal controls over financial reporting that occurred during Discovery's most recent fiscal quarter (Discovery's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, Discovery's internal controls over financial reporting; and

5. Discovery's other certifying officer and I have disclosed, based on our most recent evaluation of internal controls over financial reporting, to Discovery's auditors and the audit committee of Discovery's Board of Directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect Discovery's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in Discovery's internal controls over financial reporting.

January 21, 2020

/s/ Keith J. McKenzie

Keith J. McKenzie,
Chief Executive Officer

Exhibit 31.02

CERTIFICATIONS

I, William E. Begley, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Discovery Energy Corp. (the "Company");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of Discovery as of, and for, the periods presented in this report;

4. Discovery's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for Discovery and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to Discovery, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of Discovery's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in Discovery's internal controls over financial reporting that occurred during Discovery's most recent fiscal quarter (Discovery's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, Discovery's internal controls over financial reporting; and

5. Discovery's other certifying officer and I have disclosed, based on our most recent evaluation of internal controls over financial reporting, to Discovery's auditors and the audit committee of Discovery's Board of Directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect Discovery's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in Discovery's internal controls over financial reporting.

January 21, 2020

/s/ William E. Begley
William E. Begley,
Chief Financial Officer

Exhibit 32.01

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Discovery Energy Corp. (the "Company") on Form 10-Q for the quarter ended November 30, 2019 as filed with the Securities and Exchange Commission on or about the date hereof ("Report"), the undersigned, in the capacities and on the dates indicated below, hereby certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to his knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Discovery.

January 21, 2020

/s/ Keith J. McKenzie

Keith J. McKenzie,
Chief Executive Officer

Exhibit 32.02

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Discovery Energy Corp. (the "Company") on Form 10-Q for the quarter ended August 31, 2019 as filed with the Securities and Exchange Commission on or about the date hereof ("Report"), the undersigned, in the capacities and on the dates indicated below, hereby certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to his knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

January 21, 2020

/s/ William E. Begley
William E. Begley,
Chief Financial Officer

HEAD OFFICE (USA)

Discovery Energy Corp.
Suite 1700 – One Riverway Place
Houston, Texas USA 77056
Tel: (713) 840 6495
Fax: (713) 622 1937
Email: info@discoveryenergy.com

DIRECTORS

Keith Spickelmier, Chairman
Keith McKenzie
William Begley

OFFICERS

Keith McKenzie, Chief Executive Officer
William Begley, President, CFO and COO
Sean Austin, Secretary/Treasurer

AUDITORS

Marcum LLP
Certified Public Accountants
Suite 300, 6002 Rogerdale Road
Houston, Texas USA 77072

INCORPORATION

Incorporated of record in the office of the Secretary of State on May 24, 2006 in the State of Nevada

LISTING

Exchange: OTC Markets
Trading Symbol: "DENR"
Cusip Number: 25470P 102
ISIN Number: US25470P1021

SUBSIDIARY COMPANY (AUS)

Discovery Energy SA Pty Ltd.
Level 8- 350 Collins Street
Melbourne, VIC 3000
Tel: 61 (0) 3 8601 1131
Fax: 61 (0) 3 8601 1180
Email: info@discoveryenergy.com.au

DIRECTORS/OFFICERS

Andrew Adams, Managing Director
Keith McKenzie
William Begley
Melanie Leydin, Secretary/Treasurer

LEGAL COUNSEL - USA

Gillis, Paris & Heinrich, PLLC
Two Riverway, Suite 1080
Houston, Texas USA 77056

LEGAL COUNSEL - AUSTRALIA

Graeme K. Alexander
PO Box 739, Rangiora 7440
North Canterbury, New Zealand

SHARE CAPITAL AUTHORIZED AND ISSUED AS AT JANUARY 16, 2020

Authorized: 500,000,000 common shares without par value Issued and Outstanding: 153,840,396

TRANSFER AGENT

Transfer Online, Inc.
512 SE Salmon St.
Portland, OR 97214
Website: www.transferonline.com

For more information, visit us at DiscoveryEnergy.com