

TERMSHEET

**APPLICABLE TO THE FISCAL TERMS OF DEEP OFFSHORE PRODUCTION
SHARING CONTRACTS**

FOR THE

NIGERIA 2025 LICENSING ROUND

CONDUCTED BY THE

NIGERIAN UPSTREAM PETROLEUM REGULATORY COMMISSION

INTRODUCTION

The Nigerian Upstream Petroleum Regulatory Commission (**Commission**) is pleased to provide prospective Bidders to the Nigeria 2025 Licensing (**Licensing Round**) with the fiscal terms applicable to the Bid Rounds based on the applicable legislation and regulations, as well as on the intended terms in the Template of the Production Sharing Contract. This proposal is intended as a basis for discussions and should not be construed as a contractual offer or a binding commitment by the Commission to award a Petroleum Prospecting License (**PPL**). Any award of a PPL by the Commission to a prospective Bidder shall be subject to conditions stipulated in the Guidelines. Notwithstanding the above, the provisions of "Costs and Expenses" in this term sheet shall be immediately binding upon execution of this term sheet. The Commission will not be responsible for any losses or damages that any person suffers or incurs because of reliance on or using this term sheet. This term sheet and its contents are intended for the exclusive use of the Prospective Bidders.

Date		18 May 2026
Abbreviations	The following abbreviations apply:	
	Fees and Rent Regulations	Upstream Petroleum Fees and Rent (Temporary) Regulations (as may be amended, modified or enacted)
	NTA	Nigeria Tax Act, 2025
	NNPC	NNPC Limited
	PIA	Petroleum Industry Act, 2021
	\$	United States Dollars
Concessionaire	NNPC	
Contractor	To be determined by the winning Bid	
Fees	As per applicable regulations pursuant to Part I of the Seventh Schedule of the PIA.	
Rents	<p>As per Table 2 (Rent Relating to Duration of Licenses and Leases) of Schedule 1 of the Fees and Rent Regulations:</p> <ol style="list-style-type: none"> a. For a petroleum prospecting licence, other than related to frontier acreages, during the initial exploration period: \$ 5000 plus \$ 1 per hectare. b. For a petroleum prospecting licence, other than related to frontier acreages, during the optional extension period: \$ 10,000 plus \$ 2 per hectare. 	

	c. For a petroleum prospecting licence, in the frontier acreages, during any period: \$ 5,000 plus \$ 0.10 per hectare.
Training Contributions	The PSC will provide for a general training obligation in a similar manner as provided in pre-PIA PSCs. However, there will be no specific amounts for training contributions.
Contribution to the Environmental Remediation Fund	As prescribed by the Commission pursuant to section 103 of the PIA and applicable regulations for each licensee and lessee depending on the size of the operations and the perceived environmental risk.
Contributions to the Decommissioning and Abandonment Fund	As prescribed in Section 233 of the PIA and applicable regulations.
Contributions to the Host Communities Development Trust Fund	As prescribed in Section 240 of the PIA and applicable regulations.
Contribution to the Niger Delta Development Commission	As prescribed by legislation.
Customs and Excise Duties	As prescribed by legislation.
Signature Bonus	<i>This is a bid variable.</i> The details are contained in Schedule G Bid Parameters of the Nigeria 2025 Licensing Round Guidelines.
Production Bonuses	As stipulated in paragraph 25 of the Nigeria 2025 Licensing Round Guidelines.
Royalties	As provided in Part III of the Seventh Schedule of the NTA, the royalty shall be calculated on a per-field basis based on production levels. For deep offshore, the royalty is 5% on the average monthly production of 50,000 barrels of oil per day, and 7.5% on production above these levels.

