

Group Investment Proposal

Summary Information

Business unit and company	The Shell Petroleum Development Company of Nigeria Limited (SPDC)
Group equity interest	100% in SPDC; 40% participation interest in OML 144/Sunlink JV (Sunlink JV)
Other shareholders/partners	Sunlink Petroleum Limited (“Sunlink”) 60% participation interest in Sunlink JV
Business or Function	Upstream Operated (UPO) Business Nigeria
Potential third parties	West African Exploration and Production Company Ltd. (“WAEP” a special purpose vehicle formed by the Dangote Group and First Exploration & Petroleum Development Company Limited (First E&P))
Headline Size	Shell Share: US\$32.5mln, MOD . Incremental to previously approved pre-FID GIPs (2004 & 2014) of US\$105.6mln, bringing the total amount to US\$138.1Mln. All amounts are 100% of the JV expenditure (SPDC has a carry arrangement to cover Sunlink’s share of the development and production costs till cost recovery).
Project	<p><u>Potential Project Scope:</u></p> <p><u>Sunlink JV: Drilling and completion of 6 NAG wells and 1 Well Head Platform (WHP) to mature estimated recoverable volumes of 1.72Tcf of gas and 14.2MMbbls of condensate in HI Field.</u> Custody and title will transfer to WAEP at the HI Field WHP. WAEP will evacuate the unprocessed gas via its proposed 50km multiphase pipeline from Sunlink JV WHP to WAEP’s proposed offshore Gas Processing Hub at OML 85 (Madu Gas Plant). The processed gas will be evacuated via WAEP’s 550km open access East- West Offshore Gas Gathering System (EWOGGS) to Lekki Free Trade Zone (LFTZ) in Lagos for onward sale to Shell Nigeria Gas (SNG) and Dangote Industries (DIL). WAEP will also be responsible for evacuation of liquids via an FSO to be located at its Anyala Oil Field in OML 83.</p> <p><u>Well-head Gas Sale to WAEP:</u> Negotiation and execution of non-binding Heads of Agreement (HOA) between Sunlink JV partners (“The Sellers”) and WAEP (“The Buyer”) for the sale and purchase of 1.7Tcf of unprocessed gas at peak production rate of 500 mmscf/d commencing Q1 2022 until the HI field is depleted.</p>
Proposed Commitments	<ul style="list-style-type: none"> Pre-FID Spend of US\$32.5mln (MOD) on concept select studies & data acquisition, FEED, JOA obligations to Sunlink and contingency break-fee to WAEP. Execution of non-binding HoA capturing details of the preferred commercial structure to mitigate key WAEP performance risks. Execution of a binding agreement for Sunlink JV to pay a break fee (of up to US\$5mln) if WAEP attains milestone (Award of FEED Contracts for EWOGGS and Madu Gas Plant) and Sunlink JV fails to commence post DG-3 commitments (e.g. verifiable 3rd party spend for Phase 2 of Data Acquisition)

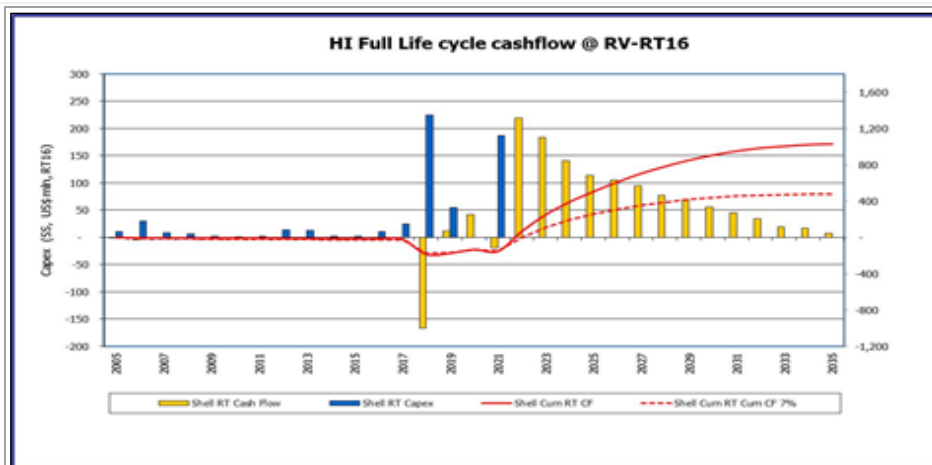
Activity (\$mln)	Previously Approved GIPs	Inception to 2015 Spend	2016-2017 Spend	Available from Previous GIPs	This Proposal	Revised IP Budget (100%)	Shell Share	Carry Portion
	ITD 2015	ITD 2015	2016-2017	2016-2017	2016-2017			
Signature bonus Lease Conversion	10.8	10.8	-	-	-	10.8	4.3	6.5
Farmi-In Fee	10.0	10.0	-	-	-	10.0	10.0	-
Appraisal Well	30.3	30.3	-	-	-	30.3	12.1	18.2
Studies & PMT Costs (Shell staff)	30.3	27.7	8.5	2.60	5.9	36.2	14.5	21.7
Sunlink Overheads	19.2	19.2	4.7	-	4.7	23.9	9.6	14.3
Bonus (FID Advance)	5.0	5.0	-	-	-	5.0	5.0	-
Data Acquisition	-		7.0	-	7.0	7.0	2.8	4.2
FEED	-		10.0	-	10.0	10.0	4.0	6.0
Contingent break fee to WAEP	-		5.0	-	5.0	5.0	2.0	3.0
	105.6	103.0	35.1	2.6	32.5	138.1	64.3	73.9

Gas: (incl. Fuel gas)			
Total	Low	Mid	High
GIIP (Bscf)	1650	2350	3280
UR (Bscf)	1176	1719	2429
RF (%)	71	73	74
Condensate:			
CIIP (mmbbls)	10.65	31.88	60.50
UR (mmbbls)	7.46	14.31	24.23
RF*	70%	45%	40%

*The low case fluid PVT has a much lower dew point than base and high case. This is the reason RF looks high for condensate for low case because it recovers larger % of CIIP(very low at 10mmstb) before dropout in reservoir commences.

