



DRAFT 2018

UNOFFICIAL ENGLISH TRANSLATION BY OMNIS

PRODUCTION SHARING CONTRACT

BETWEEN

**THE OFFICE DES MINES NATIONALES ET DES INDUSTRIES STRATEGIQUES
(OMNIS)**

AND

[xxxx]

([xxxx])

CONTRACT AREA:

TABLE OF CONTENTS

ARTICLE 1: DEFINITIONS	3
ARTICLE 2: OBJECT OF THE CONTRACT	8
ARTICLE 3: CONTRACT AREA	11
ARTICLE 4: TERM OF THE CONTRACT	12
ARTICLE 5: RELINQUISHMENT	14
ARTICLE 6: MINIMUM EXPLORATION WORK OBLIGATIONS	15
ARTICLE 7: BANK GUARANTEE	17
ARTICLE 8: MANAGEMENT COMMITTEE	18
ARTICLE 9: OPERATOR	21
ARTICLE 10: PROGRAM OF WORKS AND BUDGETS	25
ARTICLE 11: DISCOVERY AND APPRAISAL	28
ARTICLE 12: DEVELOPMENT	30
ARTICLE 13: SOLE RISKS	33
ARTICLE 14: NATURAL GAS	34
ARTICLE 15: ACCOUNTING AND AUDIT	36
ARTICLE 16: OTHER OBLIGATIONS OF THE PARTICIPANTS	37
ARTICLE 17: OMNIS ASSISTANCE	39
ARTICLE 18: PROCUREMENT OF GOODS AND SERVICES	40
ARTICLE 19: OWNERSHIP AND USE OF TANGIBLE ASSETS	41
ARTICLE 20: SUBCONTRACTING	42
ARTICLE 21: PERSONNEL AND TRAINING	43
ARTICLE 22: ROYALTY	44
ARTICLE 23: COST OIL RECOVERY	45
ARTICLE 24: SHARING OF PROFIT OIL	46
ARTICLE 25: VALUATION AND MEASUREMENT OF HYDROCARBONS	48
ARTICLE 26: LIFTING – DOMESTIC MARKET – SALES OF THE MALAGASY SAHRE	51
ARTICLE 27: FINANCIAL PROVISIONS AND INDEXATION	53
ARTICLE 28: CUSTOMS PROVISIONS	55
ARTICLE 29: TAX PROVISIONS	56
ARTICLE 30: ADMINISTRATION FEES - FINANCIAL AND TECHNICAL CONTRIBUTION	57

ARTICLE 31: SIGNATURE AND PRODUCTION BONUSES	58
ARTICLE 32: TRANSPORT OF HYDROCARBONS	59
ARTICLE 33: UNITIZATION	61
ARTICLE 34: DECOMMISSIONING	62
ARTICLE 35: INSURANCE	65
ARTICLE 36: INFORMATION AND CONFIDENTIALITY	66
ARTICLE 37: ENVIRONMENTAL PROTECTION	68
ARTICLE 38: HEALTH, SECURITY, SAFETY AND WORKING ENVIRONMENT	69
ARTICLE 39: ASSIGNMENTS	71
ARTICLE 40: FORCE MAJEURE	73
ARTICLE 41: ARBITRATION	74
ARTICLE 42: EXPERTISE	75
ARTICLE 43: APPLICABLE LAW	76
ARTICLE 44: MISCELLANEOUS PROVISIONS	77
ARTICLE 45: NOTIFICATIONS	78
ARTICLE 46: DEFAULT	79
ARTICLE 47: TERMINATION OF THE CONTRACT	80
ARTICLE 48: CONTRACT STABILIZATION	81
ARTICLE 49: EFFECTIVE DATE	82

APPENDIX

- Appendix A:** Description of the Contract Area
- Appendix B:** Accounting and Financial Procedure
- Appendix C:** Joint Operating Agreement
- Appendix D:** Form of Stand-By Letter of Credit of each Participant
- Appendix E:** Form of Parent Company Guarantee of each Participant
- Appendix F:** Data and reports
- Appendix G:** Economic Model of the Project

PARTIES

This Production Sharing Contract ("PSC") is concluded

BETWEEN

THE OFFICE DES MINES NATIONALES ET INDUSTRIES STRATEGIQUES ("OMNIS") a government entity acting for and on behalf of the Republic of Madagascar with its registered office at 21, Iàlana Razanakombana Ambohijatovo – Antananarivo, Madagascar represented by

on the one hand,

AND

[xxxx]

AND

[xxxx]

on the other hand,

[xxxx] and [xxxx] hereinafter be referred to as "Participants"

OMNIS and the **Participants** shall hereinafter be referred to jointly as the "Parties", or individually as the "Party".

HAVING REGARD TO :

1. the Law N°96-018 of 4 September 1996 on Petroleum Code and its implementing texts at the Effective Date of this Contract ;
2. the Decree N°96-1133 of 7 November 1996 designating OMNIS as the Technical Body in charge of the national management of Hydrocarbon resources ;
3. the Decree N°97-740 of 23 March 1997 relating to Mining Titles for Exploration, Exploitation and Transport of Hydrocarbons.

CONSIDERING THAT :

1. the applicable Petroleum Code provides that all Petroleum resources in the soil and the subsoil of the land territory, in the seabed of internal waters and the territorial sea, in the exclusive economic zone and on the continental shelf, are the property of the Malagasy State ;
2. all solid, liquid or gaseous Hydrocarbon deposits subject to Malagasy laws and jurisdiction are not subject to any type of private appropriation ;
3. all Hydrocarbons' Exploration, Exploitation, and Transport activities within the National Hydrocarbon Mining Domain may only be undertaken by virtue of a petroleum contract with OMNIS as a holder of a Hydrocarbons Mining Title ;
4. until the National Oil Company has been established, OMNIS shall be deemed to be the Technical Body entitled to act on behalf of the National Oil Company ;
5. the Malagasy State is willing to promote the Petroleum Operations in the Contract Area « Petroleum Block(s) [XXXX] » ;
6. the Participants desire to explore and exploit the Hydrocarbons that may be contained in the aforementioned Contract Area and have the technical and financial capacities to ensure the fulfilment of the Petroleum Operations defined herein.

NOW, THEREFORE, the Parties have agreed as follows:

ARTICLE 1

DEFINITIONS

The words and expressions stipulated in applicable Petroleum Code shall apply to this Contract. Words and expressions used in this Contract, whether used as a singular or plural, shall have the following meaning unless otherwise specified and, in the case of words which are defined, other grammatical forms of that word shall have corresponding meanings:

- 1.1 **“Accounting and Financial Procedure”** means the Accounting and Financial Procedure set out in Appendix B and which forms an integral part of this Contract.
- 1.2 **“Affiliate”** means a legal entity which controls or is controlled directly or indirectly by a Participant to this Contract.
- 1.3 **“Appraisal Well”** means a Well drilled for the purpose of evaluating the commercial potential of a geological structure or prospect in which Hydrocarbons have been discovered.
- 1.4 **“Associated Natural Gas”** means the Natural Gas existing in a reservoir in solution with Crude Oil, or in the form of a gas cap in contact with Crude Oil, and which is produced or may be produced in association with Crude Oil.
- 1.5 **“Barrel”** means the volume equal to 0.159 cubic meters under normal conditions of S.I. (International System of Units).
- 1.6 **“Calendar Year”** means a period of twelve (12) consecutive Months starting with the first day of January until the thirty-first day of December of the same year.
- 1.7 **“Commercial Discovery”** means a Discovery of Hydrocarbons deposit within Contract Area, of which the evaluation of the economic profitability and the technical feasibility justify additional investment for commercial production. The declaration of the existence of Commercial Discovery shall be made in accordance with Article 11 of this PSC.
- 1.8 **“Competent Authority”** means any administrative or judicial authority entitled to intervene in its area of competence for the implementation of this Contract.
- 1.9 **“Contract Area”** means the area described in the Appendix A of this Contract on the Effective Date.
- 1.10 **“Contract”** or **“PSC”** means the present Contract and its Appendixes which are an integral part thereof.
- 1.11 **“Contract Year”** means a period of twelve (12) consecutive Months starting on the day of the Effective Date of the Contract.
- 1.12 **“Control”** means, for purposes of this Contract, holding directly or indirectly of a percentage of interest in the share capital by a legal person or any other titles giving rise to a majority or minority of voting shares in the deliberative assembly of a legal entity and/or allowing the appointment of the Boards of Directors members or other decision-making bodies directing the entity in question.

A company shall be deemed indirectly controlled by a company or companies (parent company(ies)), if within a group of companies that can be defined as an economic entity composed by several companies, the majority of the voting shares or interests of the concerned company, is held by other companies of the same group.
- 1.13 **“Corporate Social Responsibility”** means the voluntary incorporation by companies of social and environmental concerns into their Petroleum Operations and their relations with stakeholders.

- 1.14** “**Crude Oil**” means Hydrocarbons that are in the liquid state, at atmospheric pressure of 1.034kg / cm² (14.7psia) and at a temperature of 15.56 ° C, at the wellhead or at the level of the separator or extracted from Natural Gas, including distillates and condensates produced from the Exploitation Area.
- 1.15** “**Decommissioning**” means the definitive abandonment of any Petroleum Operation with respect to a specific area or the entire Contract Area and, as the case may be, the transfer, removal, de-classification, evacuation and dismantling, of the materials, facilities, equipment and other property used for Petroleum Operations in the concerned area and finally, the cleaning, sanitation and securing of the concerned area.
- 1.16** “**Delivery Point**” means the location(s) specified in the approved Development plan or defined by agreement between the Parties, where all or part of Crude Oil or Natural Gas may be taken in kind by each of the Parties, in accordance with their respective entitlements under this Contract, in the conditions which allow the Parties to transport such Crude Oil and/or Natural Gas in bulk and where the parties may transfer title to such Hydrocarbons to a third parties.
- 1.17** “**Development**” means Petroleum Operations consisting of:
- a. the completion of any geological, petrophysical, geophysical, geochemical and/or geotechnical operations for the ultimate purpose of producing Hydrocarbons;
 - b. the drilling of Development Wells;
 - c. the design, engineering, construction, commissioning, operation and Decommissioning of installations, pipelines, equipment and systems necessary for the implementation of Wells required for Exploitation of Hydrocarbon deposit, for processing and treatment of the Hydrocarbons extracted from reservoir within the Exploitation Area and for the delivery of said Hydrocarbons;
 - d. the design, engineering, construction, commissioning, operation and Decommissioning of any other facility, or additional activities necessary to the planning, preparation or diligent conduct of such activities in accordance with the approved Development plan as provided by the applicable Malagasy Law; and
 - e. the realization of any activities connected to or arising out of the above operations, whether conducted in Madagascar or abroad.
- 1.18** “**Development Costs**” means those costs and expenses incurred to carry out Development operations subject to an approved program of works and budgets.
- 1.19** “**Development Well**” means a Well drilled after the date of approval of the Development plan for the purpose of producing Hydrocarbons or to increase or accelerate the Production. Any Well drilled in an Exploitation Area including injection Wells and dry Wells during the Exploitation period shall be considered as a “Development Well”.
- 1.20** “**Discovery**” means the demonstration, proven by a well, of the existence of an accumulation of liquid or gaseous Hydrocarbons, previously unknown, in the Contract Area.
- 1.21** “**Effective Date**” means the date on which this Contract shall come into force, which is the date of publication, in the Official Gazette of Madagascar, of the last of the two (2) decrees of the President of the Republic, respectively approving the Contract and granting the Hydrocarbon Exploration Mining Title to OMNIS.
- 1.22** “**Exploitation**” means Development and Production operations including the planning, preparation, construction, commissioning and Decommissioning of facilities, pipelines, equipment and systems in order to conduct the operations in a diligent and appropriate manner.

- 1.23 “Exploitation Area”** means the part of the Contract Area covered by a Hydrocarbon Exploitation Mining Title and designated as the Exploitation Area in the approved Development plan according to the applicable Malagasy legislation and the Contract.
- 1.24 “Exploitation Costs”** means the costs and expenses incurred to carry out Exploitation operations subject to an approved program of works and budgets.
- 1.25 “Exploration”** means all prospection and research operations for the Discovery of Hydrocarbons, to study their conditions of Exploitation and industrial use and to conclude the existence of geological deposits in order to detect the existence of Hydrocarbons by means of geological, petrophysical, geophysical, geochemical and geotechnical methods and by drilling any Exploration or Appraisal Well in the Contract Area as well as any other activity carried out during the Exploration period as stipulated in this Contract.
- 1.26 “Exploration Costs”** means the costs and expenses incurred to carry out Exploration operations subject to an approved program of works and budgets.
- 1.27 “Exploration Well”** means a Well drilled for the purpose of confirming the presence of Hydrocarbons in a separate structure or geological prospect in which no Discovery has been made previously.
- 1.28 “Good Petroleum Industry Practices”** means the conduct of Petroleum Operations with a degree of diligence, prudence and security conforms to good and prudent International petroleum practices and generally followed under conditions comparable to the petroleum industry.
- 1.29 “Hydrocarbon Mining Title”** means permit issued by decree of the President of the Republic of Madagascar which confers on its holder the right to engage, for a specified period, within a defined area, in activities authorized by said title and which may be the Exploration, Exploitation or Transport of Hydrocarbons.
- 1.30 “Hydrocarbons”** means any natural organic substance occurring in the subsoil in a natural state, composed of normal and organic carbon and hydrogen, as well as other substances extracted consecutively and in association with such Hydrocarbons, including Crude Oil, Natural Gas and their derivatives.
- 1.31 “Month”** means one (1) calendar month.
- 1.32 “National Hydrocarbon Mining Domain”** means all zones intended for Petroleum Operations.
- 1.33 “Natural Gas”** means methane, ethane, propane, butane and, more generally, Hydrocarbons in the gaseous state in the Standard Conditions at the Wellhead including, where applicable, Associated Natural Gas or Non-Associated Natural Gas as well as all of its constituent elements and the non-hydrocarbon substances they contain.
- 1.34 “Non-Associated Natural Gas”** means gaseous Hydrocarbons produced from reservoirs that contain only gas in exclusivity, including dry gas, wet gas or residual gas remaining after the extraction of liquid Hydrocarbons from the liquid gas.
- 1.35 “Operator”** means a legal entity acting in the name and on behalf of the Parties and insuring the daily management of the Petroleum Operations.

- 1.36** “**Participant**” means jointly or individually the company or companies which have signed this Contract, as well as any company to which an interest is assigned pursuant to Article 39.
- 1.37** “**Petroleum Block**” means the subdivision of the National Hydrocarbon Mining Domain that may be open to Petroleum Operations.
- 1.38** “**Petroleum Code**” means the law n°96-018 of 4 September 1996 on the Petroleum Code of the Republic of Madagascar as in force on the Effective Date and the related implementing texts.
- 1.39** “**Cost Oil**” means all approved costs related to Petroleum Operations, incurred in accordance with the terms of this Contract, the procedures adopted by the management committee and as further described in Appendix B (Accounting and Financial Procedure) of this Contract.
- 1.40** “**Petroleum Operations**” means Exploration, Exploitation, Transport of Hydrocarbons and any other activity related to these operations, including the planning and preparations of such activities carried out in accordance with the applicable Malagasy Petroleum Code and this PSC. Without limiting the general scope of the above Petroleum Operations include:
- a. the design, engineering, procurement, construction, installation, commissioning, maintenance and repair of pipelines, facilities, machinery and any other equipment or system required for Exploration, Exploitation or Transport as well as drilling and Well operations;
 - b. the extraction, injection, stimulation, gathering, processing, storage, transport and delivery of Hydrocarbons to the Delivery Point(s) ;
 - c. the design, engineering, procurement, construction, installation, commissioning and Decommissioning of equipment and materials necessary for enhance recovery;
 - d. the plugging and abandonment of Well, Decommissioning of instalations, including dismantling and removal of equipment or facilities used in Petroleum Operations; and
 - e. the sale of Oil and/or Gas when applicable.
- 1.41** “**Production**” means, without limitation:
- a. the extraction of Hydrocarbons from one or more reservoirs, drilling, operations, maintenance, servicing, and repair of completed Wells and equipment, pipelines, systems, facilities and plants completed during Development;
 - b. the performance of any activity related to the planning, scheduling, controlling, processing, preparation, measuring, testing, storing and management of flows, the gathering, Transport and dispatching of Hydrocarbons from the reservoir(s) to a exporting or lifting location, as well as the construction, commissioning, operation and use of fixed or floating facilities and any other operations necessary for the needs of Production;
 - c. the completion of operations to abandon oil fields, assets and facilities.
- 1.42** “**Profit Oil**” means the portion of available Crude Oil and/or Natural Gas allocated to the Parties, less the volumes of Crude Oil and/or Natural Gas designated for recovery of Cost Oil pursuant to the terms and provisions of this Contract.