	<p>The price levels for the royalty by price must be adjusted for inflation by 2% per year with a base year of the year 2022. This means that for a production sharing contract signed in 2026, the royalty by price shall be 0% for a price level below \$ 54.12, 5% at a price level of \$ 108.24, and 10% over \$ 162.36, based on rounding to the nearest cent. As per the Schedule, there is linear interpolation among the price levels.</p>	
<p>Oil Production Sharing</p>	<p>Cost Oil</p>	<p>Based on paragraph 14(4) of Part IV of the Seventh Schedule of the PIA, the cost limit shall be 70% of the total oil production.</p>
	<p>Recovery of Costs</p>	<p>Costs are recovered on a fully expensed basis, which means depreciation is not applied to capital expenditure, if recovery shall be subject to a cost limit of 70%.</p>
	<p>Fiscal Items Recoverable as Cost Oil</p>	<p>The Fees, Rents, Contributions to Environmental Remediation Fund, Contributions to Decommissioning and Abandonment Fund, Contributions to the Host Communities Development Trust Fund, Contributions to the Niger Delta Development Commission, Customs and Excise Duties and Withholding Taxes on Foreign Subcontractors shall be recoverable.</p>
	<p>Fiscal Items Not Recoverable as Cost Oil</p>	<p>The Signature Bonus, Production Bonuses, Companies Income Tax, Capital Gains Tax, Tertiary Education Trust Fund Tax and Value Added Tax shall not be recoverable and shall be paid directly by the contractor from its revenues.</p>

<p>Total Profit Oil Amount</p>	<p>The total profit oil amount shall be the total oil production less the oil royalty and less the cost oil.</p>
<p>Minimum Profit Oil Percentages to the Government</p>	<p>The minimum profit oil percentages to the Government shall be as follows:</p> <ul style="list-style-type: none"> a) From 0 and up to 250 million barrels – 30%; b) Above 250 million barrels and up to 500 million barrels – 35%; c) Above 500 million barrels and up to 750 million barrels – 47.5%; d) Above 750 million barrels and up to 1 billion barrels – 55%; e) Above 1 billion barrels and up to 1.5 billion barrels 65%; f) Above 2 billion barrels- Negotiable.
<p>Minimum Non-Associated Gas Percentages to the Government</p>	<p>The minimum profit oil percentages to the Government shall be as follows:</p> <ul style="list-style-type: none"> a) From 0 to 1 TCF – 30%; b) Above 1 TCF and up to 3 TCF – 45%; c) Above 3 TCF and up to 5 TCF – 55%; d) Above 5 TCF and up to 7 TCF – 60%; e) Above 7 TCF and up to 9 TCF 70 %; Above 9 TCF - Negotiable.

	Applicable Petroleum for Production Sharing.	The production sharing provisions will only apply to oil, which may include condensates and natural gas liquids produced in the field prior to the measurement point, but shall not apply to natural gas.	
	Applicable Tax	Hydrocarbon Tax	Is applicable to deep offshore as per the NTA.
		Companies Income Tax	The income of the Contractor shall be subject to Companies Income Tax which shall be paid as per the NTA.
		Petroleum Profits Tax	As per the NTA, Petroleum Profits Tax does not apply to new acreage granted under this Licensing Round.
		Capital Gains Tax	The income of the Contractor is subject to this tax per the NTA.
		Tertiary Education Trust Fund Tax	This tax applies in Nigeria to all companies and shall be

			paid as per the NTA.
		Withholding Taxes	The income of foreign subcontractors is subject to withholding tax and shall be paid based on the NTA.
		Value Added Tax	Sales are subject to Value Added Tax, which shall be paid based on the NTA.
	Incentives	Shall be as prescribed in applicable laws.	
Fiscal Stability	<p>The Template of the Production Sharing Contract shall implement the provisions of Sections 305 of the PIA and 88 of the NTA with respect to fiscal stability.</p> <p>This means there will be no fiscal stability with respect to fees, rents, contributions to the environmental remediation fund, contributions to the Niger Delta Development Commission, companies income tax, capital gains tax, customs and excise duties, tertiary education trust fund tax, withholding taxes, value added taxes or any future taxes of the character described as not subject to stability in Sections 305 of the PIA and 88 of the NTA.</p>		
Gas Provisions	<p>NNPC is vested with the rights to natural gas. In case of the discovery of a gas field, NNPC shall be entitled to enter a Gas Development Contract with the contractor or other third party for the development of the gas,</p>		

	subject to the provisions of existing laws and the preservation of the economic interest of the Contractor.
Cost and Expenses	The prospective Bidder shall pay its own costs incurred in connection with the preparation and negotiation of the Production Sharing Contract.