Year	Production (MMboe/d)
2022	95
2023	92
2024	90
2025	88
2026	85
2027	80
2028	70
2029	60
2030	50
2031	40
2032	35
2033	28
2034	20
2035	15

Source and Form of Financing	Shell share and the Carry portion of this investment will be financed with SPDC's own resources. NNPC is not a participant and has no back-in rights to OML144 therefore the development does not require NNPC funding.
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Summary Cash Flow
(RV)

Summary economics

PV Reference Date : 1/7/2016	NPV7% (USD mln)	VIR7%	RTEP (%)
Pre-FID - Base	-5.6	-0.17	NA
Pre-FID High Capex (+25%)	-6.9	-0.17	NA
Full Project Scope - Base Case	503.7	1.24	24%

Section 1: The proposal (management summary)

Despite the strategic drive to monetize HI gas via NLNG, development has stalled due to lack of alignment with offtakers and unattractive economics with a VIR7 of 0.25 (absence of offshore gas infrastructure resulted in a high capex of US \$2.3bln Shell Share of MOD Capex). WAEP recently announced plans to install EWOGGS and Madu Gas Plant hub present the Sunlink JV the opportunity to develop HI with more favourable economics. This proposal therefore seeks approval for the following:

1. Additional Pre-FID spend of **US\$ 32.5mln** (100% JV, MOD) to cover:
 - a) 2016 Costs of **US\$7.3 mln** for the following:
 - Phase 1 of data Acquisition (EIA, Geo-surveys/Metocean)
 - Pre-DG 3 studies and SPDC Staff Costs (Concept Selection for Drilling and update/completion of previous post VAR 3 technical work for new Sunlink JV technical scope)
 - Sunlink Overhead and Staff costs
 - b) 2017 cost of **US\$25.2 mln** for the following (subject to WAEP award of FEED contracts for EWOGGS & Madu Gas Plant):
 - Phase 2 of data Acquisition (Geo-surveys/Metocean)
 - Front-End Engineering and SPDC Project Management Costs
 - Sunlink Overhead and Staff Costs
 - A break fee of up to **US\$5mln** payable by Sunlink JV if WAEP attains milestone (FEED) and Sunlink JV fails to commence Phase 2 of Data Acquisition
2. Execution of a non-binding tripartite HOA with WAEP for sale of ~1.7Tcf of well head gas from the HI field within OML 144 until depletion. The HOA will form the basis for the definitive & binding GSPA (subject of separate PCN & GIP) and will define the following key elements of the commercial structure/terms:
 - a) Secure access to a minimum of 100Mmscf/d from HI gas sold to WAEP for onward sale to Shell Nigeria Gas (SNG) to underpin SNG's growth agenda for its gas distribution business in Nigeria.
 - b) An Escrow Account (higher/same ranking as lenders in waterfall to mitigate payment risk)
 - c) Contractual right to redirect gas (using WAEP facilities) to other customers to mitigate against WAEP non-performance post OSD.

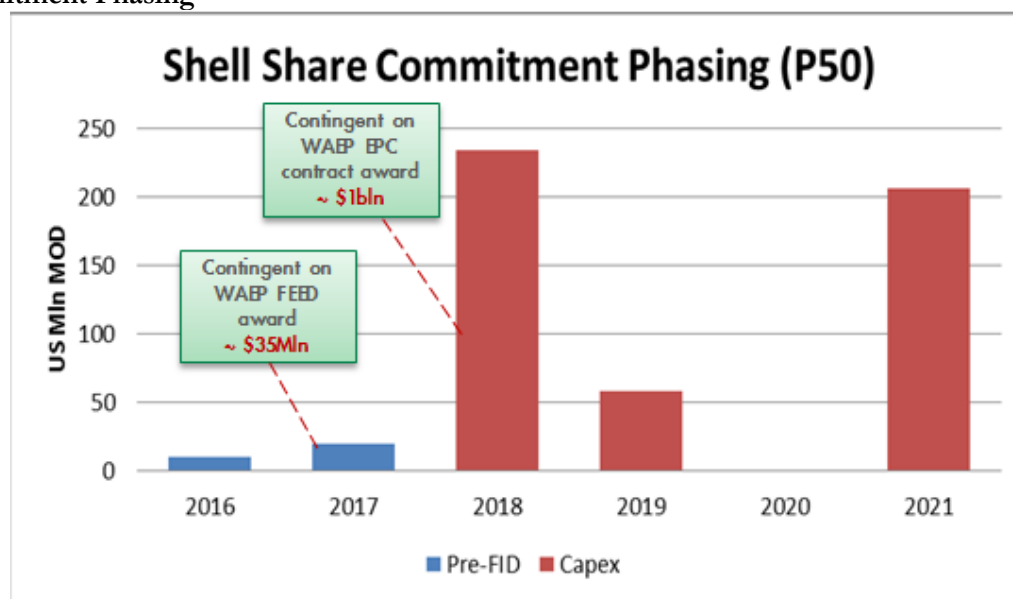
Though the HOA will not create a legal obligation for the parties to enter into a GSPA, it is required to underpin further technical maturation.