- 1.43 **“Quarter”** means a period of three (3) consecutive Months.
- 1.44 **“Royalty”** means the royalty as defined in Article 22 of this Contract.
- 1.45 **“Subcontractor”** means any legal entity which, on behalf of and under the supervision of the Operator, performs services or supplies goods or services for Petroleum Operations.
- 1.46 **“Territory of the Republic of Madagascar”** means the land territory, the continental shelf, the exclusive economic zone, the territorial waters as defined by the laws and international conventions ratified by the Republic of Madagascar.
- 1.47 **“Transport”** any means of transporting Hydrocarbons to the Delivery Point (s).
- 1.48 **“Well”** means the opening in the subsoil by a borehole for Hydrocarbon Exploration and Exploitation except for shallow drilling for the sole purpose of seismic calibration, which has not been carried out to cross the layers containing Hydrocarbons.
- 1.49 **“Wilful Misconduct/Gross Negligence”** means any act or omission (whether sole, joint or concurrent) committed by any individual with the intent to harm or without regard to the harmful consequences of such act or omission, even though the individual knew or ought to have known that the act or omission was likely to harm the safety or property of a third party.

ARTICLE 2

OBJECT OF THE CONTRACT

2.1 This Contract is a Production Sharing Contract (PSC).

The Republic of Madagascar is the exclusive owner of natural resources within the Contract Area. The Contract does not confer on the Participants any rights over the soil or subsoil, nor over the natural resources of the concerned area, other than those it expressly provides for.

The object of this PSC is to define the terms and conditions under which the Operator, on behalf of the Parties, shall carry out the Petroleum Operations.

All rights and obligations under the present contract and all Petroleum Operations planned or conducted pursuant to the present Contract shall be performed in accordance with the Petroleum Code and this Contract and any amendments thereto.

The Contract consists of this Contract, main document and when applicable the following Appendixes which form an integral part hereof:

- Appendix A:** Description of the Contract Area
- Appendix B:** Accounting and Financial Procedure
- Appendix C:** Joint Operating Agreement
- Appendix D:** Form of Stand-By Letter of Credit of each Participant
- Appendix E:** Form of Parent Company Guarantee of each Participant
- Appendix F:** Data and reports
- Appendix G:** Economic Model of the Project

During the Exploitation phase, the Participant shall provide to OMNIS, within thirty (30) days from the date of implementation of the Development plan, a parent company guarantee which shall constitute Appendix E to this Contract.

In the event of a conflict between the provisions of the present PSC and its Appendixes, only the PSC shall prevail.

2.3 All Petroleum Operations pursuant to this Contract shall be conducted diligently in accordance with applicable Malagasy laws and Good Petroleum Industry Practices.

2.4 The planning and performance of Petroleum Operations shall take into account of the safety of personnel, the environment and of the economic value of the facilities, equipment and vessels, including their availability.

Petroleum Operations shall not unnecessarily or unreasonably interfere with shipping, fishing, aviation or other activities, or cause damage or threat of damage to cables, pipelines or other facilities and equipment.

All reasonable precautions shall be taken by the Operator and Subcontractors to:

- a.** prevent damage to fauna and flora, historical or cultural sites, relics of the past, public or private property;

- b. prevent, limit and mitigate the negative effects of pollution and waste disposal on the territory, its subsoil, the sea and seabed, and in the atmosphere.

2.5 By entering into this Contract, OMNIS entrusts the Operator the sole responsibility for the daily management and conduct of all Petroleum Operations in the Contract Area, unless otherwise decided by the management committee in accordance with this Contract.

2.6 On the Effective Date of this Contract, the interests of each Participant shall be respectively ([xxxx] %).

2.7 This percentage shall represent the undivided interest of each Participant (expressed as a percentage of the total interests of Participants).

At the request of the Participants, OMNIS shall make the necessary to obtain the Mining Titles related to Exploration, Exploitation and when required, the Mining Title to Transport activities, including those of the extension period.

The rights and obligations pursuant to the relevant Mining Title shall be immediately transferred to the Participants as soon as they are obtained by OMNIS.

2.8 The Operator shall be responsible for the conduct of the Petroleum Operations. All the Operator's activities shall be executed in compliance with the rights and interests of the Parties pursuant to this Contract.

Unless otherwise specified, the Operator shall act towards the Competent Authorities and third parties on the name and on behalf of the Parties. This includes the Operator's rights and obligations to obtain all necessary agreements, approvals and licences, to enter into agreements under the Contract, to pay all expenses incurred in connection with the activities in accordance with the agreements concluded between the Parties.

2.9 Natural resources other than Hydrocarbons shall be excluded from the rights granted to the Parties under the Contract in the Contract Area, even if the Parties have discovered such other natural resources during Petroleum Operations.

The Operator is required to inform OMNIS within forty-eight (48) hours of the Discovery of natural resources other than Hydrocarbons. A detailed description of the Discovery should be included in the periodic progress report on the Petroleum Operations.

2.10 The Participants shall provide all the financial, technical and personal resources necessary for the proper conduct of Petroleum Operations and shall bear, on his own, the financial risk associated with the performance of the Petroleum Operations. The related Cost Oil shall be recoverable by the Participants in accordance with the following paragraph.

The Participants shall only recover expenses and costs incurred that correspond to Cost Oil as defined in Article 23 of this Contract. Such recoveries may only be made from revenues obtained by the Production and sale of Hydrocarbons extracted from the same Exploitation Area.

Cost recovery shall be carried out in accordance with Article 23 of this Contract to the exclusion of any other provision.

2.11 After deduction of the Royalty and recovery of Cost Oil pursuant to Articles 22 and 23, the Profit Oil, whether available Crude Oil and/or Natural Gas, extracted from the reservoirs of the Contract Area and obtained from the Petroleum Operations, shall be shared between the Parties in accordance with Article 24.

2.12 During the performance of its obligations, the Operator shall have the right, within the limit of the PSC:

- a.** to access and operate within the Contract Area and to have access to all facilities related to Petroleum Operations, regardless of their location;
- b.** where applicable, to use the access roads located inside or outside the Contract Area in accordance with the terms and conditions stipulated in the approved Development plan:
 - i. for the use of Production facilities;
 - ii. where necessary, for the construction of pipelines in accordance with Article 32;
 - iii. for operations from onshore Production facilities;
 - iv. as well as for the use of other facilities required for Petroleum Operations related to the Contract Area; and
- c.** to import the goods and services required for the conduct of Petroleum Operations.

ARTICLE 3
CONTRACT AREA

- 3.1** The initial Contract Area, which is referred to as [xxxx], consists of the referenced Petroleum Blocks [xxxx] and covers an area of [xxxx] km², as defined in the map attached as Appendix A. This Perimeter is determined by the WGS84 coordinate system and projected on UTM WGS84_38S:

POINTS	LATITUDE	LONGITUDE	X (m) UTM38S	Y (m) UTM38S
A	S	E		
B	S	E		
C	S	E		
D	S	E		
E	S	E		
F	S	E		
G	S	E		
H	S	E		

- 3.2** The total area of the Contract Area shall be reduced in accordance with the conditions set out in Article 5 of the present Contract.

ARTICLE 4

TERM OF THE CONTRACT

- 4.1** This Contract includes an exploration period ("Exploration Period") and an exploitation period ("Exploitation Period") defined as follows:

Exploration Period

- 4.2** The Exploration Period extends over a period of eight (8) consecutive Contract Years, divided into three (3) subsequent phases:

- a.** a first phase of Exploration of [xxxx] Contract Years;
- b.** a second phase of Exploration of [xxxx] Contract Years;
- c.** a third phase of Exploration of [xxxx] Contract Years.

- 4.3** If the Participants decide to enter the next Exploration phase, the Operator shall submit a written request to OMNIS at least thirty (30) days before the end of the phase in progress.

It is expressly agreed that the Participants may only proceed to the next Exploration phase subject to:

- a.** the fulfilment of its minimum work obligations relating to the previous phase;
- b.** the submission of data and technical reports relating to the work completed during the said phase unless a valid reason justifies the delay in the submission;
- c.** the submission of the bank guarantee for the next phase.

- 4.4** If the Participants decide not to enter one of the Exploration phases, the Operator shall notify OMNIS at least thirty (30) days before the expiry of the current phase. The notification shall be accompanied by the results of the Exploration works carried out and the documents supporting the decision.

- 4.5** If the management committee considers that the overall assessment of the Contract Area cannot be completed within the time limit stipulated in the applicable law, the Participants may request OMNIS to extend the Exploration Period to complete this assessment.

This extension shall not exceed a period of two (2) consecutive Contract Years and shall only cover the last unrelinquished Area.

- 4.6** If no Commercial Discovery has been made and notified in the Contract Area, the Contract shall terminate and the Mining Title shall automatically expire without further formalities at the end of the Exploration Period or at the end of any extension granted.

Exploitation Period

- 4.7** In the event of a Commercial Discovery of Crude Oil, the Exploitation Period shall extend over a period of twenty-five (25) consecutive Contract Years from the date of publication of the decree granting the Exploitation Mining Title of Hydrocarbons in the Official Gazette.

- 4.8** In the event of a Commercial Discovery of Natural Gas, the Exploitation Period shall be thirty-five (35) consecutive Contract Years from the date of publication of the decree granting the Exploitation Mining Title of Hydrocarbons in the Official Gazette.

- 4.9** In the event that Hydrocarbons can continue to be produced commercially in the Exploitation Area beyond the end of the periods defined in Articles 4.7 and 4.8 above, at the request of

the Participants, OMNIS shall make the necessary to obtain an extension of the Exploitation Period. The request shall be submitted at least two (2) years before the end of the said period.

The term of the extension of the Exploitation Period and the corresponding Mining Title shall, if necessary, be five (5) consecutive Contract Years.

- 4.10** In the event that Hydrocarbons can no longer be exploited commercially, the Contract shall terminate and the Mining Title shall automatically expire, without further formalities, at the end of the Exploitation Period or at the end of any extension granted.

ARTICLE 5

RELINQUISHMENT

- 5.1** Subject to the provisions of Article 5.2 below, the Participants shall relinquish a portion of the Contract Area and the rights relating thereto in accordance with the following provisions:
- a.** Twenty-five percent (25%) of the Contract Area, as defined in Article 3 of this Contract, at the end of the first Exploration phase;
 - b.** Thirty-five percent (35%) of the remaining Contract Area at the end of the second Exploration phase;
 - c.** All the rest of the Contract Area, excluding the Exploitation Area at the end of the third Exploration phase (including extensions).

- 5.2** The Participants may relinquish all or part of the Contract Area during the Exploration Period by notifying OMNIS in writing no later than thirty (30) days before the date of relinquishment, subject to the provisions of Article 5.3 below.

Such voluntary relinquishments during the Exploration Period shall be considered in the same way as the mandatory relinquishments referred to in Article 5.1 and shall not reduce the Minimum Exploration Work Obligations referred to in Article 6 or the amount of the corresponding Bank Guarantee.

The Contract shall terminate in the event of the total relinquishment of the Contract Area.

- 5.3** No relinquishment shall exempt the Participants from the fulfillment of their contractual obligations or of any actions or omissions arising from this Contract. In the event that the Participants decide to relinquish or abandon the entire Contract Area without having previously fulfilled all their Minimum Works Obligations as stipulated in Article 6 or any other commitments made in accordance with the provisions of Article 10 of this Contract, the Participants shall pay to OMNIS, prior to the proposed date for the total relinquishment, the Bank Guarantee related to the Work Program agreed for the current Exploration Phase in accordance with Article 7.
- 5.4** The coordinates of the relinquished area, reports specifying the works carried out and the results obtained from the relinquished area shall be appended to the notification provided for in Article 5.2.

The configuration of the relinquished area shall be contiguous, compact, of simple geometric shape and, where applicable, shall take into account previously relinquished contiguous surfaces to allow for the effective conduct of Petroleum Operations on the relinquished area or areas.

ARTICLE 6

MINIMUM EXPLORATION WORK OBLIGATIONS

- 6.1** The Operator shall commence the Exploration activities within thirty (30) days after the approval of the annual program of works and budgets by the management committee in accordance with Article 8.

The Operator shall, on behalf of the Parties, carry out the Minimum Exploration Work Obligations and spend the total amount of the minimum expenses as stipulated in Articles 6.2, 6.3 and 6.4. The works shall be performed in a diligent and continuous manner during the Exploration Period in accordance with the requirements stipulated in applicable Malagasy laws and in the present Contract.

- 6.2** During the first Exploration phase, the Operator shall on behalf of the Parties perform the following activities as Minimum Exploration Work Obligations:
- a. [xxxx];
 - b. [xxxx].

The minimum expenditure for the above-mentioned works shall be US dollar [xxxx].

- 6.3** During the second Exploration phase, the Operator shall on behalf of the Parties perform the following activities as Minimum Exploration Work Obligations:
- a. [xxxx];
 - b. [xxxx].

The minimum expenditure for the above-mentioned works shall be US dollar [xxxx].

- 6.4** During the third Exploration phase, the Operator shall on behalf of the Parties perform the following activities as Minimum Exploration Work Obligations:
- a. The drilling of at least one (1) Exploration wells.

The minimum expenditure for the above-mentioned works shall be US dollar [xxxx].

- 6.5** It is understood that, in order to satisfy the Minimum Exploration Work Obligations under Articles 6.2 to 6.4 above:
- a. the activities stipulated as Minimum Exploration Work Obligations to be carried out during the first, second or third Exploration phases shall apply as long as the Parties are holding any portion of the Contract Area;
 - b. each Exploration Well shall be drilled to a depth of at least one hundred (100) meters below the main objective or until it penetrates ten (10) meters in the geological basement, whichever comes first;
 - c. the Exploration Well shall be abandoned in accordance with the provisions of the present Contract and shall be deemed to satisfy the requirements for the performance of the minimum Exploration work if the objective defined for the drilling is reasonably considered by the Operator to be difficult or impossible due to geological and/or safety conditions, such that :
 - i. the basement is encountered at a depth less than the minimum depths mentioned above;
 - ii. further drilling presents an obvious threat due to the existence of abnormal pressure layer;

- iii. rock formations are encountered, the hardness of which does not allow in practice the drilling to progress with the appropriate equipment;
- iv. oil prone formations are encountered, the passage of which requires, for their protection, the installation of casings that do not allow the above-mentioned minimum depths to be reached.

In each of the cases above, the Operator shall inform OMNIS and shall be entitled to suspend drilling.

- a. seismic works or Exploration Wells completed in addition to the Minimum Exploration Work Obligations for an Exploration Phase, shall be taken into account to satisfy the Minimum Exploration Work Obligations of the next Phase. Any additional expenses incurred for the execution of the above-mentioned works and wells shall in addition be deducted from the amount of the minimum expenses for the next phase but shall have no impact on the amount of the Bank Guarantee to be submitted for the said phase.

- 6.6** The performance of any Minimum Works Obligation shall relieve the Participants from the corresponding minimum expenditure obligation but the performance of any minimum expenditure obligation shall not relieve the Participants from the corresponding work obligation.
- 6.7** OMNIS shall be notified by the Operator at least thirty (30) days prior to the commencement of any planned seismic surveys and any well drilling.
- 6.8** OMNIS may impose terms and conditions in compliance with Good Petroleum Industry Practices and applicable Malagasy laws for the construction, use and operation of seismic vessels, drilling units and other equipment used in Petroleum Operations on the territory or in any part of the Malagasy continental shelf.

ARTICLE 7

BANK GUARANTEE

7.1 In order to guarantee the performance of the Minimum Exploration Work Obligations under the present Contract, each Participant shall establish an unconditional and irrevocable Stand-By Letter of Credit, to be deposited within thirty (30) days of the Effective Date for the first Exploration phase, and not less than thirty (30) days prior the beginning of each subsequent phase.

The Stand-By Letters of Credit shall be issued by an international bank acceptable to OMNIS in the forms provided for in Appendix D.

7.2 The respective amounts of the Bank Guarantee shall be:

- a. for the first Exploration phase: [xxxx] US dollars;
- b. for the second Exploration phase: [xxxx] US dollars;
- c. for the third Exploration phase: [xxxx] US dollars.

