



PRE-QUALIFICATION ELIGIBILITY GUIDELINES FOR AWARD OF PETROLEUM PRODUCTION SHARING CONTRACTS IN TIMOR-LESTE THROUGH THE 2019-2020 TIMOR-LESTE SECOND LICENSING ROUND

Preamble

These Pre-qualification Guidelines are issued pursuant to article 10.2 and article 13 of Law No. 13/2005, of the 2nd of September 2005, ((“**Petroleum Activities Act**” or “**PAA**” as amended by Law 1/2019, of 18 January 2019),), and establish the eligibility criteria for companies wishing to qualify for the award of Production Sharing Contracts (PSC) in Timor-Leste Territory, through the 2019-2020 Timor-Leste Second Licensing Round Competitive Biddings to be launched by the Autoridade Nacional do Petróleo e Minerais (“*National Authority for Petroleum and Minerals*” – “**ANPM**”). These guidelines complement Articles 3.2(b) and 26.1 of ANPM Decree-Law, and the Ministry of Petroleum and Minerals Order 2/GMPM/IX/2019, of 30 September 2019, on the Allocation of Areas for Petroleum Exploitation Activities.

Criteria

1. The companies wishing to participate in the Timor-Leste Second Licensing Round 2019/2020, and, subsequently, enter into Productions Sharing Contracts with ANPM, further to the submission of an application in response to an invitation by public notice, must previously pre-qualify with ANPM, in accordance with Article 10.2 of the PAA, so as to be eligible for such purpose.
2. In order to pre-qualify for the purposes of 1 above, companies are free to form consortiums, and each of the consortium must appoint a company as potential operator for the relevant Production Sharing Contract area(s);
3. Companies wishing to pre-qualify as potential either operators or non-operators, must submit proper and certifiable documental evidence of their technical and financial capacity to carry out petroleum operations, their legal standing, and their experience in implementing and complying with high standard health, safety, environment and local content plans, all to the satisfaction of ANPM in accordance to its sole discretion, all to the satisfaction of ANPM in accordance to its sole discretion, based on the following criteria:

3.1 Financial Qualification

- 3.1.1 The purpose of establishing financial qualification criteria is to allow ANPM to assess the company's financial strength and capacity to finance the ongoing and prospective petroleum operations and any liabilities that may be incurred in relation to the latter.
- 3.1.2 Companies are required to have a shareholder equity equivalent or in excess of US\$ 25,000,000.00 (Twenty-Five Million United States Dollars) to qualify as potential operator. The assessment of the composition and sufficiency of the shareholder equity shall be made by ANPM, at its sole discretion.
- 3.1.3 The evaluation of the applicants' financial capability shall be based on the following documental evidence:

- (i) Audited financial statements of the last 5 (five) years, which must include balance sheets, income statements, statements of retained earnings, cash flow statements, notes to the accounts and Directors' reports;
- (ii) All statements mentioned in paragraph (i) above must be certified by an independent auditor;
- (iii) A duly signed independent auditor's opinion letter in relation to the financial statements mentioned in paragraph (i) above, expressly certifying that the statements accurately reflect the real financial status of the company at the date the accounts refer to and that have been prepared in accordance with the applicable accounting and reporting standards and rules;
- (iv) In the case of state-owned companies from countries where the auditing of such company by an independent auditor is not allowed, shall be required a notarized opinion letter issued and signed by a public accountant, certifying that the statements accurately reflect the real financial status of the company at the date the accounts refer to and that have been prepared in accordance with the applicable accounting and reporting standards and rules;
- (vi) An historical credit rating from Standard & Poor's Rating Services and/or Moody's Investor Services Inc. ratings of the last 5 years, if available, or, alternatively, documental evidencing the existence of credit lines and credit agreements on behalf of the applicant, and/or any other banking references that the applicant's may deem relevant;
- (vii) A description of long-term debt, including major lease obligations, and identification of its major assets which pledged or otherwise encumbrance upon them under financial security arrangements;

- (viii) Material contingent liabilities or obligations not reflected in the balance sheets and accompanying notes which may have an impact on the future activities of the company;
- (ix) Details of medium-term plans which may materially alter the financial status of the company;
- (x) Specific and detailed information on how it intends to finance the work commitments under a Petroleum Contract and letters of support associated with the projected financing, detailing the steps and timing required to secure the necessary funds;
- (xi) Any additional information evidencing the financial capacity of the applicant; and

3.2 Legal Qualification

- 3.2.1 In order to secure legal qualification companies must be incorporated as limited liability corporations or entities with limited liability and have a track-record of compliance with principles of good corporate citizenship;
- 3.2.2 The companies incorporated in any country other than Timor-Leste must submit a written statement expressly acknowledging that in the event of successfully in being awarded a Production Sharing Contract and enter into a Production Sharing Contract, the company shall be required and commits to incorporate a subsidiary company under the laws of Timor-Leste, as well as to set-up an office in the country to manage and carry-out the petroleum operations;
- 3.2.3 In order to provide the evidences its compliance with the legal qualification requirements for this pre-qualification, the following documents or its legal equivalent must be submitted by the applicant to ANPM for review:
 - (i) A complete set of notarized certificates attesting the legal standing of the company, which should include express reference to the country of incorporation, address of head office, primary business activity, identification of its duly authorized representatives with powers to bind the

company, full details of its ultimate ownership, and, if applicable, track-record of any mergers, demergers and similar transactions in past 5 (five) years;