3. Execution of a binding agreement for Sunlink JV to pay a break fee if WAEP attains milestone (Award of FEED Contracts for EWOGGS and Madu Gas Plant) and Sunlink JV fails to commence post DG-3 commitments (e.g. verifiable 3rd party spend for Phase 2 of Data Acquisition)

Contingent Commitments (US\$500 mln)

1. JOA obligation to pay Sunlink a GSA Bonus of **US \$2mln** upon execution of the GSPA
2. Shell Share Capex of **US\$498 mln** (MOD, P50 estimate with further scope for another 20% reduction) is required post-FID for development.
 - Approval to negotiate fully termed binding Gas Sale and Purchase Agreement (GSPA) and Tolling Agreements will be subject of a separate PCN
 - FID on Sunlink JV scope will be aligned with WAEP's FID on Madu Gas Plant and EWOGGS.
 - Approval to commit Shell Share Capex of US\$498mln (MOD, P50 estimate) will be subject of a separate GIP.
 - GSA Bonus of US \$2mln is payable by SPDC to Sunlink upon execution of the GSPA.

Chart 1: Commitment Phasing



Previous GIPs (US\$105.6 mln)

The initial GIP (2005) for the sum of **US\$ 70.8 mln** was anticipated to cover farm-in fees, appraisal wells costs and other activities up to 2010.

An additional spend of **US\$34.8 mln** (100% JV, MOD) was approved in 2014 to cover:

- US\$28.8mln spent from 2010 – 2013 on Sunlink annual overheads & manpower costs per JoA plus SPDC PMT & Studies costs to mature project to VAR3.
- US\$6mln to cover 2014 costs for Sunlink Overheads as per JoA and SPDC staff costs required to seek gas monetization options for the Project.

The total costs from inception till FID (January 2018) is estimated at **US\$138.1 mln** and includes Sunlink's carry portion of **US\$73.9mln** recoverable (plus interest at LIBOR plus 5%) from future production.

The Opportunity:

A commercially attractive opportunity (low capex, robust VIRs) for Sunlink JV partners to sell ~1.7 Tcf of unprocessed gas (with upside of pricing outside the regulated Nigerian Domestic Gas Pricing Framework) to a credible offtaker (Dangote Group) with clear line of sight to viable commercial and technical value chain and with funding entirely within SPDC's exclusive control via favourable carry arrangement already in place. In addition, Sunlink JV partners will secure access to a minimum of 100Mmscf/d of the gas sold to WAEP for on sale to SNG which is a wholly owned Shell company.

Dangote Group has several projects (e.g. Fertilizer plant currently under construction), Power plant, Refinery and Petrochemical plant) in various stages of execution located in the Lekki Free Trade Zone (LFTZ) in Lagos. These projects require significant feedgas but NNPC funding challenges and other NTRs continue to constrain investments in low UTC onshore gas to meet this demand. As a result, WAEP is proposing to invest in offshore gas facilities to deliver gas to the Dangote Group Projects, as well as to SNG.

WAEP's offshore facilities will include:

- A 50km multiphase pipeline from the HI field WHP to the Madu Gas Plant.
- A modular offshore gas processing facility (Madu Gas Plant) near its Madu Field in OML 85 (WAEP has commenced discussions on alternative funding solutions to fund government's share of costs).
- An owned/leased FSO for evacuation of liquids will be located at its Anyala Oil Field in OML 83
- An open-access 38-inch by 550km East West Offshore Gas Gathering System (EWOGGS) with total capacity of 1.5Bcf/d to evacuate aggregated processed offshore gas to LFTZ.

P50 Shell cost estimate for WAEP's Madu Gas Plant and EWOGGS is US\$ ~2.5bln (MOD).

Feedgas from Sunlink JV's HI field is critical to WAEP's integrated value chain plans because it does not have material gas volumes from its own upstream assets (OMLs 83, 85, 71 and 72) and other third party supply options will require resolution of significant NTRs (PSC gas terms, NNPC funding, etc.)

Sunlink JV's technical scope will be:

- 6 NAG wells
- 1 6950 mT Cilipadi well head platform (Malaysia standard)).

Custody and title to the well-head gas will transfer to WAEP at the HI Field WHP. (*Schematic of Integrated Technical Concept in Appendix 2*).

The proposed structure to limit Sunlink JV's remit to wells and WHP is attractive to Sunlink and SPDC as it improves the economics by using 3rd party evacuation and processing infrastructure of the project and it avoids various NTR exposures related to use of onshore liquid facilities (e.g. Brass or Bonny Oil terminals) by transferring these responsibilities and attendant liabilities to WAEP.

However, the opportunity is also highly dependent on WAEP's ability to fund and execute its significant projects across the value chain. WAEP's confidence in Sunlink JV's interest/ability to deliver HI gas (in the current investment climate) is low and there is recognition that demanding investment from WAEP without a tangible commitment from Sunlink JV will likely prevent progressing the opportunity.. Successful maturation will therefore require a balanced approach that protects SPDC, by sequencing SPDC's major financial commitments after key WAEP delivery milestones (as outlined above) and, also tangibly signals Sunlink JV's seriousness by signing a binding commitment to pay a break fee of up to US\$5million if Sunlink JV fails to commence Post DG-3 spend following WAEP's award of FEED contracts for EWOGGS & Madu Gas Plant.

Section 2: Value proposition and strategic and financial context

OML 144 was awarded to Sunlink 23 years ago under the indigenous licensing round of 1993. In the 11 years since farm-in, SPDC has spent over \$100mln on the asset. The growing emphasis on domestic gas in Nigeria offers SPDC and Sunlink an opportunity to ensure HI gas is developed in a mutually satisfactory and

sustainable manner for the JV partners and the Federal Government of Nigeria who have expressed frustration at the pace of development. The reduced development and capex scope under the proposed commercial transaction (well-head gas sale) also allows SPDC to reduce its capex exposure given the current funding constraints.