7.3 The amount of the Bank Guarantee stipulated in Article 7.2 shall be released by OMNIS within two (2) weeks following the end of each Exploration phase subject to the fulfilment of the minimum work obligations of the Exploration phase in question without taking into account the costs incurred by the Participants to fulfil said obligations.

7.4 When the Minimum Exploration Work Obligations of the corresponding Exploration Phase are fulfilled, the Operator shall submit to OMNIS a declaration signed by a duly authorized representative of each Participant certifying that the operation in question has been completed and shall request the release of the Bank Guarantee for the corresponding Exploration Phase.

If the Participant considers that the release of the Bank Guarantee by OMNIS is unduly delayed or if OMNIS considers that the Participants have not satisfactorily performed the Minimum Exploration Work Obligations stipulated in the present Contract, each Party may have recourse to the expertise provided for in Article 42.

7.5 If, at the end of any Exploration phase or in the event of total relinquishment or termination of the Contract, the Exploration activities have not meet the Minimum Exploration Work Obligations set out in the Article 6, OMNIS shall call and cash-in the Bank Guarantee as compensation for non-performance of said obligations.

ARTICLE 8

MANAGEMENT COMMITTEE

- 8.1** A management committee for Petroleum Operations shall be established prior to the commencement of any Petroleum Operation relating to this Contract and under no circumstances later than thirty (30) days following the Effective Date.

If a Participant fails to nominate its members to the management committee within the time limit specified in this Article, the present Contract shall be null and void and no rights might be then exercised or derived from this Contract.

- 8.2** The management committee shall be composed of a maximum of three (3) members appointed by OMNIS and a maximum of three (3) members appointed by the Participants.

Only representatives duly appointed by a Party and notified to the other Parties as members of the management committee shall be entitled to vote in all decisions of the management committee.

The quorum required for the procedure of the vote shall be at least two (2) representatives of OMNIS and two (2) representatives of the Participants.

- 8.3** The Parties shall be bound respectively by any decision taken by the Management committee pursuant to this Contract.

- 8.4** Each Party shall make the necessary to effectively replace one of its members. In this case, the substitute shall submit the documents authorizing him to act as substitute in the management committee.

- 8.5** During the meetings, each Party may be assisted by experts and invite observers as necessary.

Representatives of the Ministry of technical tutoring may, if invited by a Party, participate as observers in the meetings of the management committee, provided such Ministries have notified the Parties in advance of who shall be their representatives at the meeting. All participants in the meeting of the management committee shall sign a confidentiality declaration in accordance with applicable Malagasy laws unless observers are already under a legal obligation to keep confidential all information obtained as a result of their participation in the meeting of the management committee, until such time they are released by law or by a unanimous decision of the management committee.

Experts and observers may only take the floor at the unanimous request of the Management committee.

The management committee may decide that experts and observers shall not be present when a proposal is to be voted.

However, duly appointed and notified experts and observers may not be excluded from the meeting of the management committee whenever the subject to be voted on is relevant to their area of responsibility or jurisdiction.

- 8.6** The management committee shall deliberate on the following subjects, without this list being exhaustive:
- a.** the establishment of guidelines for Operator's activities;
 - b.** the approval of all program of works and budgets , reports and other proposals;

- c. the approval of the Operator's activity reports;
- d. the approval of the Operator's financial statements;
- e. unless governed by law, the approval of Production levels proposed by the Operator in accordance with Good Petroleum Industry Practices;
- f. the appointment of an external auditor and the review of the auditing of the Operator's accounts;
- g. the approval of the contracting strategy and award of tenders to Subcontractors under Article 20.3;
- h. the review of and approval of the Development Plan and budget for the deposit(s) to be developed;
- i. any cooperation with Affiliated Companies or holders of other Production Sharing Contracts or petroleum rights;
- j. any obstacle and/or event that significantly affects the Petroleum Operations ;
- k. the settlements of any claim or dispute in excess of five hundred thousand (500,000) US dollars; and
- l. any other issue presented by a Party.

8.7 Each member shall have one (1) vote in the management committee.

8.8 The management committee shall not deliberate or make binding decisions unless OMNIS and the Participants are represented respectively by at least two (2) members or their substitutes.

During the meeting, the management committee shall endeavor to reach unanimous decisions subject to Article 13. If the management committee is unable to reach agreement during this meeting, a second meeting shall be held within seven (7) days of this postponement to discuss the same matter.

In the event of persistent disagreement, the matter shall be escalated to arbitration in accordance with Article 41 of the PSC or to an expert in accordance with Article 42 if the disagreement relates to technical matters not concerning the interpretation and/or application of the Contract.

8.9 The management committee may not take any decision that could or might benefit one Party or other Parties to the detriment of any other Party to the present Contract.

8.10 The ordinary meetings of the management committee shall be held alternately in Madagascar and at other places agreed between the Parties, at least two (2) times per Calendar Year before the date of the first Commercial Discovery and at least three (3) times per Calendar Year after that date.

In the absence of a Party, the meeting of the management committee shall be adjourned for a period not exceeding five (5) working days unless otherwise agreed. The Party present shall notify the other Party of the new date, time and place of the meeting.

8.11 Any Party may call for an extraordinary meeting of the management committee by giving thirty (30) days prior notice in order to discuss any matter or development relating to Petroleum Operations.

8.12 The coordination of the management committee shall be assured by a president. The presidency of the management committee shall be alternate on a biannual basis between

one of the members appointed by OMNIS and one of the members appointed by the Operator. The meetings of the management committee shall be coordinated by the appointed member who organizes the meeting.

- 8.13** A secretary of the management committee designated by the Parties among them shall be responsible for preparing the minutes of the management committee meeting and the decisions submitted for approval to the members of the management committee. Draft minutes shall be circulated to the members of the management committee within fourteen (14) working days after the meeting of the management committee. The members shall promptly notify the secretary if the minutes have been approved or specify any corrections or other additions proposed.

The secretary shall without delay notify the president and all members of the management committee of any proposed corrections or additions to the minutes.

If the secretary of the management committee has not received any comments within fourteen (14) working days of receipt of said draft minutes, then the minutes shall be deemed to have been approved by the members.

The approved minutes shall be signed by all members to confirm their approval. Each Party and each member of the management committee shall receive one (1) original copy of the signed minutes within fourteen (14) working days after signature.

- 8.14** The agenda, location and time of the management committee meetings shall be prepared by the secretary, according to the instruction of the President and the management committee, and shall be communicated to the Parties within thirty (30) days before the date of the management committee meeting. No later than the first of February of each Calendar Year, the President of the management committee shall forward to the Parties a proposed schedule of management committee meetings for that Calendar Year.

The meeting documents shall be sent to OMNIS at least thirty (30) days before the date of the management committee meeting.

- 8.15** The management committee may request the establishment of a technical committee or other functional subcommittees for its assistance. The technical committee and subcommittees shall be composed of experts appointed by OMNIS and the Participants.
- 8.16** Prior to a management committee meeting, the technical committee and the subcommittee established by the management committee shall prepare a statement regarding the status of studies and activities in order to inform the management committee.
- 8.17** All costs and expenses incurred by the members of the management committee for the meetings of the management committee, including travel expenses such as transportation, accommodation and meals of the management committee members and experts invited to speak in connection with specific matters, shall be charged to Cost Oil and shall be recovered in accordance with the provisions of Article 23.

All costs and expenses incurred by representatives of the technical tutoring authority invited by one of the Parties for the meetings of the management committee, including travel expenses such as transport, accommodation and meals, shall not be charged to Cost Oil and shall be borne by the inviting Party.

ARTICLE 9

OPERATOR

9.1 By entering into the present Contract and unless determined otherwise by the management committee, OMNIS entrusts the Operator on behalf of the Parties with the exclusive responsibility of conducting all Petroleum Operations in the Contract Area in accordance with this Contract.

9.2 [xxxx] is appointed and has accepted to be the Operator.

9.3 The Operator shall conduct all Petroleum Operations on behalf of the Parties at the exclusive risk and peril of the Participants, on behalf of OMNIS, in accordance with the principles of production sharing and this Contract, which includes:

a. Technical performance

Implementation of all technical means, including qualified personnel and all equipment required for the proper execution of Petroleum Operations, necessary to ensure the compliance of activities with Malagasy laws in force and Good Petroleum Industry Practices.

b. Coordination of Petroleum Operations

Facilitation and coordination of all Exploration operations and, in case of Commercial Discovery, facilitation and coordination of all required activities, procurement of all equipment, goods and services required for the planning, preparation and execution of Exploitation operations.

The financial contributions of the Participants shall be sufficient to cover the proper execution of all obligations under the present Contract.

c. Administrative performance

Implementation and use of Good Petroleum Industry Practices for a technically and practically appropriate management and administration for prudent Hydrocarbons Production as well as a proper and safe conduct of Petroleum Operations pursuant to this Contract.

9.4 The Operator shall be responsible for the conduct of the Petroleum Operations. Any Operator's activities shall be carried out with respect to Parties' rights and benefits arising from the present Contract.

Unless otherwise specified, the Operator shall represent the Parties in all discussions and negotiations with competent Authorities and other third parties. This includes the Operator's rights and obligations to obtain all necessary consents, approvals and licenses to enter into requisite agreements under the Contract, and to make timely payment of all expenses incurred in relation to activities conducted on behalf of the Parties.

9.5 The Operator shall neither benefit from an advantage nor suffer any loss from the performance of its tasks as Operator.

9.6 The Operator shall prepare the subjects to be examined by the management committee. The Operator shall keep the committee informed of all matters which may be of importance to the Parties.

- 9.7** The Operator shall organize the activities in order to enable the management committee and the Parties to supervise and to have access, in Madagascar, to all information concerning the Petroleum Operations and other activities related thereto.
- 9.8** The Operator shall provide the other Parties with all information, reports and data pertaining to Petroleum Operations as required by applicable law or as prescribed by this Contract.
- 9.9** Reports and other information concerning the Petroleum Operations and other relevant activities shall be prepared by the Operator and submitted to the management committee as soon as such information are available, or as often as the management committee or one Party may request such as:
- a.** the copies of the technical data and reports stipulated in Appendix F and economic evaluations and any other reports related to Petroleum Operations;
 - b.** the copies of emergency plans, manuals, safety and warranty statements and accident reports;
 - c.** an overview of the Operator's structure and the organization chart and its subcontractors in relation to the present Contract;
 - d.** the copies of reports submitted by the Operator to a Party or Competent Authority and copies of minutes and correspondence between the Operator and OMNIS relating to the activities carried out under this Contract.
- 9.10** The Operator shall make any information, offices, sites or other facilities available to the representatives of the competent Authorities and OMNIS, and shall render all assistance to enable them to perform their tasks including transportation and accommodations under conditions equal to those provided by the Operator to its own employees. The costs incurred while providing any such assistance shall be included to Cost Oil.
- 9.11** The Operator may be required to provide amendments or supplements to the information which have been provided.
- 9.12** Before plugging and abandoning a Well, the Operator shall perform the necessary tests to identify all reservoirs or formations with Hydrocarbons potential according to applicable Malagasy laws and consistent with Good Petroleum Industry Practices.
- Unless otherwise agreed in advance by OMNIS and when justified by Good Petroleum Industry Practices, the Operator shall ensure that any Well that is technically suitable for Production is left in a state that would allow its re-entry to perform a Production test.
- 9.13** Within ninety (90) days after the termination of the Exploration obligations or any additional Exploration activity, the Operator shall submit to the management committee a technical report relating to the Contract Area.
- 9.14** The Participants shall be jointly and severally liable for the rights and obligations resulting from Petroleum Operations. The Joint Operating Agreement shall regulate their liability with respect to such rights and obligations.
- 9.15** The Operator may resign from his position as Operator by giving OMNIS six (6) Months written notice.

The management committee may, subject to the approval of OMNIS, order the Operator to continue the Petroleum Operations until another entity takes over as Operator.

- 9.16** The management committee may give notice to the Operator to revoke his appointment. The notice shall state the reasons for such revocation and shall terminate within six (6) Months from the date of issuance of the notice unless otherwise provided by law.

Before a decision to revoke is taken, the Operator may give its views at a meeting of the management committee. He shall be granted a reasonable period of time to remedy the acts or omissions that have been put forward as the cause of the revocation.

To this end, the Operator shall not have the right to vote for the decision to revoke, which shall require the unanimous vote of the management committee members who shall be authorised to vote.

Subject to the approval of OMNIS, the revocation of an Operator shall take immediate effect in the following cases:

- a. a member of the Operator's management or supervisory staff has caused an economic loss to the Parties as a result of wilful misconduct or gross negligence;
- b. the Operator or one of its Affiliates is declared bankrupt, requests that negotiations on the settlement of its debts be opened or becomes insolvent;
- c. one of the Operator's Affiliates involved in Petroleum Operations under this Contract is dissolved;
- d. the Operator's participation interest under the present Contract is reduced to less than twenty-five percent (25%).

- 9.17** The Operator shall cooperate with the new Operator on the transfer of function.

In the event of a notice of revocation, the management committee shall organize an audit of the joint accounts and inventories of equipment, installations and any other items provided by the Operator in connection with its activities relating to this Contract. The stored Hydrocarbons shall also be inventoried.

- 9.18** The Operator shall, no later than the date of transfer of Operatorship and free of charge, hand over to the new Operator:

- a. all contracts/agreements, assets, core samples, log studies, records, and other data which have been in his custody as Operator;
- b. all information and necessary data to ensure the accuracy of reporting during the period of Operator change;
- c. the accounting record, registers and accounts relating to Petroleum Operations. However, the Operator shall keep all supporting documents for verification by the Parties as long as the present Contract is in force and for any extension granted by legislation or required by the management committee;
- d. copies of documents retained by the Operator.

- 9.19** The Operator shall bear the expenses incurred by the Parties upon the change of Operator in the event that it has resigned pursuant to Article 9.15 or has been revoked pursuant to Article 9.16.

- 9.20** Within sixty (60) days of notice of resignation or revocation, the management committee shall submit a proposal for a new Operator to OMNIS.

Failing such notice, or if OMNIS has not given its approval on the said proposal, OMNIS may appoint a new Operator.

- 9.21** No change of Operator shall take place unless approved in writing by OMNIS.
- 9.22** Within thirty (30) days from the Effective Date of the present Contract or the date of approval of the new operator by OMNIS, the Operator shall open a permanent office in Madagascar with an organization and personnel that shall be authorized and empowered to independently manage all Petroelum Operations in Madagascar.

The Contract shall be terminated and no compensation shall be paid to the Participants if the Operator fails to respect the above mentioned time limit.

If this requirement is not met for reasons beyond the control of the Operator, then OMNIS, after having consulted the other Parties, shall determine the extension of the time limit.

ARTICLE 10

PROGRAM OF WORKS AND BUDGETS

Exploration

- 10.1** Within sixty (60) days after the Effective Date, the Operator shall submit to the management committee for approval a detailed program of works and budgets proposal for the remaining Calendar Year.

Thereafter, during the Exploration phases, the Operator shall be required, before 30 September of each Calendar Year, to present to the management committee, the program of works and budgets for each Calendar Year.

- 10.2** Each program of works and budgets proposal shall include the following details without limitation:
- a. the work to be carried out, classified by costs center;
 - b. the estimates of the quantities of goods and services to be acquired and listed by category ;
 - c. the estimates of the services to be provided, including those to be performed by Subcontractors or Affiliates;
 - d. the expenditure forecasts grouped by cost center according to the Accounting and Financial Procedure in Appendix B ;
 - e. the program and costs related to the training and development of Malagasy personnel; and
 - f. the various categories of general and administrative expenses.

At least thirty (30) days prior to the start of each activity included in the work program, the Operator shall submit to the Parties all necessary details to complete the said activity.

- 10.3** OMNIS shall notify the Operator, before the first of November of each Calendar Year, of any requests for modifications to the proposed program of works and budgets, which shall be accompanied by all supporting documents and data.

The Operator shall notify OMNIS of its opinion on the amendments to the proposed program of works and budgets within fifteen (15) days of the date of receipt of such requests for amendments.

The management committee shall meet within thirty (30) days after receipt of Operator's proposal for the examination and approval of the program of works and budgets.

The Operator shall incur additional expenses, not stipulated in the program of works and budgets, in order to preserve the health and safety of individuals and prevent from imminent dangers, avoid or limit negative effects or damage to the environment, materials, installations or equipment.

These additional expenses will be submitted to the management committee for approval at the first meeting following the date on which this expenses were incurred.