- (ii) Details of any projects and ventures in which the applicant may be engaged, detailing the corresponding commitments in the short, medium and long term, including work programs and/or risks, namely those that may have an impact on company's ability to carry-out any work programs under a potential Production Sharing Contract that may be awarded to it;
- (iii) Organizational chart and number of employees, with a breakdown by country and/or region, and within each country and/or region, by category and nationality;
- (iv) The name of any partner or shareholder who, directly or indirectly, holding twenty (20) percent or more of the voting rights in the company or otherwise retains control over it; and
- (v) Certificates issued by a notary public of the country of incorporation of the company or equivalent official authority confirming its good legal standing before judicial authorities, detailing any claims that may be pending with the judicial courts, arbitral tribunals or similar authorities. The above certificates may be replaced by a statement issued by the company and signed by a company official with legal authority for such attesting that no pending litigation, legal proceedings or other similar circumstances that may lead to a breach of its contractual obligations under a potential future Production Sharing Contract or the bankruptcy of the company;

3.3 Technical Qualification

The qualification of a company from a technical standpoint shall be based on its demonstrated experience in oil and gas exploration and production activities. The criteria for pre-qualification as non-operator and operator respectively and the documentation to be supplied to evidence its compliance with the criteria is as follows:

3.3.1 *Potential Operator*

(a) Experiences in Petroleum Operations

Companies wishing to pre-qualify as operator must provide evidence of their relevant experience and expertise in oil and gas exploration and production activities, namely in what respects to work in difficult operating conditions, (onshore and offshore, in shallow to deep waters, with high temperatures and high pressure, and on environmentally sensitive areas. In order to evidence their technical capabilities, the companies are required to submit the following information to ANPM for evaluation:

- (1) A technical summary showing company's technical operating capability, including, without limitation, the following information and data:
 - (i) Company's exploration and production assets in the last 5 (five) years, including a detailed summary of its current ongoing activities;
 - (ii) Lists of its technical personnel and their technical competencies in the field of oil and gas explorations and productions;
- (2) The above technical summary must contain an express representation that the information provided is true and accurate and be signed by a company official with legal authority for such purpose, duly notarized.

(b) Health, Safety and Environment (HSE)

To pre-qualify as a potential operator the applicant must provide evidence of having in place proper operational procedures on health, safety and environmental, in accordance to the best international practices in the industry, and submit to ANPM for evaluation the following information and data:

- (1) HSE policies;
- (2) ISO Certifications or any equivalent certification granted by an internationally recognized and accredited institution;
- (3) HSE records of the previous five (5) years, including, but not limited to, oil spills, site injuries, mechanical/structural failures, environmental impact and remediation efforts;
- (4) Prospective plans on HSE certification and practices;
- (5) Management systems of oil and gas activities.

3.3.2 Potential Non-operator

Companies wishing to pre-qualify as non-operators must submit a technical summary to ANPM with an overview of its primary activities. Any company which may pre-qualify as a non-operator shall only be entitled to form a consortium provided one of its members is a company pre-qualified as potential operator. The company shall provide information of any projected participation in a consortium.

3.4 Local Content Qualification

The purpose of these criteria is to maximize the level of procurement of local goods and services, hiring and training of local employees and resort to local businesses and financing. To qualify for local content purposes, companies must produce evidence of:

- (i) Track-record in sourcing local goods and services for their operations;
 - (ii) Existing plans of hiring and training local employees;
 - (iii) Existing plans for transfer of technology and know-how to local entities;
 - (iv) Experience in implementing Corporate Social Responsibility (CSR) plans.
4. All the above qualification documents shall be prepared in Portuguese or English languages. In the event of the documents are prepared in any languages other than Portuguese or English, the referred documents must be notarized and translated into English language, being the translation certified by a duly qualified translator.
5. Each pre-qualification application must be submitted, at least, sixty (60) working days prior to the closing date of the relevant bid round.
6. For the purposes of this pre-qualification, the technical, financial and legal qualification requirements shall prevail, while the local content requirements shall be deemed ancillary for the assessment of the merits of the application.
7. Unless wishing to be operator in the relevant Production Sharing Contract, TIMOR GAP or any of its Subsidiaries are exempted from pre-qualification.
8. This is a non-binding document and the pre-qualification of any applicant thereunder cannot be deemed or construed as granting the applicant any guarantee of award of a Production Sharing Contract. A company pre-qualified under these guidelines is not mandatorily required to submit any bids in the forthcoming licensing round.
9. The pre-qualification of any company may be unilaterally revoked by ANPM in the following circumstances:
- (a) In case of bankruptcy, dissolution or change of control of the company;
 - (b) At company's request.