NNPC funding challenges have deepened, further constraining SPDC's ability to deliver on its Domestic Gas Supply agenda. HI's technical maturity and materiality, and lack of NNPC participation remain key advantages and present Sunlink JV partners with a near term development opportunity. Government tax revenues are also positive in all the evaluated case scenarios so full support is expected from the FGN.

In the event the proposed transaction is successful, significant reputational benefit could accrue to SPDC for enabling the development of indigenous E&P capacity (Sunlink & WAEP), and for bringing significant gas to the domestic market in support of the Federal Government of Nigeria's Power and industrialization agenda.

The proposed transaction significantly contributes to SNG's growth plans via its GSPA with WAEP and provides the Group further rent down the value chain through SNG's gas distribution margins.

Summary Economics

The results of the Pre-FID evaluation are shown in Table 1, cost-only without revenue. The full project value is in Table 2 below, using the 50/50 full project cost estimates and the production forecast as provided by the team and supported by relevant TAs.

Sensitivities were also carried out on the base case to show the impact of various scenarios on the value of the project. Refer to the tornado in chart 1 below for the results of these sensitivities.

The base case evaluated (Tender Assist drilling with OSD 2022) assumes the minimum acceptable contract price of US\$2/MmbtuRT16 (equivalent to \$2.25/Mmbtu RT22) for well-head unprocessed wet gas to WAEP. In this evaluation, condensate value to Sunlink-JV was converted in Mmbtu terms as part of the unprocessed gas sales to the customer

Though the project is for sale of wet gas, the base case assumes two hydrocarbon streams –dry gas and condensate, for tax purposes (condensate taxed at PPT rate of 85% & gas taxed at CITA rate of 30%). However, due to uncertainty on the treatment of the taxation of condensate the potential upside associated with taxation at the CITA rate has been shown as a sensitivity.

The project returned robust VIR7 above the screening hurdle of 0.6 for the base case and the various sensitivities. The project achieves pay-out before the end of field life.

PV Reference Date : 1/7/2016	NPV \$US mln Shell Share		VIR	RTEP	UTC \$/bbl - RT		Payout Time(RT)	Maximum Exposure. (Shell Share)
Cash flow forward from : 2016	0%	7%	7%	%	0%	7%	Year	\$mln, (yyyy)
Base Case								
RV (\$80/bbl & \$1.48/Mmbtu, RT16)	-5.8	-5.6	-0.17	NA	NA	NA	NA	5.8
Sensitivities (Using PSV-RV)								
High Pre-FID cost (+25%)		-6.9	-0.17					

Table 1: Pre-FID cost economics Grid (all based RV, no revenue included)

PV Reference Date : 1/7/2016	NPV \$US mln Shell Share		VIR	RTEP	UTC \$/Mmbtu - RT		Payout Time(RT)	Maximum Exposure. (Shell Share)
Cash flow forward from : 2016	0%	7%	7%		0%	7%	Year	\$mln, RT
Base Case								
SV (\$60/bbl & 1.22/Mmbtu RT16)	848.5	406.4	1.00	21.9%				
RV (\$80/bbl & 1.48/Mmbtu RT16)	1041.9	503.7	1.24	23.6%	0.4	0.6	2022	187.3
HV (\$100/bbl & 2.00/Mmbtu RT16)	1427.5	696.3	1.71	26.3%				
Sensitivities (Using PSV-RV)								
RV (\$80/bbl & 1.48/mmbtu RT16)-Pre-FID cost	-5.8	-5.6	-0.17	NA	NA	NA	NA	5.8
High UR (P10)		623.5	1.53					
Low UR (P90)		380.4	0.93					
High Capex (P90)		502.6	0.93					
Low Capex (P10)		503.4	1.51					
1-year project delay		470.5	1.15					
Lifecycle		478.6	0.86					
Wet Gas -RV (\$2/Mmbtu RT16)		714.1	1.75					

Table 2: Base Case Economics Grid (Shell Share)

Parameter	Unit	Low	Mid	High	Comments
Capex (MOD)	US\$mIn	434	534	708	Includes the recoverable pre-FID cost of \$35.2mln
Opex (MOD)	US\$mIn	NA	322	NA	Includes SCD cost of \$12.5MIn (Mid)
Production Volume	Boe	218.8	328.5	460.4	
Start-up Date		Feb-22	Feb-22	Feb-22	
Production in first 12 months	Mmboe	34.6	34.6	34.6	

Table 3: Key Project Parameters Data Ranges (100% Project)