Exploitation

- 10.4** Upon approval of the Development Plan by the management committee, the Operator shall commence the Development operations in accordance with the approved plan, applicable Malagasy law and Good Petroleum Industry Practices.
- 10.5** Within ninety (90) days following the approval of the Development plan, the Operator shall prepare and submit to the management committee for approval a program of works and budgets relating to the Development or Production operations to be carried out during the following Calendar Year.

In order to evaluate the expenses to be incurred, the Exploitation program of works and budgets shall include, but not limited to the following points:

- a. the work to be completed;
 - b. the schedule and duration of the work;
 - c. the materials and equipment to be acquired by main categories;
 - d. the types of services to be provided by the Operator and those to be provided by Affiliates and Subcontractors;
 - e. the program and costs related to the training and development of Malagasy personnel; and
 - f. the miscellaneous categories of general and administrative expenses.
- 10.6** No later than the first of September of each Calendar Year, the Operator shall submit to OMNIS for evaluation the proposed program of works and budgets for the Development or Production operations to be performed during the following Calendar Year.

OMNIS shall notify the Operator, before the first of November of each Calendar Year, of possible requests for amendment to the proposed program of works and budgets, which shall be supported by all supporting documentation and data.

The Operator shall notify OMNIS of its opinion and the amendments to the proposed program of works and budgets within fifteen (15) days of the date of receipt of the notification of said request for amendments.

The management committee shall meet within thirty (30) days after receipt of Operator's proposal for the examination and approval of the program of works and budgets.

The Operator shall incur additional expenses, not stipulated in the program of works and budgets, necessary to preserve the health and safety of individuals and to prevent imminent dangers, avoid or limit negative effects or damage to the environment, materials, installations or equipment.

These additional expenses will be submitted to the management committee for approval at the first meeting following the date on which they were incurred.

Over-expenditure of the budget

- 10.7** With respect to expenditures relating to any item of approved program of works and budgets, the Operator may exceed expenditures for such item, up to a maximum of ten percent (10%) of the authorized amount for such item, provided that the cumulative total of all expenditure for a Calendar Year shall not exceed five percent (5%) of the total program of works and

budgets concerned. Any over-expenditure shall be notified to the management committee with all explanations and supporting documentation at the first meeting of the management committee following the date of such over-expenditure.

- 10.8** When the Operator reasonably anticipates that, for the item concerned, the total amount of expenses actually incurred and to be incurred shall exceed the limits set out in Article 10.9, it shall provide the management committee with a sufficiently detailed estimate of the total amount of commitments and expenses necessary to continue the activities corresponding to that item and supporting documentation.

In the event of approval of the said estimate by the management committee, the program of works and budgets shall be revised accordingly by the Parties. The over-expenditure referred to in Article 10.9 shall be determined on the basis of the revised program of works and budgets.

- 10.9** Notwithstanding what is provided for in this Article, in the event of emergency, the Operator may, in application of article 9.12, incur any additional expenses not stipulated in the program of works and budgets, considered reasonably necessary by the Operator, to preserve the health and safety of individuals and to prevent imminent dangers, avoid or limit negative effects or damage to the environment, materials, installations or equipment.

These additional expenses shall be communicated to the management committee for approval as soon as possible.

ARTICLE 11

DISCOVERY AND APPRAISAL

- 11.1** If an Exploration Well results in a Discovery, the Operator shall be required to notify OMNIS and the Participants no later than forty-eight (48) hours following such **Discovery**.

Within thirty (30) days of notification of said Discovery, the Operator shall present to the management committee a report including all the technical data and the Operator's point of view of the commercial potential of this Discovery.

Evaluation program

- 11.2** If, according to the above Article 11.1, the Operator considers that the Discovery has commercial potential, he has ninety (90) days after the notification of the Discovery to present to the management committee a proposal for an appraisal program. The appraisal program shall be considered approved if the management committee has not sent to the Operator an objection within thirty (30) days following the receipt of the said appraisal program.

The appraisal program shall cover, but shall not be limited to, the following points:

- a. Detailed program of works and budgets;
- b. The schedule and time limit for completion of the works to be performed;

- 11.3** If, after a Discovery, drilling rig is available, the Operator may proceed with the drilling of any additional Well considered deemed necessary by the Operator, before or while the management committee reviews the technical data in accordance with Article 11.1 or the examine the appraisal program.

- 11.4** The Operator may submit to the management committee proposal for the revisions of the approved appraisal program. Article 11.2 shall apply mutatis mutandis to any such proposed revision.

Appraisal Report

- 11.5** Within ninety (90) days after the completion of the appraisal work, the Operator shall submit to the management committee a detailed report of the technical and economic data and the results obtained.

- 11.6** The report shall include, but shall not be limited to, the following information:

- a. Description of the identified prospect, comprised of the main geological features that have been appraised and any identified potential upsides;
- b. Result and analysis of any well tests;
- c. Physical properties of the fluids;
- d. Sulphur, sediment and water content in Hydrocarbons;
- e. Types of substances obtained;
- f. Natural Gas composition;
- g. Production forecast of each Well;
- h. Estimate of recoverable reserves;
- i. Delimitation of the Exploitation Area.
- j. The economic evaluation confirming the commercial nature of the discovery

Declaration of a Commercial Discovery

- 11.7** The Operator shall submit, together with the aforementioned evaluation report, a declaration to the management committee stating:
- a.** either that the Operator has determined that the Discovery is Commercially exploitable;
 - b.** or that the Operator has determined that the Discovery is not commercially exploitable; in which case the sole risk conditions shall apply in accordance with Article 13 of the PSC;
 - c.** or that the Operator has determined that the Discovery is an important Discovery which could become commercially exploitable, subject to additional Exploration or appraisal works.
- 11.8** In the event that the Operator's declaration complies with the provisions of Article 11.7 c. above, the Operator shall submit to the management committee, within sixty (60) days of the decision of the management committee which will have considered that the Discovery is not commercially exploitable but could become, a program of works and budgets as well as a proposal justifying the intention to increase the probability of developing such Discovery
- 11.9** If the Operator does not submit any evaluation program as stipulated in Article 11.2 or does not develop the any commercial potential of a Discovery as mentioned in Article 11.7 a. and c. or if the Operator considers that the Discovery is not commercially exploitable in accordance with Article 11.7 b., the conditions relating to sole risks shall apply in accordance with Article 13 of the PSC.

ARTICLE 12

DEVELOPMENT

12.1 Within one hundred and eighty (180) days after a notification of a Commercial Discovery in accordance with Article 11.7 a. above, the Operator shall submit a Development plan proposal to the management committee.

The proposed Development plan shall contain, but not be limited to, the following points:

- a. the description of the strategy and the concept of Development;
- b. the economic evaluation of the various Development methods, the estimation of investments, Exploitation costs and selection criteria; the financing arrangements of these investments by the Participants;
- b. the estimation of reserve in place, recoverable, proven and probable reserves, and the corresponding annual Productions, as well as a study on methods of recovery and eventual valorization of products associated with Crude Oil;
- c. the plan covering the total Development, as far as possible, when the Development is proposed into two or more phases;
- d. the assessment of the facilities capacity;
- e. the evaluation of the possibilities of common use of facilities and access by third parties;
- f. the study of realization possibilities of an unitization;
- g. the delimitation of the Exploitation Area, in accordance with the results of the evaluation program and according to the mentioned delimitation in the evaluation report establishing the potentiality of each reservoir and the totality of the field to be developed, when necessary;
- h. the drilling and completion of Development wells;
- i. the drilling and completion of water or Natural Gas injection wells;
- j. the cables and pipelines laying, if any;
- k. the installation of any equipment required for the extraction of Hydrocarbons and the conduct of all the necessary Petroleum Operations in accordance with Good Petroleum Industry Practices ;
- l. the program and the schedule for carrying out such works and installations, including the estimated date of commencement of Production;
- m. the processing and Transport of the Hydrocarbons to onshore or offshore processing or storage facilities;
- n. the lifting of Hydrocarbons including the laying of pipelines inside or outside the Contract Area to the storage or delivery point(s);
- o. the appropriate Delivery Point(s);
- p. the setting up of the required Hydrocarbons storage units;
- q. the plan for local content including, among others:
 - i. the training and recruitment of Malagasy personnel for the fulfillment of the obligations in accordance with the applicable law and this Contract;
 - ii. the goods and services supply available in Madagascar;

- iii. the transfer of skills to nationals;
- iv. the contribution to local development;
- s. the environmental impact assessment of the Development project and the environmental and social management plan which shall be drawn up according to the provisions of applicable environmental texts and be subject to a separate document or a specific chapter in the plan of Development;
- t. the description of the measuring system;
- u. the marketing plan of produced Hydrocarbons;
- v. the method of disposal and associated gas use plan, if applicable;
- w. the system and plan for compliance with health, safety, security and environmental standards;
- x. the Decommissioning plan outline including the method used for the dismantling of all the structures, facilities and equipment required for the Development of the commercial Discovery, the method of calculation of the Decommissioning costs and the proposal for the financing of the Decommissioning as well as the restoration of the sites at the end of the Exploitation; and
- y. all other operations that are not explicitly provided for in the Contract but are necessary for the Exploitation and the delivery of Hydrocarbons according to applicable Malagasy laws and Good Petroleum Industry Practices.

12.2 The Development plan shall be deemed to be approved by the management committee unless within ninety (90) days following its submission by the Operator:

- a. the proposal is rejected by OMNIS; and
- b. OMNIS requested additional information or amendments related to the proposed Development plan.

12.3 In the event that the Development plan is rejected by OMNIS or if OMNIS requests additional information or amendments to the proposed Development plan in accordance with Article 12.2, OMNIS shall notify the Operator, within thirty (30) days, of any modifications that OMNIS would like to see adopted, supported by documents and supporting data.

The Operator shall notify OMNIS of its opinion on the reserves and modifications proposed by OMNIS within thirty (30) days of the date of the reception of such notification.

The management committee shall meet within fifteen (15) days from the date of notification of the Operator's opinions to OMNIS. If within fifteen (15) days the management committee does not reach an agreement, any dispute shall be submitted to an expert in accordance with Article 42 of this Contract.

12.4 The Development plan integrating the solutions resulting from the expertise shall be approved by the management committee within fifteen (15) days following the date of notification of the expert's decision.

12.5 The Operator shall start the Development activities including the necessary studies, at the latest six (6) Months after the date of granting the Exploitation Mining Title in accordance with the applicable legislation and shall pursue them with the maximum diligence. The Operator

commits to carry out the Development activities following the Good Petroleum Industry Practices which shall ensure the optimal recovery of Hydrocarbons contained in the deposit.

- 12.6** When the results acquired during Development justify changes to the Development plan, the said plan shall be amended using the same procedure referred to above for its initial adoption.

ARTICLE 13

SOLE RISKS

13.1 If one Party considers that the realization of an additional work program during the Exploration period or after a Discovery is needed, it may, at any time, undertake, either through the Operator or by itself according to the rules of sole risks in this Article.

All operations which may be carried out under this Article shall be performed at the risk and charge of that Party.

13.2 A sole risk Party shall notify the other Parties of the additional work program:

- a. within twenty-four (24) hours after the Operator have notified the completion of drilling if the purpose is to deepen or to test the well;
- b. twenty-four (24) hours before to drill a Well;
- c. within thirty (30) days following the notification of a Discovery.

13.3 Any Party to this Contract may participate to the undertaken work program as sole risk. In this case, that Party shall notify the sole risk Party, at the latest, in a time limit which follows the notification stipulated in 13.2:

- a. Forty-eight (48) hours, if the purpose is to deepen or to test a well;
- b. Thirty (30) days, if the purpose is to drill an Exploration Well;
- c. Thirty (30) days, in case of a Discovery.

13.4 If one Party has not accepted to participate in the additional work according to the Sole Risks rules in the time limit specified in article 13.3, it will have no rights on any discovered Hydrocarbons.

13.5 If one Party decides to participate in the additional work program stipulated in Article 13.3 and to be reinstated in its rights, it should:

- a. Before any Discovery, reimburse its quota of expenses in proportion to its shares plus an additional premium of four hundred per cent (400%) of these expenses to the sole risk Party;
- b. After a Discovery reimburse its quota of expenses in proportion to its shares plus an additional premium of nine hundred per cent (900%) of these expenses to the sole risk Party.

The premiums made in accordance with this Article shall not be considered as Cost Oil.

ARTICLE 14 NATURAL GAS

Associated Natural Gas

- 14.1** In case of Discovery of a commercially exploitable Crude Oil deposit containing Associated Natural Gas, the Participants may use such Natural Gas for the purposes of the Production including but not limited to the energy generator, the maintenance of pressure and the recycling operations.
- 14.2** The Associated Natural Gas will, in particular, be used for the purpose of increasing the recovery of Crude Oil as long as these activities are in accordance with the management committee approval, the applicable Malagasy law and the Good Petroleum Industry Practices.
- 14.3** If the evaluation report provided for in Article 11 considers that the Associated Natural Gas Production is likely to exceed the quantities necessary for the needs of the Petroleum Operations relating to the Production of Crude Oil (including reinjections operations), and that surplus may be produced in commercial quantities, the Participants shall notify OMNIS.
- 14.4** The Participants shall be responsible for opportunities and development studies of the local and external market of Associated Natural Gas produced in the Exploitation Area. The Participants shall sell, subject to the agreement of the management committee and the approval of OMNIS, the Associated Natural Gas on a joint basis.

By requesting OMNIS' approval, the Operator, on behalf of the Parties, shall demonstrate that the prices and other terms and conditions of sale of such Associated Natural Gas shall represent the market value of such Associated Natural Gas taking into account the reasonable cost of transporting Associated Natural Gas from the Delivery Point(s) to the buyer and taking into account its possible use.

- 14.5** The extracted Associated Natural Gas, but neither used for the Petroleum Operations nor sold, shall be, according to OMNIS' option:
- a.** delivered free of charge to the entity duly designated by OMNIS. The designated entity shall bear all costs that may be incurred from the Delivery Point(s) or any other(s) point(s) agreed upon by the Parties to the lifting agreement;
 - b.** kept by reinjection by the Operator.
- 14.6** The Operator shall not have the right to proceed with the venting of Associated Natural Gas. However, the Operator shall exceptionally have the right to proceed with flaring, subject to the authorization of OMNIS and any other Competent Authority for a short period and according to the authorized quantity for justified operational and security reasons.

Any Natural Gas flaring operation shall require the management committee approval and shall be carried out according to the applicable Malagasy laws and the Good Petroleum Industry Practices.

In the event of a proven emergency, the flaring authorization referred to in the previous paragraph is not required notwithstanding the Operator's obligation to notify OMNIS and submit a detailed report.

In the event that the flaring of Associated Natural Gas is authorized, a fee set by OMNIS shall be paid by the Operator according to the quantity, quality of the flaring gas and the location of the flaring.

The Production facilities shall be designed and constructed in such a way as to avoid the venting or flaring of Natural Gas under normal operating conditions.

Non-Associated Natural Gas

- 14.7** In the event that a Discovery referred to in Article 11.1 concerns a Non-Associated Natural Gas deposit, the Malagasy State and the Participants shall jointly carry out, in parallel with the evaluation works of the Discovery in question, a market study to evaluate possible outlets for Non-Associated Natural Gas, both on the local and export market, as well as the necessary means for its commercialization, and shall consider the possibility of joint marketing of their Production shares.

The study shall determine in particular the quantities which can be sold on the local market as fuel or as raw or secondary material, the facilities and arrangements necessary for the sale of Non-Associated Natural Gas to the user companies or when necessary, to a state agency responsible for its public distribution, as well as the expected selling price.

- 14.8** The Parties shall meet and decide on the basis of available and relevant data whether the Production and the sale of Non-Associated Natural Gas are commercially feasible.
- 14.9** If the Parties agree on the commercial nature of the Discovery, the Participants shall proceed with the Development and Production of Non-Associated Natural Gas in accordance with the Development plan submitted to OMNIS and approved by the management committee under the conditions provided for in Article 12. The provisions of this Contract applicable to Crude Oil shall apply mutatis mutandis to Natural Gas.

In the event that the Production is intended in whole or in part for the local market, a supply contract shall be concluded, under the aegis of the concerned ministers, between the Participants and the entity designated by OMNIS in charge of gas distribution. The contract shall define the obligations of the parties with respect to the delivery and lifting of commercial gas and may include a clause obliging the buyer to pay one part of the price in the event of failure in the lifting of the contractual quantities.