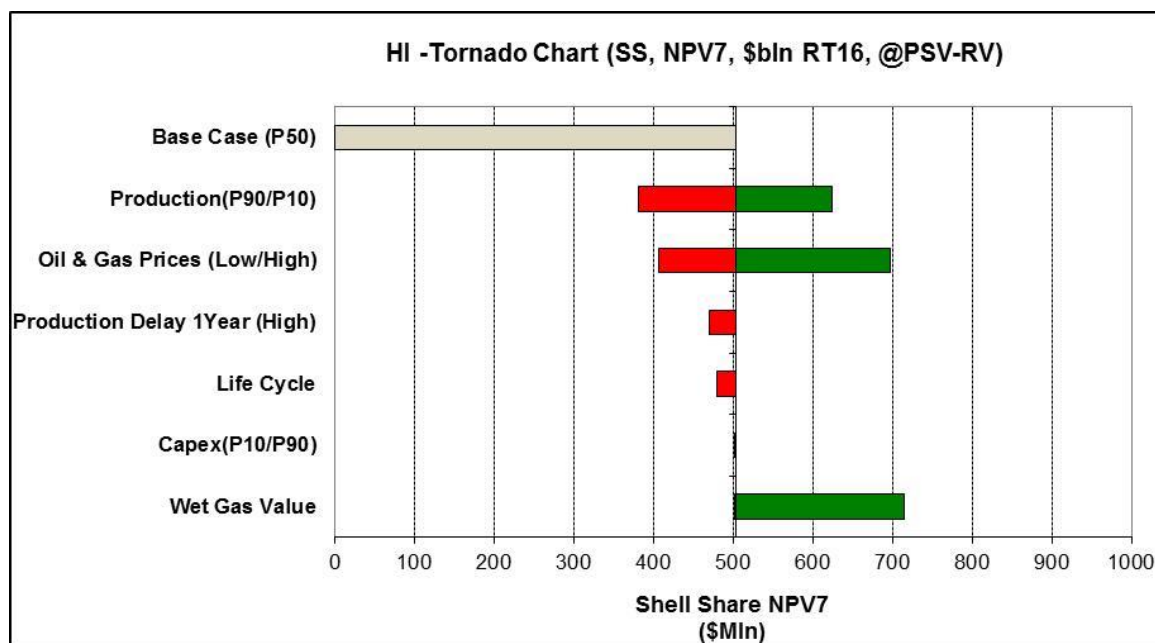


Chart 2: Full Scope Tornado Plot

Economics Assumptions

- 6 Wells and Well head Platform Only
- Gas sold to WAEP at well-head though part of the condensate value accrues to SPDC and Sunlink via the well-head gas price formula (base case)
- Condensate price: \$80/bbl RV-RT16
- Wet gas price: \$2/Mmbtu RV-RT16
- 500mmscfd for 5 years plateau and 14 years field life.
- Recoverable: 1.7 TCF (sales gas) + 14.2 Mln bbl Condensate.
- Capex (MOD): US \$498.4mln
- ABCM OPEX used in the evaluation as provided by the project team
- SCD assumed as 2.5% of MOD Capex
- Gas taxed under CITA with AGFA (Associated Gas Framework Agreement) incentive.
- NDDC levy of 3% total expenditure.
- Education tax of 2% assessable profit.
- Gas Heating Value (GHV) of 1099 btu/scf
- 10% of RT Capex assumed as abandonment cost.

Section 3: Risks, opportunities and alternatives

1. HI development is stranded due to WAEP's inability to fund or execute WAEP scope: WAEP is a relatively new player in the oil & gas industry with limited execution track record for the scale of proposed projects and Dangote group is a significant equity participant across the value chain with commensurate capex exposure to the extensive proposed scope (Madu Processing, EWOGGS, Dangote Fertilizer, Dangote Power, Dangote Refinery, etc). Significant commitments have been made by Dangote already. The fertilizer plant is under construction and scheduled for completion by 2019

Mitigation(s):

- Due diligence on WAEP's financing and execution plans are being conducted in parallel to the HoA and GSPA negotiations.
 - Sequence SPDC's major financial commitments after key WAEP delivery milestones as outlined in Section 1 above.
 - WAEP's execution of financing and security documentation for Madu Gas Plant and EWOGGS and satisfaction of all conditions precedent to first disbursement under such documentation is a key condition precedent to Sunlink JV's FID.
2. HI economics may be significantly eroded in the event WAEP is able to access other cheaper gas sources. It is possible that they could refuse to off-take HI gas.

Mitigation(s):

- GSPA will include Take or Pay provisions (80-90% of HI field Production) and have a high depletion rate to enable quick pay-out (subject to reservoir performance and management as well as statutory requirements)
 - GSPA will include rights to divert gas to other customers in the event of WAEP is unable to offtake
 - Tolling Agreement to be negotiated alongside GSPA for use of WAEP facilities/pipeline to redirect gas to other customers (e.g. NLNG or option to increase SNG offtake above current 100MmScf/d) in the event of WAEP non-performance. CAPEX and other requirements for NLNG option being assessed.
 - Negotiate permanent priority rights for HI gas (offtake and tolling) over competing supplies (including WAEP volumes)
3. Delayed Start-up by parties: There could be misalignment in Sunlink JV and WAEP's ready dates resulting in either party having to wait for the other to be ready to start. A buyer's delayed start-up could entail significant erosion of value for SPDC as Sunlink JV will have no immediate alternative monetization/evacuation route.

Mitigation(s):

- Due diligence on WAEP's execution plans and continuous alignment of schedules for integrated scope pre and post FID
 - The HOA and GSPA will provide for parties to use a windowing mechanism to agree a Gas Flow Date to commence commissioning and a Start Date to commence commercial operations.
 - The GSPA will seek to reduce parties' financial loss due to start-up delays (and dis-incentivise such delays) by providing for a premium on the contract gas price for the duration of delayed start-up in the event the delay is caused by the Buyer. Sellers delayed start-up would likewise attract a discount on the contract price.
4. Buyer Credit Risk: WAEP is a relatively new player in the oil & gas industry and as such, has no verifiable credit history or payment track record. In addition, Dangote Group is a highly politically-connected player across several industries in Nigeria. Risk that customer will use connections to frustrate commercial terms (e.g. late/non-payments, frivolous disputes, etc)

Mitigation(s):

- Payment obligations will be backstopped by escrow credit enhancement mechanism
 - Negotiate rights to toll HI gas through WAEP facilities/pipeline while Sunlink JV has highest leverage (now) and seek contractual right to redirect gas to other customers (e.g. NLNG or option to increase SNG offtake above current 100MMScf/d) in the event of GSPA termination due to pro-longed non-performance.
 - GSPA to include robust dispute resolution provisions to guard against frivolous disputes
5. Diversion of SNG molecules by WAEP:

Mitigation(s):

- Effectiveness of the GSPA will be conditional upon the execution of binding GSA between WAEP and SNG
 - A material breach of the GSA between WAEP and SNG will amount to a fundamental breach of the GSPA which will entitle Sellers to terminate the GSPA for prolonged breach and redirect gas (using WAEP facilities) to other customers.
6. Potential tax dispute due to reduced government take from condensate revenue: Assuming CITA is the applicable tax regime for the Buyer reduces percentage of government take from 65.75% and 85% to 30% as condensate value is realized by a WAEP's downstream marketing company instead of the upstream companies.