Common provisions to Associated Natural Gas and Non-Associated Natural Gas

- 14.10** The Participants shall also have the right to separate liquids from any produced Natural Gas, and to transport, store and sell on the local or export market of their share of separated liquid oil, which shall be considered as Crude Oil for the purpose of sharing between the Parties in accordance with Article 24.

ARTICLE 15

ACCOUNTING AND AUDIT

- 15.1** The Operator shall keep at its headquarters in Madagascar all the ledgers, the accounts and the records related to the Petroleum Operations ("The Accounting Books"). The Accounting Books shall reflect all the expenses incurred in terms of volume and value of the produced Hydrocarbons.
- 15.2** The Accounting Books shall be maintained in accordance with the applicable Malagasy laws, the Accounting and Financial Procedure defined in the Appendix B and the Good Petroleum Industry Practices. They shall be materially supported by detailed documents proving expenses and revenues of the Participants under this Contract.
- 15.3** The Accounting Books shall be kept in French and expressed in US dollars which shall be the reference currency for the purposes of this Contract.
- 15.4** In order to comply with applicable Malagasy legislation, these Accounting Books shall also be kept in Ariary and these accounts in Ariary shall be certified each Calendar Year by independent auditors appointed by the Parties.
- 15.5** The Operator shall submit to the Parties, within sixty (60) days after the end of each Quarter, a summary statement of all Cost Oil incurred during that Quarter.
- 15.6** In addition to the quarterly expense statements referred to in Article 15.5 above, the Operator shall provide the Participants and OMNIS with the statements and reports of the volumes of produced Crude Oil and/or Natural Gas as required by the Accounting and Financial Procedure.
- 15.7** The rights of OMNIS to audit the Participants accounts shall be mentioned in the Accounting and Financial Procedure defined in the Appendix B.

ARTICLE 16

OTHER OBLIGATIONS OF THE PARTICIPANTS

Representative residing in Madagascar

- 16.1** Not later than thirty (30) days after the Effective Date, the Participants shall notify OMNIS of the name and address of their representative residing in Madagascar who shall be entitled to represent them for any matter arising under the Contract and to be addressee of all correspondence to the Participants.
- 16.2** During the Exploitation period, the Petroleum Operations shall be conducted through technical bases in Madagascar. Such bases shall include those required for aviation and maritime activities related to Petroleum Operations.

Association agreement

- 16.3** The Participants shall provide to OMNIS, at the signature of this Contract, a copy of their association agreement, as well as any agreements relating to the Petroleum Operations which binds them, and thereafter, any modifications that may be made to such agreements.

Conduct of Petroleum Operations

- 16.4** The Participants shall ensure that the Operator conducts the Petroleum Operations and all obligations stipulated in this Contract in a diligent and continuous manner in accordance with the applicable Malagasy laws, this Contract, the Good Petroleum Industry Practices and the applicable environmental standards.
- 16.5** The Participants shall ensure that the Operator ensures the conservation of Hydrocarbon resources and the optimal recovery of Hydrocarbons. To this purpose, the Participants shall adopt all necessary, appropriate and consistent measures with the technology generally applied in the International Oil Industry to prevent the loss or the waste of the above-mentioned Hydrocarbons or in the subsoil, in any form whatsoever during the completion of the Petroleum Operations.

The Hydrocarbons should not be produced simultaneously from several independent productive areas through a single production column, unless prior OMNIS authorization.

Finance

- 16.6** The Participants shall provide all necessary funds for capital expenditures and operating costs relating to or incurred for Petroleum Operations including Decommissioning, based on their respective percentage of participation interests in this Contract.

Assistance to OMNIS and Competent Authorities

- 16.7** The Petroleum Operations shall be subject to OMNIS supervision. The OMNIS representatives shall have the right to supervise the Petroleum Operations and to inspect the materials, facilities, equipment, recordings, registers and Accounting Books related to the Petroleum Operations provided that they do not interfere with the smooth running of the said Operations.

The Participants shall provide, at any time, an appropriate assistance to the representatives of any Competent Authority and OMNIS for the monitoring, control and verification of the Petroleum Operations, activities of the Operator and Subcontractors, registers and other information related to the Petroleum Operations, offices, sites, facilities or any other device

of the Operator that is related to the Petroleum Operations, program, preparations or supports of activities related to this Contract.

OMNIS and any other Competent Authority may, subject to reasonable notice, appoint a reasonable number of persons to represent them in the offices, facilities, sites and other devices above-mentioned for carrying out the said monitoring, controls and audits of these activities.

It is agreed that the said representatives shall submit, during the conduct of activities, the regulations related to health, safety, security and environment and shall not interfere the proper execution of the Petroleum Operations by the Operator unless that such controls and verifications result from an omission or a proven or potential violation of Malagasy legal obligations or non-compliance with this Contract.

ARTICLE 17
OMNIS ASSISTANCE

- 17.1** At the request of the Participants, OMNIS shall make the necessary to assist them in their relations with local and regulatory authorities and administrations to obtain:
- a.** authorizations for the use and installation of communication and transportation means;
 - b.** regulatory authorizations required in matters of customs and import/export;
 - c.** visas, work permit or residence cards and any other administrative authorization for the expatriate staff who are required to work in Madagascar in the frame of this Contract, including their family members;
 - d.** necessary authorizations for the sending of, abroad if needed , documents, data or samples for analysis or processing during the Petroleum Operations;
 - e.** authorizations related to the environment; and
 - f.** any other administrative authorizations for the conduct of Petroleum Operations;
- 17.2** Within the scope of the assistance provided under this Article, all reasonable expenses incurred by OMNIS shall be reimbursed by the Participants subject to submission of supporting documents and shall constitute Cost Oil in accordance with the stipulations of the Accounting and Financial Procedure in the Appendix B.
- 17.3** OMNIS shall provide the Participants with all available data and information in the Contract Area under any non-discriminatory terms and conditions applied by OMNIS for the sale of such data or information.

ARTICLE 18

PROCUREMENT OF GOODS AND SERVICES

- 18.1** The Operator, either itself or through its Subcontractors, is required to supply or arrange the procurement of all necessary goods and services for the conduct of diligent and efficient Petroleum Operations.

In accordance with this Article, the Operator shall guarantee that this supply is made according to competitive terms and conditions and in compliance with delivery dates and generally recognized standards of quality and quantity.

- 18.2** The award of contracts for the procurement of goods and services (or a series of related contracts or staggered or instalment service contracts), of which the partial or total value may exceed five hundred thousand (500,000) US dollars, shall be based on competitive offers from Malagasy and foreign candidates in the context of transparent tendering procedures approved by the management committee. The bidding notices shall be submitted to the management committee for approval.

It is agreed that the Participants shall not improperly split the said contracts.

- 18.3** The procurement, the storage and the use of goods and services during Petroleum Operations shall be conducted in accordance with the approved program of works and budgets.

- 18.4** The Operator shall determine with the management committee, the procurement procedure of goods and services relative to Petroleum Operations. The said procedure shall, at least, include the following:

- a. the procurement strategies, the competitive bidding requirements, and the drafts of the details procurement provisions of goods and services, including forms and terms for purchase orders and contracts, shall be submitted to the management committee for approval.
- b. priority shall be given to competitive Malagasy suppliers during the bidding to select suppliers of goods and services for Petroleum Operations in this Contract.
- c. the Operator shall submit to the management committee, specific proposals of contracts, including bidding list, for any procurements with a partial or total value exceeding five hundred thousand (500,000) US dollars.
- d. the management committee shall make a decision within ten (10) working days following the communication by the Operator of its recommendations on the said proposals to the management committee.

- 18.5** Priority shall be given to the use of goods and services produced or delivered locally in Madagascar or by the Participants, as long as their price, quality, conformity and terms of availability are competitive to those potentially imported on C.I.F regime (Cost Insurance Fret).

- 18.6** The Operator shall automatically provide to OMNIS with the copies of any contract with Subcontractors.

- 18.7** The Operator shall automatically provide to OMNIS with any information on the award of any contract, including the name of the Subcontractors. The brief description of the goods or services to be delivered and the corresponding costs shall be made available to the public in case if the partial or total value of the contract is greater than five hundred thousand (500,000) US dollars.

ARTICLE 19

OWNERSHIP AND USE OF TANGIBLE ASSETS

Ownership of tangible assets

- 19.1** The tangible assets, whether fixed or movable, acquired, installed and constructed by the Participants in the frame of the Petroleum Operations of this Contract shall become the property of OMNIS under the following conditions:
- a. OMNIS shall be deemed to be the ownership of tangible assets as soon as their acquisition, installation and construction by the Participants. However, the property titles of these tangible assets shall be issued and registered in the name of the Participants to allow the appropriate posting depreciation, the recovery of the Cost Oil and the subscription of the insurance policies related to these tangible assets which shall be contracted by the Operator on behalf of the Participants. The acquisition costs of these tangible assets are covered by the provisions of Article 23.
 - b. Subject to the above provision, the ownership of movable assets shall be transferred to OMNIS:
 - i. upon their arrival in Madagascar, for the assets purchased overseas; and
 - ii. On the date of their delivery either to the Contract Area, or to the offices or facilities of the Operator, for the assets purchased in Madagascar.

The provisions of this Article are not applicable to assets leased by the Operator or by the Participants or which are entered in the Malagasy territory on the basis of a temporary admission.

Use of tangible assets

- 19.2** The Operator is entitled to fully use all the materials, facilities and equipment described above for the conduct of Petroleum Operations. However, such assets may also be used by third parties designated by OMNIS as long as it does not interfere the Petroleum Operations under this PSC. The third parties using the materials, facilities and equipment allocated to the Petroleum operations under this PSC shall compensate OMNIS, as ownership, as well as the Participants for any incurred loss or required additional investments and operational costs, on the basis of actually incurred costs set by supporting and non-discriminatory documents.
- 19.3** All movable assets may be transferred from one part of the Contract Area which has been relinquished to another part of the remaining Contract Area.

In the event a Participant wants to move assets acquired for the Petroleum Operations in this Contract to another location or to use the said assets for the Petroleum Operations related to another Production Sharing Contract in Madagascar, a prior approval of the management committee and OMNIS shall be required.

Upon the reception of the said approval, the beneficiary shall pay to OMNIS:

- a. an amount equal to a transfer price mutually agreed between the Parties; or
- b. if any transfer price has not been agreed within twenty (20) working days following the Participant request, the price shall be established by an expert whose evaluation shall take at least into consideration the percentage of cost recovery, known at the date of the evaluation and the purchase price of the asset.

ARTICLE 20

SUBCONTRACTING

- 20.1** The Operator shall ensure that its Subcontractors have experience, professional qualification and the necessary management system for the performance of their duties.
- 20.2** The Operator shall give priority to Malagasy Subcontractors, in commercially competitive terms and conditions, in accordance with applicable Malagasy laws, the procurement procedures and the conditions stipulated in this Contract.
- 20.3** Any Subcontracting contract related to the Petroleum Operations shall be subject to Malagasy laws. The Operator shall ensure that the provisions of these Subcontracting Contracts are compatibles with the provisions of the PSC. Copies of these contracts shall be delivered to the Participants and OMNIS.
- 20.4** This article shall not discharge the Operator of its obligations and responsibilities under this contract.

ARTICLE 21 PERSONNEL AND TRAINING

Personnel

- 21.1** The Participants, Operator and Subcontractors shall employ Malagasy personnel for all vacant positions within the scope of this Contract insofar as they have the required professional experiences and qualifications to perform the works related to the vacant positions. The Participants shall establish in accordance with the training obligation referred to the Contract, a systematic program to train nationals to fill the said positions.

For the activities which do not require any specific qualifications, the Participants shall be required to hire only nationals.

- 21.2** The Participants and the Operator shall facilitate the secondment of OMNIS' personnel during any phase of Petroleum Operations. The conditions for the secondment of OMNIS' personnel shall be agreed between the Parties.

- 21.3** The Participants, Operator and Subcontractors may hire expatriate personnel in the event that local personnel does not have any qualifications required for the vacant positions.

If any expatriate and/or their family members are involved in unlawful activities that is deemed unacceptable by the management committee, the Participants or the Operator in charge of such concerned personnel shall, at the OMNIS request, immediately repatriate the interested.

- 21.4** Any foreign personnel participating in Petroleum Operations and working within the Malagasy jurisdiction shall obtain, from OMNIS, at their request, an appropriate attestation. Such attestation shall not be denied without valid and justifiable reason.

Training

- 21.5** The Participants shall train and provide to their Malagasy personnel the same professional level of skills as the expatriate personnel has, so that the Malagasy personnel can be qualified for managerial, administrative, financial, economic and technical positions. The proposed training program shall be submitted to OMNIS for approval.

- 21.6** The Participants and OMNIS shall, on an annual basis, agree to a training program to enhance the OMNIS' personnel skills for the management of the resources and the Petroleum Operations.

For that purpose, the Participants shall pay to OMNIS the following amounts:

- a. [xxxx] US Dollars per Contract Year during the first Exploration phase;
 - b. [xxxx] US Dollars per Contract Year during the second Exploration phase;
 - c. [xxxx] US Dollars per Contract Year during the third Exploration phase;
 - d. [xxxx] US Dollars per Contract Year during the Exploitation period.
- 21.7** All costs incurred by the Participants, with respect to this Article, shall be accounted for as Cost Oil.

ARTICLE 22

ROYALTY

22.1 In accordance with applicable Malagasy laws, the Participants shall pay a Royalty on all Hydrocarbons extracted within the Exploitation Area. The quantity of Hydrocarbons that are either directly used for the Production, or reintroduced into the deposit provided that such reinjection is intended to increase the Production of Crude Oil, lost or unused as well as associated substances, are excluded for the purposes of Royalty calculation. The Hydrocarbons otherwise used in the Petroleum Operations shall be subject to Royalty.

The Royalty calculation shall be based on the volume extracted from the reservoirs within the Exploitation Area and valued in accordance with the Article 25.

22.2 The Royalty may be paid in kind or in cash and shall be measured and calculated separately for the Crude Oil and the Natural Gas.

22.3 OMNIS shall inform the Participants three (3) Months in advance whether the Royalty shall be paid in Crude Oil, Natural Gas or in cash.

22.4 The Participants may use a part of the total quantity of Crude Oil and/or Natural Gas registered to them in order to fulfill their part of the payment of Royalty in kind.

22.5 The quantity of Crude Oil and/or Natural Gas representing the Royalty paid in kind shall be delivered as Crude Oil or Natural Gas at the Delivery Point(s).

22.6 OMNIS may request the Participants to sell the whole or part of the quantity of Crude Oil and/or Natural Gas representing the Royalty in kind, on behalf of OMNIS, during the following Calendar Year, unless otherwise specified, within six (6) Months after written notification to the Operator.

The quantity of Crude Oil and/or Natural Gas that OMNIS wants to sell, shall be specified in said notification. The Participants shall sell the said quantity of Crude Oil and/or Natural Gas on the open market at the best price and directly remit the sale revenues to OMNIS.

The Participants may not make any profit or loss on the said sale of the volumes of Crude Oil and/or Natural Gas due to OMNIS.

ARTICLE 23 COST OIL RECOVERY

23.1 From the date of Production of the first barrel of marketable Hydrocarbons, the Participants shall sell all the obtained production within the Exploitation Area, except the necessary quantity for the payment of the Royalty, on the OMNIS' share, the Hydrocarbons reinjected into the deposit and the necessary quantity for the Petroleum Operations.

23.2 Each Participant shall have the right to recover their Cost Oil on a quarterly basis from the start of the Production, unless otherwise agreed, in accordance with Good Petroleum Industry Practices and following a regular reimbursement rate during the current Calendar Year.

The Cost Oil recovery by the Participants shall be ensured in the following order:

- a. Exploitation Cost for the current Calendar Year;
- b. Development cost;
- c. Exploration cost, the oldest being recovered in priority on the most recent.

23.3 Subject to the provisions of the Accounting and Financial Procedure in the Appendix B and the PSC, the Participants shall recover the Cost Oil incurred up to sixty percent (60%) of the available Crude Oil and/or Natural Gas produced within the Exploitation Area.

23.4 The pricing methods provided for in Article 25 shall be applied to determine each Month the value of Crude Oil and/or Natural Gas for the purpose of the Cost Oil recovery.

The expenses incurred by the Participants for the Transport of the quantity of Crude Oil and/or Natural Gas representing the Profit Oil at the Delivery Point(s) shall be considered as recoverable Cost Oil according to this Article.

23.5 The Participants shall be free to export their part of Crude Oil and/or Natural Gas as Cost Oil recovery.

ARTICLE 24

SHARING OF PROFIT OIL

- 24.1** The Profit Oil is the quantity of the available Crude Oil and/or Natural Gas obtained after deduction of the quantity of Crude Oil and/or Natural Gas allocated for the payment of the Royalty and the Cost Oil recovery, as provided in Article 23.
- 24.2** At the beginning of the Production, the Participants shall have a part of Crude Oil and/or Natural Gas representing the Profit Oil according to the "R" factor between the Net Cumulative Revenues (defined below) and the Cumulative Costs (defined below).
- 24.3** In order to determine the percentage of the share of the Profit Oil of the Participants in respect of their investment in the Petroleum Operations, the "R" factor shall be defined in the Article 24.4 below. The Profit Oil shall be shared between OMNIS and the Participants as follows:

Crude Oil

« R » Factor	Share of OMNIS	Share of the Participants
$0 \leq R < 1,0$	[XXXX]%	[XXXX]%
$1,0 \leq R < 1,5$	[XXXX]%	[XXXX]%
$1,5 \leq R < 2,0$	[XXXX]%	[XXXX]%
$2,0 \leq R < 2,5$	[XXXX]%	[XXXX]%
$2,5 \leq R < 3,0$	[XXXX]%	[XXXX]%
$R \geq 3,0$	[XXXX]%	[XXXX]%

Natural Gas

« R » Factor	Share of OMNIS	Share of the Participants
$0 \leq R < 1,0$	[XXXX]%	[XXXX]%
$1,0 \leq R < 1,5$	[XXXX]%	[XXXX]%
$1,5 \leq R < 2,0$	[XXXX]%	[XXXX]%
$2,0 \leq R < 2,5$	[XXXX]%	[XXXX]%
$2,5 \leq R < 3,0$	[XXXX]%	[XXXX]%
$R \geq 3,0$	[XXXX]%	[XXXX]%

- 24.4** Subject to the provisions of the Accounting and Financial Procedure in the Appendix B, the "R" factor shall be calculated as follows:

$$R = \frac{X}{Y}$$

X: is equal to the Net Cumulative Revenues (as defined below) actually received by the Participants.

Y: is equal to the Cumulative Costs (as defined below) actually incurred by the Participants.

For the purposes of this Article:

"Net cumulative revenues" means the total, from the Effective Date until the end of the previous Quarter, of the value of the Hydrocarbons obtained by the Participants according to the provisions in the Articles 23.2 and 24.3, less the total of the Petroleum Exploitation Costs incurred by the Participants, as defined and determined according to the provisions of the Accounting and Financial Procedure in the Appendix B.

"Cumulative Costs" means the total, from the Effective Date until the end of the previous Quarter, of the Petroleum Exploration Costs and the Petroleum Development Costs incurred by the Participants, as defined and determined according to the provisions of the Accounting and Financial Procedure in the Appendix B.

- 24.5** The Participants shall have the right to take, to deliver and freely export their part of the Profit Oil according to this Contract and to keep overseas the sales revenues of the aforesaid Profit Oil.
- 24.6** The quantity of the Profit Oil and the Cost Oil shall be delivered to the Delivery Point(s). Its preservation and storage shall be ensured by the Operator. The ownership, risk and liability related to the said quantity of Profit Oil shall be transferred at the Delivery Point(s).
- 24.7** At least twenty-one (21) days before the starting date of the Production of the Hydrocarbons and at least thirty (30) days prior to the beginning of each Quarter, the Operator shall prepare and submit to the Parties a Production program with a Production estimate for the next Quarter and the details of the quantities of Hydrocarbons delivered for each Party during the previous Quarter.
- 24.8** The Operator shall submit, within sixty (60) days following the end of each Calendar Year, an annual Production report specifying the quantity of Crude Oil and/or Natural Gas for each Party, including the accounting statements of over-lift and under-lift.

ARTICLE 25**VALUATION AND MEASUREMENT OF HYDROCARBONS****Valuation of the Crude Oil**

- 25.1** The unit selling price for the Crude Oil taken into consideration for the purposes of the Articles 23 and 24 shall be the FOB (« Free on Board ») "Market Price" at the Delivery Point(s), expressed in US dollars per Barrel, as determined below for each Quarter.

A Market Price shall be established for each type of Crude Oil or Crude Oil blends.

- 25.2** The Market Price applicable to the lifting of Crude Oil during a Quarter shall be calculated at the end of the relevant Quarter and shall be equal to the weighted average of the prices obtained by the Participants and OMNIS on Crude Oil sales to independent buyers during the relevant Quarter, adjusted to reflect differences in quality and density as well as FOB delivery terms and conditions of payment, provided that the quantities so sold to independent buyers during the relevant Quarter represent at least thirty percent (30%) of the total quantities of Crude Oil in the Exploitation Area granted under this Contract, sold during the said Quarter.

- 25.3** If such sales to independent buyers are not made within the relevant Quarter or do not represent at least thirty percent (30%) of the total quantities of Crude Oil of the Exploitation Area granted under this Contract, sold during the said Quarter, the Market Price shall be established by comparison with the "Current Price of the International Market", during the relevant Quarter, of Crude Oils produced in Madagascar and in neighboring producing countries, taking into account the differences in quality, density, Transport and payment conditions.

By "Current International Market Price" is meant a price such as to enable the Crude Oil sold to reach, at the points of treatment or consumption, a competitive price equivalent to that used for Crude Oils of the same quality from other regions and delivered under comparable commercial conditions, both in terms of quantities and destination and use of Crude Oils, taking into account market conditions and the nature of the sales contracts.

- 25.4** The following transactions shall notably be excluded from the calculation of the Crude Oil Market Price:
- a. sales in which the buyer is an Affiliate of the seller as well as sales between Participants;
 - b. sales involving counterparty other than payment in a freely convertible currencies and motivated sales, in whole or in part, by considerations other than the usual economic incentives of the Crude Oil sale in the International Market (such as swap contracts, sales from government to government or to governmental agencies).

- 25.5** A commission composed of representatives of OMNIS and representatives of the Participants shall meet to establish, according to the provisions of this article, the Market Price of the Crude Oil produced, applicable to the past Quarter. The decisions of the commission shall be made unanimously.

If no decision is made by the commission within thirty (30) days after the end of the relevant Quarter, the Market Price of the Crude Oil produced shall be definitively fixed by an expert according to Article 42 of this Contract.

- 25.6** Until the establishment of the price, the applicable Market Price to one (1) Quarter shall provisionally be the Market Price of the previous Quarter. Any necessary adjustment shall be

made no later than thirty (30) days after the Market Price for the relevant Quarter has been established.

Valuation of Natural Gas

- 25.7** For the purposes of this Contract, the price of the Natural Gas, expressed in dollars per million of British Thermal Unit (BTU), shall be equal to the effective price determined in the Natural Gas sales contract, such sales specifically excluding:
- a. sales in which the buyer is an Affiliate of the seller as well as the sales between the Participants; and
 - b. sales involving a counterparty other than a payment in a freely convertible currencies and motivated sales, in whole or in part, by considerations other than the usual economic incentives in the Natural Gas sales.

For sales referred to in paragraphs a. and b. above, the price of the Natural Gas shall be agreed by mutual agreement between OMNIS and the Participants, or between the Participants and an independent buyer on the basis of the market prices prevailing at the time of said sales of an alternative fuel to the Natural Gas.

- 25.8** A commission composed of representatives of OMNIS and representatives of the Participants shall meet to establish the price of the Natural Gas, according to the provisions of this Article. The decisions of the commission shall be made unanimously.

If no decision is made by the commission within thirty (30) days after the end of the relevant Quarter, the Market Price of the Natural Gas produced shall be definitively fixed by an expert according to Article 42 of this Contract.

Accounting statement relating to the price

- 25.9** According to this Article, the Operator shall prepare and submit to the Parties a monthly statement of the calculations of the values of Crude Oil and/or Natural Gas produced at the Delivery Point(s). This statement shall include:
- a. the quantity of Crude Oil and/or Natural Gas sold by the Participants in the frame of commercial transactions between the independent parties as well as the sales price realized during the Month in question;
 - b. the quantity of Crude Oil and/Natural Gas sold by the Participants and which shall not fall within the category referred to in paragraph a. above as well as the sales price realized during the Month in question;
 - c. the volume of Crude Oil and/or Natural Gas stored belonging to each Party at the beginning and end of the Month.

Measurment and test

- 25.10** The Operator shall measure the quantity and test the quality of all Hydrocarbons produced after extraction of water and related substances.

Measuring instruments, devices and procedures as well as the accepted margin of measurement errors shall be approved by OMNIS and shall be in accordance with the Good Petroleum Industry Practices at mutually agreed points as defined in the Development plan.

- 25.11** OMNIS shall have the right to examine these measures and to verify or to have verified, at its expenses, the devices or procedures used by an internationally recognized inspection company.

25.12 If the Operator wants to modify or change the measurement facilities, instruments, devices and the methods and the procedures, OMNIS shall be notified at least fifteen (15) working days in advance, so as to allow its representatives to be present at the time of such modification or change.

The modifications and changes affecting the points, the instruments and the equipment referred to in the above paragraph shall be approved by OMNIS.

25.13 In accordance with the applicable Malagasy law and the Good Petroleum Industry Practices, the Parties and the Competent Authorities, subject to prior written notification and sent within a reasonable period of time, shall be free to carry out quarterly technical inspections on the equipment installed by the Operator as well as all supporting documents and information.

During said controls, the Competent Authorities shall comply with the rules imposed by the Operator on health, security, safety, and environmental protection.

25.14 If the measuring devices are defective or do not meet the standards required by the Malagasy laws and international standards, the Operator shall be required to take appropriate corrective measures within a reasonable period of time from the date on which the defect was detected. Such defect shall be deemed to have existed for three (3) Months preceding the date of the technical inspection in which the defect was detected or since the last technical inspection of the equipment, whichever period is shorter. All necessary adjustments regarding payments and deliveries of Crude Oil and/or Natural Gas affected by the error shall be made.

25.15 Any disputes arising under the Article 25.12 shall be settled by expertise according to the Article 42.

ARTICLE 26

LIFTING – DOMESTIC MARKET – SALES OF THE MALAGASY SHARE

Lifting

- 26.1** Each Party may separately lift, at the Delivery Point(s), in accordance with a lifting schedule and in accordance with the procedures set out in the following paragraphs, the respective volume of Hydrocarbons to which it shall be entitled as determined in accordance with this Contract.

Unless otherwise provided, each Party may separately market, lift and export the Crude Oil and/or Natural Gas to which it shall be entitled under this Contract.

Within twelve (12) Months prior to the planned initial export of Hydrocarbons from the Contract Area, the Operator shall submit, to OMNIS, proposals for procedures including the planning, storage and lifting of Crude Oil and/or Natural Gas from the Exploitation Area. Such procedures shall be consistent with the terms hereof and shall include the elements necessary for the conduct of the operations in an efficient and equitable manner including, but not limited to, the rights of the Parties, notices period, minimum and maximum quantities, duration of storage, planning, conservation, spill, responsibilities of the Parties, debit charges and penalties, excesses and deficient quantities lifted, safety and emergency procedures and any other matter that may be agreed between the Parties.

Once the Operator has submitted the elements mentioned in the previous paragraph, OMNIS shall submit, within thirty (30) days, its comments and recommend any revisions of the proposed procedures. Operator shall consider these comments and recommendations and the Parties shall agree on such procedures, within sixty (60) days of the submission of OMNIS' comments.

Domestic Market

- 26.2** In accordance with the provisions of the Malagasy Petroleum Code, the Participants, at the request of OMNIS, shall contribute to the supply of the domestic market from the quantity of available Crude Oil and/or Natural Gas.
- 26.3** The quantity "Q" to be provided by the Participants shall be calculated according to the formula below:

$$Q = \frac{(a - b) \times c}{c + d}$$

where

a = the volume of local consumption;

b = the volumes that shall accrue to the Government and OMNIS on all Productions in Madagascar;

c = the volume that shall accrue to the Participants;

d = the volumes that shall accrue to other foreign contracting parties working in Madagascar (excluding Participants).

- 26.4** Except in cases of a national emergency for which an interruption of energy supply could occur, OMNIS shall inform the Participants of the obligation to supply the domestic market, six (6) Months in advance, specifying the volume required to cover the needs of the domestic market for the next six (6) Months. The Monthly variation of this volume must not exceed a range of plus or minus ten percent (10%).
- 26.5** Notwithstanding any provision to the contrary in this Contract, the volumes that the Participants may be required to sell on the domestic market shall not exceed fifty percent (50%) of the total share of the Crude Oil and/or Natural Gas available from the Exploitation Area. The selling prices applied for the sales of Crude Oil and/or Natural Gas accrued to the Participants shall be calculated under the provisions of Article 25.
- 26.6** All payments related to the sales of Crude Oil and/or Natural Gas pursuant to this Article shall be paid in US dollars and made by wire transfer to the bank account designated by each Participant.

These payments must be made by the buyer within thirty (30) days of the delivery date of Crude Oil and/or Natural Gas for the domestic market.

Sale of the Malagasy share

- 26.7** At the request of OMNIS, with at least ninety (90) days notice from the receipt of the request, the Participants shall provide the necessary assistance for the sale of all or a part of OMNIS' share of Crude Oil and/or Natural Gas, which may include the delivery to an entity appointed by OMNIS. Any additional cost incurred by the Participants relating to this assistance shall be considered as Petroleum Costs.
- 26.8** Upon receipt of this notice from OMNIS, the Operator shall provide information about the price and potential buyers with all terms and conditions of sale.
- 26.9** Revenues from the sale of OMNIS' share of Crude Oil and/or Natural Gas, at any time, shall be paid directly by the Participants to OMNIS.

ARTICLE 27**FINANCIAL PROVISIONS AND INDEXATION**

- 27.1** Any payment made by the Participants pursuant to the terms of this Contract shall be made in US dollars or in any other currency agreed between the Parties and paid to a bank designated by the creditor Party.
- 27.2** Any conversion provided for in this Contract shall be made at the most favourable exchange rate available to any industrial or commercial bank in Madagascar and shall apply to commercial transactions at the time of payment. The Participants shall not realize any gain or loss on exchange and, consequently, any gain or loss resulting from foreign exchange conversions shall be debited or credited to Petroleum Costs.
- 27.3** Any payment due to Participants by OMNIS shall be made in Ariary, to a commercial bank in Madagascar designated by the Participants except for the payments to be made by OMNIS to the Participants for payment of Crude Oil and/or Natural Gas sold on the domestic market as stipulated in Article 26.5.
- 27.4** The Participants shall have the right to convert any foreign currency gained from Petroleum Operations into US dollars and to transfer them abroad.
- 27.5** Each Participant shall have the right to receive, retain abroad and use without restriction all proceeds from the sale of its share of Crude Oil and/or Natural Gas subject to the fulfilment of its obligations to the Malagasy State, OMNIS and the other Participants, the discharge of liabilities to third party and, when appropriate, the performance of its obligation to supply the domestic market as stipulated in Article 26.
- 27.6** Each Participant shall have the right to open and operate one or more bank account(s) outside Madagascar during the term of this Contract.
- 27.7** The Participants shall have the right to freely manage their finances so as to be able to settle Petroleum Operations in freely convertible currencies and to convert the currencies in Madagascar in accordance with the procedures stipulated in this Article.
- 27.8** The Participants shall have the right to transfer their foreign currencies outside Madagascar and to dispose of:
- a.** the revenues from the sales of Crude Oil and/or Natural Gas;
 - b.** the revenues from other operations and activities carried out in Madagascar under this Contract.
- 27.9** The Participants and the Operator shall have the right to pay their Subcontractors and their expatriate employees in the currencies they have agreed to adopt, either in Madagascar or abroad.
- Subcontractors and expatriates employees shall be required to transfer to Madagascar only the amount of foreign currency necessary for their local needs.
- 27.10** Subcontractors of the Operator and Participants and their expatriates employees shall have the same rights as the Participants and their expatriates' employees pursuant to this Article.
- 27.11** The Participants may not use credits from commercial banks or loans from companies or enterprises operating in Madagascar in accordance with the provisions of the Petroleum Code.

27.12 Any financial arrangement by which a Participant allows a third party to influence any aspect of Petroleum Operations or the sale of Crude Oil and/or Natural Gas shall be prohibited unless approved by OMNIS.

The same rule shall apply to any transfer or assignment of rights.

OMNIS' approval, identity of the Parties and the nature of such agreement shall be the subject of a public disclosure.