Mitigation(s):

- Value at stake due to low volumes of condensate from HI field so ensure WAEP obtains formal FIRS sign off prior to GSPA execution.
 - Alignment of commercial interests between WAEP and Sunlink JV.
7. Buyer (WAEP) and JV Partner (Sunlink) business integrity risk including potential money laundering and bribery and corruption exposure:

Mitigation(s):

- WAEP is a relatively new player in the industry with whom SPDC has successfully concluded a divestment transaction
- IDD screening has commenced on WAEP and they currently have an amber rating. The team is working with WAEP to provide the documents required and final outcome of the IDD will be available before discussion on fully termed agreements commence in Q4 2016. The approval to execute the actual binding GSA will be subject of a future GIP (2017/2018) where the final outcome and support from compliance will be reflected.
- All the required activities that are set out for JVs in the Group ABC & AML manual including a yearly Anti-Bribery Compliance confirmation are performed on the partner Sunlink
- The Sunlink JV is operated by SPDC, and Sunlink is carried by SPDC, as such there is no concern about potential money laundering exposure through the Sunlink JV by Sunlink

Alternatives Considered:

- 13 alternative monetization options have been evaluated since 2014 (including divestment) and WAEP opportunity as currently framed is the most attractive with line of sight to viable commercial and technical value chain and a credible offtaker in Dangote. Continued inaction (license was awarded 23 years ago) is likely to further strain relationship with Sunlink and several government agencies as a result of increased focus on domestic gas utilization and may lead to a possible relinquishment of the block.
- Investment in the full integrated development scope is economically unattractive for SPDC.
- Merits/demerits of the alternatives (Golar FLNG and NLNG route) are being investigated concurrently to this opportunity, and if successfully unlocked would serve as a robust back-up gas evacuation & monetization route (potentially with significant additional investment) if a GSPA is not realised for this opportunity. This will be subject to a separate PCN if viability warrants further maturation.

Section 4: Carbon Management

The project portends negligible CO₂ emissions, flaring will not be routine, as all gas will be produced and sent into the multiphase pipeline en-route to WAEP's Madu processing facility in Bonny. Carbon tax has not been included in project economics yet as forecast is not available, but will be included in the final FID GIP.

Section 5: Corporate Structure & Governance

Governance of this opportunity aligns with Group standards and the Sunlink JV Joint Operating Agreement.

Section 6: Functional Support & Consistency with Group Standards

This proposal has been reviewed and supported by the following Functions: Legal, Finance (Tax, Treasury and Controllers), and Development.

Section 7: Project Management, Monitoring & Review

GM-Commercial (Martin Foley) is the DE with the Shallow Offshore Commercial Lead (Olu Verheijen) as BOM. The DRB comprising of VP Nigeria & Gabon, Finance Manager Nigeria & Gabon, AGC Nigeria & Gabon, GM Development, GM Projects & GM Gas provide steer and govern the opportunity.

Section 8: Budget Provisions

HI Gas Development is included in SPDC's OP16.

Section 9: Group Financial Reporting Impact

There are no unusual accounting issues related to this GIP. Expenditure related to the project will be accounted for in line with Group Policy.

Section 10: Disclosure

Material disclosures, if any, will be done in line with the Group and SPDC Disclosure policies and guidelines.

Section 11: Financing

The full costs of this investment (SPDC and Sunlink) will be financed by SPDC's own cash flow, in line with existing Carry arrangement with Sunlink. As specified in the Joint Operating Agreement, Sunlink share of past costs plus interest at LIBOR plus 5% will be recovered from production. In line with the terms of the Carry Agreement, after total recovery is achieved, the equity split will change from the current 60:40 equity ratio (Sunlink: SPDC) to 40:60 (Sunlink: SPDC).

Section 12: Taxation

Taxation assumptions have been reviewed and no other material tax risks have been identified

Section 13: Key Parameters

This proposal requests approval for:

- Additional pre-FID Spend of **US\$32.5mln (as outlined in Section 1)**
- Execution of non-binding HoA capturing details of the preferred commercial structure e.g. an Escrow Account (higher/same ranking as lenders in waterfall to mitigate payment risk; contractual right to redirect gas (using WAEP facilities) to other customers to mitigate against WAEP non-performance post OSD.
- Execution of a binding agreement for SPDC/Sunlink JV to pay a break fee of up to \$5mln if WAEP attains milestone (Award of FEED Contracts for EWOGGS and Madu Gas Plant) and SPDC fails to commence post DG-3 commitments (e.g. verifiable 3rd party spend for Phase 2 of Data Acquisition)

Section 14: Signatures

Supported by:

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Erwin Nijse
Vice President, Finance Operated
Date: ... / ... / ...

.....
Bart van de Leemput
Executive Vice President, Upstream Operated
Date: ... / ... / ...