ARTICLE 28

CUSTOMS PROVISIONS

Suspension of customs duties and taxes during the Exploration Period

- 28.1** In accordance with the provisions of the Malagasy law in force, materials, equipment and specific products, directly used in the execution of Hydrocarbon Exploration operations shall benefit from the temporary admission regime under suspension of duties and taxes. The duration of such suspension may not exceed the duration of the Exploration Mining Title.

Exemption from customs duties and taxes during the Exploitation Period

- 28.2** The Participants may export from Madagascar, free of all export duties and taxes, the Hydrocarbons produced in the Exploitation Area as provided for in this Contract.
- 28.3** Materials and equipment intended for the first installation of the Hydrocarbon Exploitation, transformation and Transport units shall be admitted free of all customs duties and taxes. A generic list of such materials and equipment shall be established jointly by OMNIS, Customs and the Operator.
- 28.4** In accordance with Malagasy law and regulations in force, the Participants shall have the right to freely import and re-export the personal effects and furniture belonging to their expatriate and their families residing in Madagascar. Any sale in Madagascar of personal effects of the expatriate staff shall comply with the regulations applicable in Madagascar.

ARTICLE 29
TAX PROVISIONS

- 29.1** In accordance with the Petroleum Code, the Participants shall be subject to:
- a.** the payment of a Royalty per barrel produced;
 - b.** the payment of a Direct Tax on Hydrocarbons (IDH);
 - c.** the tax regime of the Common Law with regard to other taxes and duties as defined in the General Tax Code.
- 29.2** The Direct Tax on Hydrocarbons is representative and discharge from the Income tax (IR) and the Income Tax on Movable Capital (IRCM).

ARTICLE 30**ADMINISTRATION FEES - FINANCIAL AND TECHNICAL CONTRIBUTION****Administration Fees**

- 30.1** The Operator, on behalf of the Participants, shall be required to pay to OMNIS, within thirty (30) days of the Effective Date, on one hand and thereafter, within twenty (20) days of the beginning of each Contract Year, on receipt of an invoice from OMNIS, the following administration fees of:
- a. [xxxx] US dollars per Contract Year during the first Exploration phase ;
 - b. [xxxx] US dollars per Contract Year during the second Exploration phase ;
 - c. [xxxx] US dollars per Contract Year during the third Exploration phase ;
 - d. [xxxx] US dollars per Contract Year during the Exploitation Period.
- 30.2** Any delay in the payment of the administration fees shall result in the suspension of the Participants' rights under this Contract without any recourse of extension or compensation of any kind and an increase of five percent (5%) shall be applied to the administration fees.

Financial and Technical Contribution

- 30.3** The Participants shall contribute to the establishment of the national database within OMNIS and its staff in the management of this database.
- The Participants shall pay, to OMNIS, an amount of:
- a. [xxxx] US dollars for each Exploration phase ;
 - b. [xxxx] US dollars for the Exploitation Period ;
- 30.4** Expenses incurred by the Participants under the previous paragraph shall be considered as recoverable costs.

ARTICLE 31

SIGNATURE AND PRODUCTION BONUSES

Signature Bonus

- 31.1** Within thirty (30) days of the Effective Date of this Contract, the Participants shall be required to pay to OMNIS a Signature Bonus of [xxxx] US dollars.

Production Bonus

- 31.2** The Operator, on behalf of the Participants, shall pay to OMNIS, at one time, the following Production bonuses:
- a.** [xxxx] US dollars when the average Production reaches [xxxx] boepd for a period of thirty (30) consecutive days;
 - b.** [xxxx] US dollars when the average Production reaches [xxxx] boepd for a period of thirty (30) consecutive days;
 - c.** [xxxx] US dollars when the average Production reaches [xxxx] boepd for a period of thirty (30) consecutive days;
 - d.** [xxxx] US dollars when the average Production reaches [xxxx] boepd for a period of thirty (30) consecutive days;

Each of the amounts referred to in the above paragraph shall be paid within thirty (30) days following the expiry of the reference period of thirty (30) consecutive days.

- 31.3** In case of Natural Gas Discovery, the calorific equivalence of the Production mentioned above shall be applied.

ARTICLE 32

TRANSPORT OF HYDROCARBONS

- 32.1** OMNIS shall obtain the Mining Title required for the Transport of Hydrocarbons and, with the assistance of the Operator, the permits and rights of way necessary to transport Crude Oil and/or Natural Gas to the Delivery Point(s).
- 32.2** OMNIS' rights for the Transport of Hydrocarbons shall be automatically transferred to the Participants for the purposes of the Transport of Hydrocarbons produced under this Contract. The Participants shall have the right to build, manage and maintain pipelines, facilities and associated equipment for the Transport of the Crude Oil and/or Natural Gas.
- 32.3** Prior to the construction of any pipeline and associated facilities required, the Operator shall submit to the management committee the following information:
- a. the proposed pipeline routes and the location of associated facilities and equipment ;
 - b. the expected flow and capacity of the pipeline;
 - c. an estimate of the financial investments required and the managing costs of the pipeline, facilities and associated equipment;
 - d. a proposal for a financial plan ;
 - e. an implementation schedule with milestones;
 - f. a general technical description of the pipeline;
 - g. the construction plans and test schedules;
 - h. an environmental impact assessment and proposals to mitigate damage to the environment and to third parties; and
 - i. any other information relating to the pipeline project.

The management committee shall review the above information proposed by the Operator and approve the proposed pipeline construction project in accordance with the provisions of Article 8.

- 32.4** In case of excess capacity of the pipeline, a reasonable tariff shall be set for the use of the pipeline by a third party to the extent of the capacities available for the Transport of Hydrocarbons.
- 32.5** The costs of construction, operation, management and maintenance of the pipeline, associated facilities and equipment shall be considered as Cost Oil.
- 32.6** The Participants shall have the right to transport Crude Oil and/ or Natural Gas and to manage and maintain the pipeline, facilities and related equipment during the term and according to the provisions of the Contract.
- 32.7** Revenues obtained from third parties for the use of the pipeline shall be included in the recovery of Cost Oil until all costs of construction, management and maintenance of the pipeline, facilities and related equipment (including financing costs) are recovered.

OMNIS shall be entitled to collect all revenues from third parties for the use of pipelines after the recovery of such costs by the Participants.

- 32.8** After the recovery of all costs of construction, management and maintenance of the pipeline, facilities and related equipment (including financial costs), the costs of management and

maintenance costs of the pipeline, facilities and related equipment shall be borne by the Participants and shall be considered as Cost Oil.

- 32.9** OMNIS shall have the same rights as the Participants for the use of the pipeline, facilities and related equipment, free of charge, for the Transport of its share of Crude Oil and/ or Natural Gas extracted from the reservoirs of the Exploitation Area.

ARTICLE 33 UNITIZATION

- 33.1** The Operator shall notify the Parties in writing within forty-eight (48) hours when:
- a.** a declared commercial deposit extends beyond the Exploitation Area into adjacent areas where third parties hold rights for the Exploration and Exploitation of Hydrocarbons.
 - b.** one or more Hydrocarbon deposits discovered in an Exploitation Area may be commercially developed only in conjunction with the deposit (s) discovered in the adjacent Contract Area(s).

A detailed report shall be submit to OMNIS within three (3) consecutive Months of the date of receipt of said notification.

- 33.2** In order to ensure an efficient and optimal Exploitation of Hydrocarbon deposits, OMNIS shall, by written notification, request the Participants concerned to conclude an unitization contract within a maximum period of nine (9) consecutive Months following the submission of the report provided for in the previous Article.

The Parties to this Contract and the Participants of the other Contract Area shall agree on a schedule for the coordination of the Petroleum Operations. By mutual agreement between the Parties third parties or when considered appropriate by OMNIS, the unitization activities shall be adapted and based on the Good Petroleum Industry Practices.

- 33.3** The unitization contract shall appoint the Operator who shall be responsible for the joint Exploitation activities. The said Contract and any amendments thereto shall be first submitted to OMNIS for approval. Any change of the Operator shall be subject to OMNIS' prior approval.
- 33.4** Within six (6) Months following the conclusion of the unitization contract, the Operator shall submit to OMNIS for approval the joint Development plan of the commercial deposit established in association with the participants of the adjacent Contract Area(s).
- 33.5** If the Parties fail to reach agreement on the geographical extension of the reservoir to an adjacent area where other Petroleum rights are held by one or more third parties or on the joint Development plan, the Parties may submit the dispute for expert settlement at the expense of the Participants, in accordance with Article 42.
- 33.6** In the event that the Hydrocarbon deposit(s) are located in part in a Petroleum Block not covered by a Petroleum Contract, either:
- a.** negotiations shall be initiated between the Participants and OMNIS for the purpose of concluding a new petroleum contract for the said Petroleum Block;
 - b.** OMNIS shall issue a call for tenders for the conclusion of a petroleum contract for the said Petroleum Block.

ARTICLE 34 DECOMMISSIONING

Decommissioning plan

34.1 Upon expiry, waiver or termination of this Contract or if, according to the reasonable perspectives of the Participants, one or more materials, facilities or equipment shall cease to be used permanently under this Contract, the Participants shall carry out all the operations necessary for the rehabilitation of the sites in accordance with a Decommissioning plan established and financed under the following conditions:

- a. Twelve (12) Months following the start of the Production in the Development plan of a deposit referred to in Article 12, the Participants shall prepare and submit to OMNIS for approval, a detailed Decommissioning plan that they propose to perform, and the corresponding budget, in compliance with the applicable Malagasy law as well as with the provisions of this Article and shall ensure that the Decommissioning is carried out with respect of the Good Petroleum Industry Practices and, to the Participants' standard for Decommissioning.
- b. The Decommissioning plan shall include a detailed description of removal works and/or secure the facilities such as the platforms, storage infrastructures, wells, ect, necessary for the human' safety, property and environment and, include, but not be limited to:
 - i. the estimated time to complete the operations mentioned in the Decommissioning plan including an implementation plan with the key milestones;
 - ii. the budget related to the operations indicated in the Decommissioning plan, including the detailed Decommissioning costs of the structures, facilities and equipment;
 - iii. the timing of the funds to meet the Decommissioning costs necessary to the implementation of the proposed plan;
 - iv. the environmental, engineering and feasibility studies which are necessary to support the proposed plan;
 - iii. the continued use or removal of structures, facilities and equipment, following the cessation of the Petroleum Operations, as well as the information and the assessments required to enable OMNIS to decide, among others, on the removal or not of such materials, facilities and equipment.
- c. The Decommissioning plan shall be considered approved by OMNIS unless within ninety (90) days after having been submitted by the Participants:
 - i. the proposal is formally rejected by OMNIS; or
 - ii. OMNIS has not requested additional information or modifications related to the proposed Decommissioning plan.

In the event that the Decommissioning plan is rejected by OMNIS or if OMNIS requests additional information or amendments to the proposed Decommissioning plan, the procedures provided for in the Articles 12.3 and 12.4 of this Contract shall apply.

- d. When the results acquired during the Exploitation justify changes to the approved Decommissioning plan, the said plan may be amended using the same procedures as those referred to above for its initial adoption.
- e. The Participants shall notify OMNIS with one hundred and eighty (180) days of its intention to start the operations provided for in the Decommissioning plan, unless OMNIS notifies the Participants within thirty (30) days of the above-mentioned notice:

- i. that the Exploitation of the deposits within the relevant Exploitation Area shall be done by OMNIS or third parties; and/ or
- ii. that OMNIS wishes to keep the materials, the facilities and the equipment for duly substantiated reasons, in this case, the escrow account shall be transferred to OMNIS or the transferee.

In cases referred to above, the Parties shall agree that within the concerned Exploitation Area, a statement of the area as well as a detailed inventory of wells, all property and buildings and materials, facilities and equipment transferred to OMNIS by the Participants shall be made and the effective date of transfer of their custody to the Malagasy State shall be determined by agreement between the Parties.

- f. In case of one or more materials, facilities and equipment shall cease to be used in a permanent manner under this Contract, the Participants shall notify OMNIS with a notice of ninety (90) days. If OMNIS decides not to retain such materials, facilities and equipment, OMNIS shall notify it to the Participants at least thirty (30) days following the notification date for the planned permanent cessation of use of such materials, facilities and equipment. In this case, the Participants shall be responsible for removing at their own expenses the materials, facilities and equipment.
- g. The obligation to prepare a Decommissioning plan shall apply notwithstanding the early termination of this Contract.

34.2 In event the Participants have not submitted to OMNIS a Decommissioning plan within the deadline set in the Article 34.1, a notification shall be sent to the Participants requiring them the submission of the Decommissioning plan within ninety (90) days from the date of the reception of the said notification.

If, within this period, no Decommissioning plan has been submitted, OMNIS may request an internationally renowned consultant to prepare a Decommissioning plan, at the Participants' expense.

34.3 The Decommissioning plan prepared by the consultant in accordance with the applicable Malagasy laws and this Contract shall be implemented by the Operator and, if the Operator fails in implementing the said plan, by one of the Participants, in accordance with the provisions of the said plan.

The cost of engineering consultations for the preparation of the Decommissioning plan proposed by the consultant shall be paid by the Participants and shall not be considered as recoverable costs.

Decommissioning funds

34.4 In order to finance the operations provided for in the Decommissioning plan, the Participants shall open an interest-bearing escrow account with a first class international bank of their choice, which they shall supply from the Quarter following the adoption of the Decommissioning plan by regular incomes and according a fixed timeline agreed by OMNIS. The constituted funds shall be denominated "Decommissioning Funds".

34.5 The funds paid into this account shall be treated as recoverable Cost Oil in accordance with the Article 23, but shall not be considered as deductible expenses for corporate tax purposes. These funds, as well as the interest received on this account, shall be used exclusively to the payment of the expenses related to the operations planned in the Decommissioning plan.

34.6 The Participants shall be jointly and severally liable for any costs related to the Decommissioning and shall ensure that the deposited funds are sufficient to cover such costs.

- 34.7** In the event that during the implementation of the Decommissioning plan, the available amount in the Decommissioning Funds is insufficient to finance the said implementation, the difference shall be fully paid by the Participants.
- 34.8** The Participants shall not withdraw money from the Decommissioning Funds except to cover the implementation costs of the approved Decommissioning plan and copies of all statements regularly provided by the bank shall be sent to OMNIS.
- 34.9** If the total amount of the funds exceeds the costs actually incurred during the Decommissioning, the remaining balance, including accrued interests, shall be treated as Profit Oil and shall be shared equally between OMNIS and the Participants.

The Participants' income share shall be subject to taxes on profits earned from the Petroleum Operations.

ARTICLE 35

INSURANCE

- 35.1** During the term of the Petroleum Operations, the Participants shall subscribe with internationally renowned insurance companies all insurance policies required by the applicable Malagasy regulation as well as those which are required by the management committee in accordance with Good Petroleum Industry Practices. The insurance policies shall cover, but this list is not limited to:
- a.** losses and damages to materials, facilities and equipment used for the Petroleum Operations;
 - b.** physical injuries to employees or to third parties in relation to the Petroleum Operations;
 - c.** losses and damages to Hydrocarbons produced within the Exploitation Area;
 - d.** losses and damages to pipelines or other transportation means;
 - e.** damages and harms caused by the pollution of the environment and the disruption of the ecosystem (fauna and flora);
 - f.** cleaning and restoration of any area damaged by the Petroleum Operations.

For an equivalent level of risk coverage and premium amounts, the Participants shall give priority to underwriting insurance policies with companies based in Madagascar, provided that the policies are reinsured by international reinsurance companies with sufficient financials capacity of coverage.

- 35.2** Any insurance policy shall mention OMNIS as an additional insured party in the frame of the Petroleum Operations while excluding any possibility for OMNIS to be subrogated to the Operator's responsibilities.

Such waiver of subrogation shall be expressly stipulated in the insurance policies.

- 35.3** The operator shall provide to the Parties with an appropriate evidence of the subscription of the insurance policies.
- 35.4** Each Participant shall be liable up to the amount of its share interest in this Contract. All premiums and indemnities collected from the purchased insurances under this Contract shall be treated in accordance with the provisions of the Accounting and Financial Procedure indexed in the Appendix B.

ARTICLE 36

INFORMATION AND CONFIDENTIALITY

36.1 The Operator shall keep OMNIS regularly and fully informed of the progress of the Petroleum Operations and shall provide it, free of charge, with all information, reports, data, samples and interpretations related to said operations.

The Operator shall be required to keep all documents and data related to the Petroleum Operations in Madagascar and shall supply the Participants and OMNIS with copies particularly those stipulated in Appendix F.