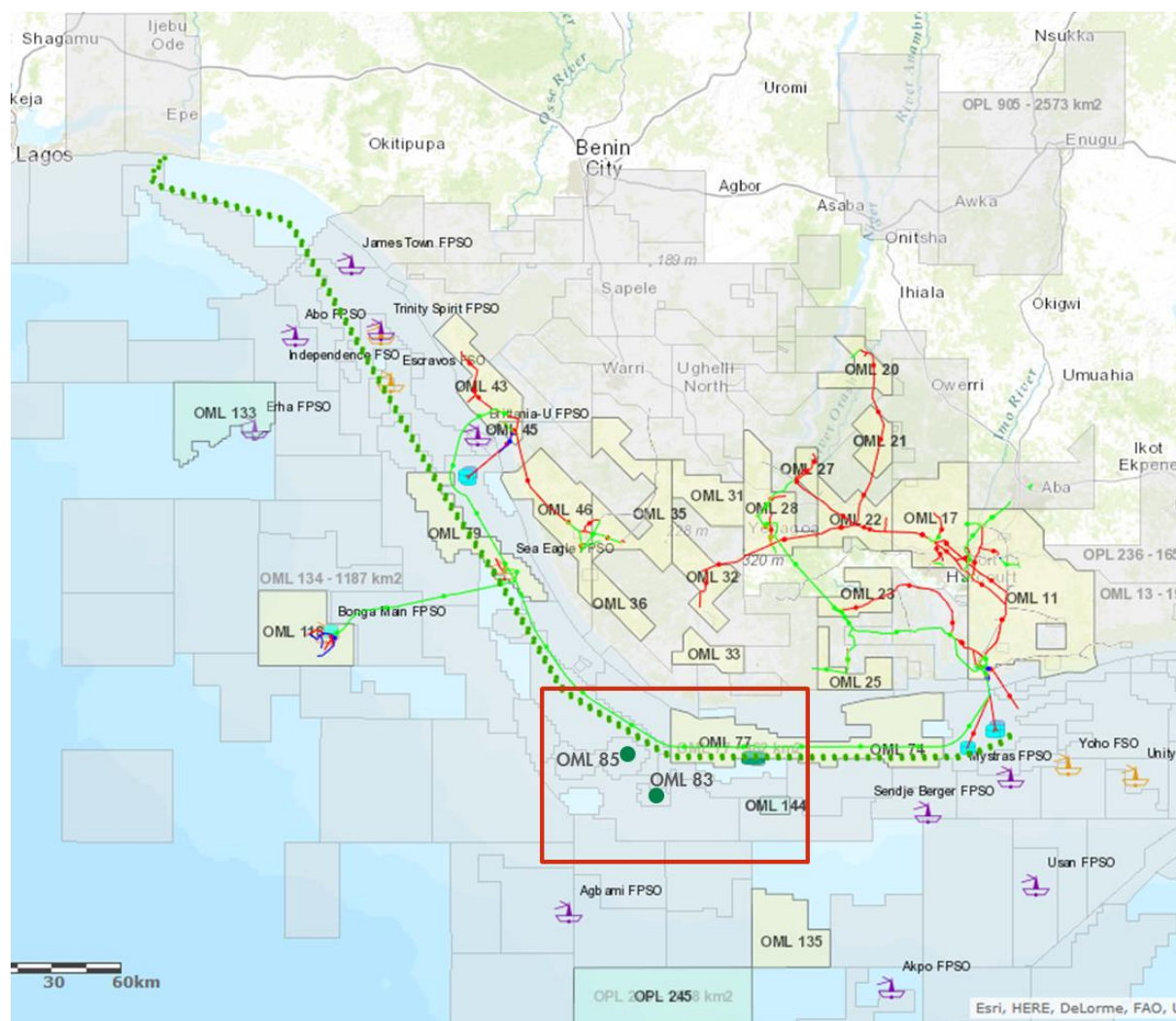
Initiator:

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Guy Janssens
FM, Nigeria and Gabon
Date: ... / ... / ...

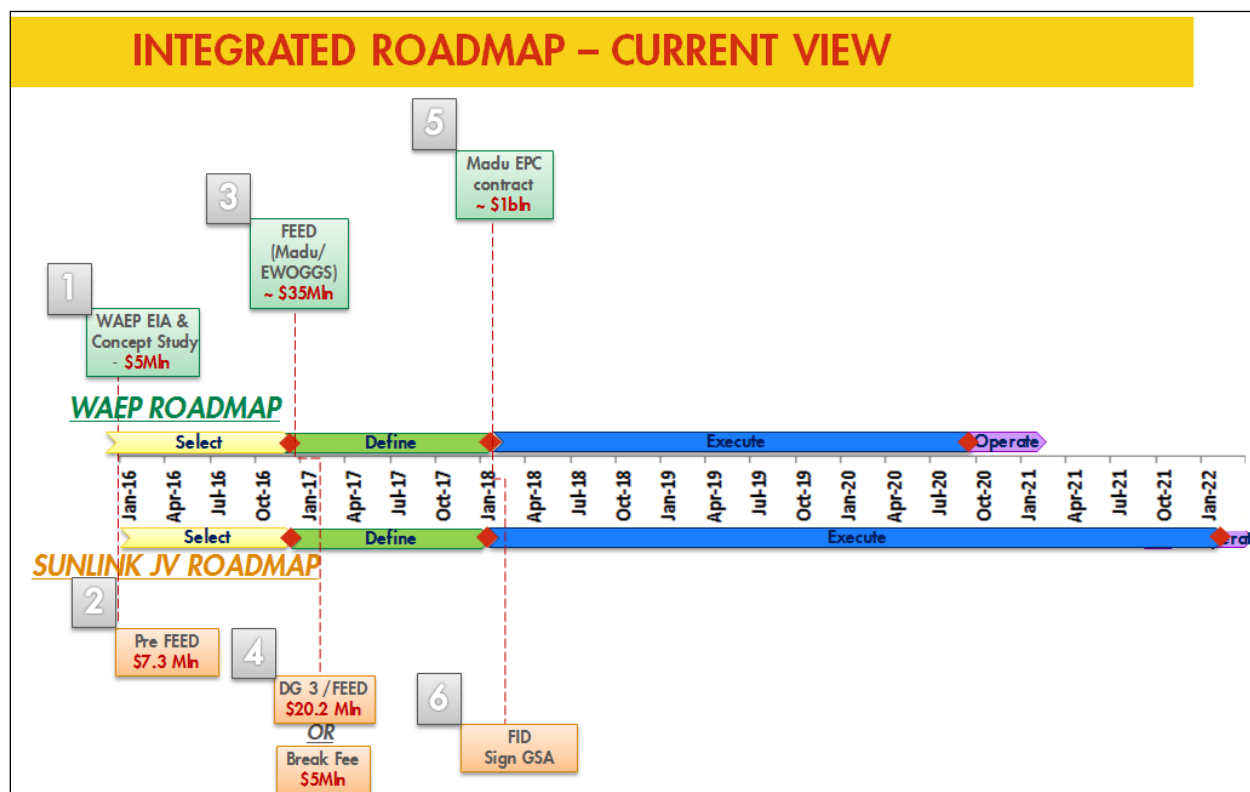
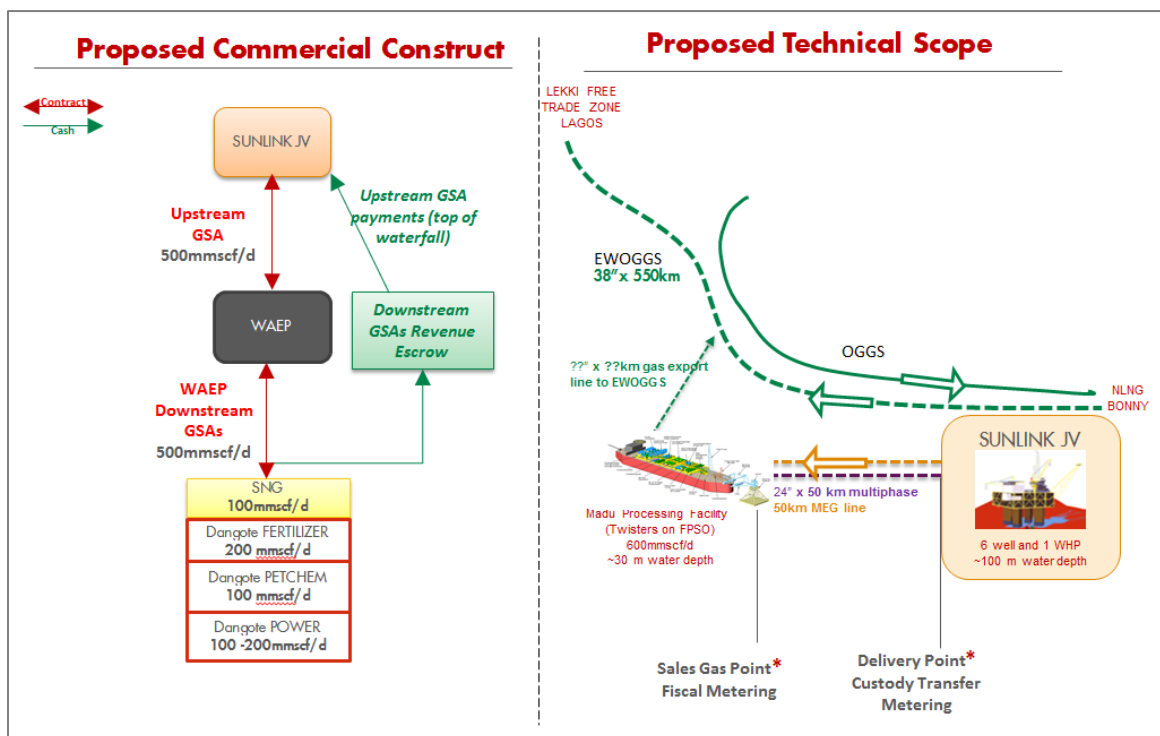
Appendices:

- 1) *Map of Area*
- 2) *Schematic of Technical Concept and Commercial Structure*
- 3) *Further Background information on the asset*

Appendix 1



Appendix 2



Appendix 3

The Venture and the Asset:

SNEPCO acquired a 40% participating interest in OML 144 (formerly OPL 238) from Sunlink in November 2005. For tax and commercial reasons, all rights and obligations under the original agreement were assigned from SNEPCO to SPDC in 2009. A key condition of the acquisition of the interest is for SPDC to retain SNEPCO's obligation to carry (The "Carry") Sunlink's 60% equity share of all approved costs of the joint operations. Under the JOA, whilst Sunlink is the Operator, SPDC in the role of Technical Partner, is vested with the responsibilities, rights, functions and duties ordinarily ascribed to an operator. Following full recovery of all Carry costs with interest (at LIBOR% + 5%), SPDC's economic interest in block increases to 60% and Sunlink resumes full operatorship (subject to both parties agreeing Sunlink has developed the capability and experience required to take on the Operator's role). NNPC has no interest in the license.

The block is located in central axis of shallow offshore Niger Delta some 50km from shore. The block covers a total area of 96 km² in average water depths of 100m. So far, it contains one defined, tested and proven gas discovery, the HI field located at the South Western corner of the block. The field has a GIIP of 2.35 Tcf and CIIP of 32.4 MMstb in the two main reservoirs U8 (upper & lower) and V2. A review of the full exploration scope of the block revealed marginal prospectivity in the rest of the block and the HI field remains the primary focus of planned future developments in the block. The HI field is approximately 30km located to an existing OGGS tie-in point close to the HD field and approximately 130km from Bonny NLNG.