Upon request by a Party, the Operator shall provide the Participants with rock samples or any other materials collected during the Petroleum Operations. If the request was made by OMNIS, the said samples shall be given at no cost to OMNIS.

36.2 The originals of the reports and technical data records as well as the rock samples or any other materials collected during the Petroleum Operations shall not be taken out of Madagascar without the prior agreement of OMNIS. However, such samples, magnetic tapes and other data, the originals of which must be analyzed, processed abroad or kept in their original state under surveillance, may be sent outside Madagascar provided that OMNIS retains the right to claim their return.

36.3 The Participants and OMNIS shall have permanent access, to information and data relating to the Petroleum Operations held by the Operator. It is understood that in exercising its rights, the Party having access to said materials or information shall not impede or disturb the proper performance of the Operator's activities.

36.4 The Operator shall provide OMNIS with all information, reports, records or other data (geological, geophysical, logs, interpretations, drilling reports, etc.) relating to the Petroleum Operations, including documents and supporting documents relating to recoverable costs under the Article 23. All the originals shall be transmitted to OMNIS at the end of the Contract.

36.5 No Party shall disclose information related to the Petroleum Operations to any person or organization, Affiliates, employees, professional consultants, Subcontractors, banks or financial institutions without previously entered to a written confidentiality agreement with the recipient in which the latter undertakes to keep the information provided strictly confidential unless required by law.

36.6 The data and information relating to the relinquished areas shall become the exclusive property of OMNIS which shall have the right to use them for any purpose.

36.7 The obligation of confidentiality does not apply to information:

- a. considered to be in the public domain;
- b. that is already known by an entity on the date of their disclosure;
- c. that are received independently from a third party represented by such entity or from another entity which has been granted the right to disseminate them at the time such information or data was transmitted to a Party;
- d. which may be disclosed in accordance with law, administrative regulations and regulated markets or at the request of a governmental, judicial or regulatory entity having jurisdiction over the Party.

The confidentiality of the information shall be maintained by the Party and by any entity having access to confidential information during the term of the Contract. Likewise, no entity may sell nor exchange data related to the Contract Area without the approval of OMNIS,

which approval may not be refused if, in the Participants' opinion, the exchange would benefit the Petroleum Operations.

However, a Participant may disclose the information and data to third parties who are potential partners or assignees of a participating interest in the Contract (including an entity with which a Participant is conducting serious negotiations for a merger or a consolidation) provided such a potential partner has concluded a confidentiality agreement with the terms substantially similar to those set forth in this Article.

ARTICLE 37

ENVIRONMENTAL PROTECTION

- 37.1** During the conduct of the Petroleum Operations, the Operator, on behalf of the Participants, shall ensure that its personnel, their Subcontractors and representatives shall take the necessary measures for the protection of the environment in accordance with applicable Malagasy laws and Good Petroleum Industry Practices.
- 37.2** In the event of a breach by the Operator of the provisions of Article 37.1 that would result in pollution or damage to the environment, marine life or otherwise, the Operator shall take all necessary and appropriate measures to remedy such breach and the related effects.
- If the pollution or damage is the result of Willful Misconduct/Gross Negligence of Operator, the costs of remediation shall not be considered as recoverable costs under this Contract.
- 37.3** The Operator shall immediately notify OMNIS and the Participants in the event of emergency or accident affecting the environment and shall take the necessary and appropriate measures consistent with Good Petroleum Industry Practices in such circumstances.
- 37.4** Prior to any relinquishment, the Operator shall take all the necessary and appropriate measures to rehabilitate the part of the Contract Area to be relinquished and/or restore the environment, as far as possible, to its original state prior to commencement of Petroleum Operations, taking into account the safety, costs and feasibility of such measures. Such measures shall include, among others, the Decommissioning of all material, facilities and equipment which OMNIS declares unnecessary insofar as they do not conflict with the applicable legislation.
- 37.5** Prior to the commencement of any Petroleum Operations, the Operator shall undertake one or more environmental impact assessment in accordance with the applicable Malagasy laws and shall obtain the information about national parks, reserves and other protected areas within the Contract Area. In this case, the Operator shall make all necessary efforts to minimize the negative impacts on these protected areas, in accordance with the applicable Malagasy laws and environmental practices generally accepted in the international petroleum industry.

ARTICLE 38

HEALTH, SECURITY, SAFETY AND WORKING ENVIRONMENT

- 38.1** During the conduct of the Petroleum Operations, the Operator, on behalf of Participants, shall ensure that its personnel, their Subcontractors and representatives shall take the necessary and appropriate measures relating to the health, security, safety and working environment, in accordance with the applicable Malagasy laws and Good Petroleum Industry Practices.

In this context, the Operator shall:

- a. provide a healthy and safe environment for those involved in the Petroleum Operations including the establishment of health standards;
 - b. ensure that the Petroleum Operations are carried out by persons who have the qualifications and skills required to accomplish the Petroleum Operations in a prudent manner and which shall be trained on continuous basis;
 - c. ensure a high level of safety through the use of the appropriate technical means according to the technological development;
 - d. implement a working manual procedure based on qualified documents in accordance with applicable Malagasy laws and Good Petroleum Industry Practices in hazardous areas or for hazardous tasks;
 - e. inform the persons carrying out the Petroleum Operations and the local communities residing near the sites where the Petroleum Operations are carried out on the risks related to these activities and the taken measures to prevent and to deal with possible emergencies or accidents.
 - f. take the necessary and appropriate measures to avoid or reduce the negative effects of the Petroleum Operations;
 - g. conceive, implement and maintain to date, according to technological developments, a management system of health, security, safety and working environment approved by OMNIS.
- 38.2** Prior to the commencement of the Petroleum Operations, the Operator shall prepare and submit, for approval to OMNIS, a management plan of health, security, safety and working environment, which shall be maintained and regularly updated.

The Operator shall comply with the plan referred to in the previous paragraph in carrying out the Petroleum Operations and shall submit annually to OMNIS, a report on its performance relating to the implementation of the said plan.

- 38.3** The Operator shall, at any time, be able to face to any accident up and any event that may result in losses of life, injuries and/or damages to property.

In this context, the Operator shall undertake all the measures it deems reasonably necessary to ensure the protection of life, health, environment and property including the acquisition of goods and services and to ensure that its Subcontractors shall apply equivalent measures in the performance of their obligations according to the Good Petroleum Industry Practices.

The Operator shall perform any action required by the applicable environmental laws and regulations in case of emergency and shall provide, as soon as possible, to OMNIS as well as any other Competent Authority, a report of the nature of the emergency. As soon as possible, the Operator shall also provide to OMNIS an exact estimate of the associated costs with the said emergency for information purposes. The said costs shall be deemed recoverable unless they result from a Wilful Misconduct/Gross Negligence of the Operator.

- 38.4** In order to ensure urgent interventions, the management plan of health, security, safety and working environment shall include contingency plans covering all risk situations that may occur including natural phenomena and deliberated attacks against materials, facilities and equipment.
- 38.5** A safety zone shall be established around each used facilities within the Petroleum Operations. The said zone may be enlarged in the event of accidents or emergencies.
- 38.6** In the event of accidents or emergencies resulting in serious danger to human life and/or property, the Operator shall:
- a.** take necessary and appropriate measures in such circumstances, according to the Good Petroleum Industry Practices, and immediately notify OMNIS;
 - b.** suspend the Petroleum Operations as long as the requirements of operational prudence prove and comply in regard to instructions given by OMNIS.

ARTICLE 39 ASSIGNMENTS

- 39.1** The sale, assignment or transfer of interests, rights or obligations related to, arising from this Contract, may not be realized without the prior notification and consent of OMNIS. The same shall be applied to any direct or indirect transfer of Participants' interests, including the transfer of shares or property, which may result in a change of the Participants' Control.

For this purpose, the Participants shall demonstrate, to OMNIS that the third party to whom the sale, assignment or transfer is proposed, has the required technical and financial expertises and that such sale, assignment or transfer shall not prejudice the fulfillment of the obligations required in this Contract.

OMNIS shall also receive a draft of the deed of assignment in which shall be stated the principal terms and responsibilities assumed by the assignee and the draft of the contract of sale, assignment or transfer as well as any other relevant document.

In the event that there is more than one Participant, the draft of association contract which shall govern their rights and obligations of the Participants shall also be submitted to OMNIS according to the Article 2.

- 39.2** Notwithstanding the Article 38.1, a Participant shall have the right to sell, assign, transfer or dispose of all or part of its participation' interests, rights or obligations under this Contract to another Participant or to an Affiliated or non-Affiliated company incorporated in a jurisdiction entirely clear for Malagasy authorities.

The Participant shall notify the Parties and shall request the approval of OMNIS:

- a. at least thirty (30) days prior to the date of sale, assignment or transfer to a Participant or an Affiliate;
- b. at least sixty (60) days prior to the date of sale, assignment or transfer to a Participant or non-Affiliated company;

- 39.3** Any justified request of approval issued by the Participant shall be deemed to have been approved within a fixed deadline in the Article 39.2 unless the Participant is notified otherwise by OMNIS. The notification shall indicate a deadline if an additional time is required to reach a final decision.

Any decision to reject shall be justified.

- 39.4** In order for the sale, assignment or transfer can take effect as stipulated in this Article, the following procedures must be respected by the Participants:
- a. the potential assignee(s) shall provide a tangible proof of their financial and technical capabilities and shall submit a Stand-By Letter of Credit or other appropriate financial guarantee; and
 - b. the sale, assignment or transfer shall include the acceptable terms and conditions by OMNIS, stating particularly, that the assignee shall be required to fulfil all existing obligations according to the Contract.

- 39.5** If any participation interest arising from this Contract or any direct or indirect control interest of a Participant is sold, assigned or transferred, in whole or in part to a non-Affiliated company, the Participant shall pay to OMNIS the assignment fees within fifteen (15) days after the date of approval of the sale, assignment or transfer:
- a. one hundred thousand (100,000) US dollars if the sale, assignment or transfer is less than or equal to twenty percent (20%) of the participation interest of the Participant:

- b.** two hundred thousand (200,000) US dollars if the sale, assignment or transfer is between twenty-one and forty percent ($21\% < x < 40\%$) of the participation interest of the Participant;
- c.** four hundred thousand (400,000) US dollars if the sale, assignment or transfer is between forty-one and sixty percent ($41\% < x < 60\%$) of the participation interest of the Participant;
- d.** eight hundred thousand (800,000) US dollars if the sale, assignment or transfer is more than sixty percent ($x > 60\%$) of the participation interest of the Participant.

ARTICLE 40

FORCE MAJEURE

- 40.1** Any delay, failure or omission of a Party in the performance of its contractual obligations shall be considered as a breach of this Contract or a subject of litigation if such delay, failure or omission is due to an event of force majeure.
- 40.2** In the context of this Contract, a force majeure event shall be linked to unforeseeable, unavoidable events and, beyond the reasonable control of the concerned Party.
- 40.3** The financial incapacity can not be considered as a case of force majeure.
- 40.4** The Party affected by a case of force majeure shall notify the other Parties in writing specifying the elements likely to establish the case of force majeure. The management committee shall meet as soon as possible to decide on the effectiveness or otherwise of the case of force majeure and agree on the necessary and appropriate measures to restore the situation within a reasonable time and to minimize the consequences.
- 40.5** If the execution of any obligation of the Contract is delayed due to an event of force majeure, the duration of this delay as well as the time necessary for the repair of any damage caused by the event of force majeure shall be added at the expected time in the Contract for the execution of the said obligation as well as at the end of the Contract and the related Mining Title.
- 40.6** The Parties recognize that only the obligations affected by the event of force majeure shall be suspended except for any other obligation that shall continue to be performed in accordance with the provisions of this Contract.
- 40.7** If the event constituting the force majeure lasts longer than eighteen (18) Months following the notice transmitted under the Article 40.4, the Participants shall have the right, subject to prior notice and without prejudice the remaining obligations on the date of force majeure, to relinquish the whole Contract Area and terminate this Contract.

ARTICLE 41

ARBITRATION

41.1 Any dispute that may arise between two or more Parties under this Contract relating to the interpretation and/or the application of this Contract, including disputes relating to technical matters referred to in the Article 42, shall, if possible, be resolved beforehand by mutual agreement between the Parties.

41.2 A notice of dispute shall be given by one Party to another in accordance with the provisions of Article 45.

In the event that no agreement is reached within sixty (60) days after the date of the notification of such dispute or a longer period is specifically stated in another provisions of this Contract, each Party shall have the right to settle the dispute at arbitration or in case of a dispute relating to technical matters, to expertise as provided for in the Articles 41 et 42.

41.3 With the exception for the issues which shall be referred to an expert as stipulated in the Article 42, the Parties shall submit any dispute to arbitration in accordance with the following procedures:

- a. any dispute referred to arbitration shall be settled by a tribunal composed of three (3) arbitrators constituted under the Arbitration Rules of the International Centre for Settlement of Investment Disputes (ICSID);
- b. the location of the arbitration shall be in Geneva ;
- c. the dispute shall be settled in accordance with the provisions of the Contract and Malagasy law;
- d. the arbitration shall be conducted in French;
- e. the French version of the Contract signed by the Parties shall be used as the official version for the arbitration procedure;
- f. the decision of an arbitrator or arbitrators shall be final and binding on the Parties;
- g. the introduction of an arbitration procedure shall result in the suspension of the contractual provisions with respect to the subject matter of the dispute but shall not affect any other rights and obligations of the Parties under this Contract; and
- h. the provisions of this Article shall continue to apply after the termination of this Contract.

41.4 The Parties agree not to exercise any other right to initiate a procedure under any other law or jurisdiction for the purpose to avoid any final or temporary rendered sentence made pursuant to this Article 41.

ARTICLE 42

EXPERTISE

42.1 Any dispute related to technical matters that does not involve an interpretation and/or an application of this Contract or which is required to be referred to an expert under the provisions of this Contract, or with respect to any other matter which the Parties have agreed to submit to an expert, shall be submitted to an expert by a Party by sending a notification to that effect in accordance with the Article 44 of the Contract. This notification shall contain a statement describing the dispute and all relevant information.

42.2 The expert shall be appointed by mutual agreement of the Parties and shall be an independent and impartial person of international renown with appropriate qualifications and experience.

The expert shall not be of the same nationality as the contracting Parties and shall not have any interest or economic relationship with a Party to the dispute.

If the Parties are unable to agree on the appointment of an expert within twenty (20) days of receipt of the above-mentioned notification by a Party, the expert shall then be appointed by the Center for Expertise (ICC) in Paris and the person so appointed shall be deemed to have been appointed by the Parties.

42.3 Any expert shall act as a technician and not as an arbitrator or mediator and shall be instructed to take a decision on the disagreement within sixty (60) days of his appointment, unless the Parties have agreed on another time limit having regard to the nature of the dispute.

42.4 Upon appointment of the expert, the Party receiving the above-mentioned notification shall submit its declaration containing all relevant information concerning the disagreement.

42.5 The expert shall decide on the form of the procedure, either that the Parties shall make their presentations and arguments in writing or orally, or that the Parties shall cooperate with the expert in providing him documents and information he may request.

The copies of all correspondence, documentation and information provided by one Party to the expert shall be sent to the other Party and any oral presentation made to the expert shall be made in the presence of all Parties and each Party shall have a right of response.

The expert may appeal to an independent technical or professional advice as he deems necessary.

42.6 The french version of this Contract signed by the Parties shall be the version used as the official version in any resolution made by the expert.

The cost and expenses of the appointed expert shall be borne by the Participants and shall be considered as recoverable costs under the Article 23.

42.7 The expert's opinion shall be final, binding on the Parties and shall not be subject to appeal except for fraud or miscarriage of justice.

ARTICLE 43
APPLICABLE LAW

- 43.1** This Contract, consisting of the Contract, the main document and its Appendices which form an integral part thereof, and all activities carried out on the basis of this Contract, including the Petroleum Operations, the subcontracts and any dispute arising from such operations or such contracts shall be governed by and interpreted in accordance with Malagasy laws and legal traditions.

ARTICLE 44

MISCELLANEOUS PROVISIONS

Organization of Participants

- 44.1** Each Participant shall have an organization and a personnel in Madagascar that are authorized and empowered to make the necessary decisions and to independently manage its interests, including all Petroleum Operations, pursuant to or arising out of this Contract.

For the purpose, OMNIS may indicate specific requirements on the authority, the organization and the capitals of the Participants and the Operator.

Amendment

- 44.2** Any modifications to this Contract shall be subject to an amendment duly approved and signed by the Parties and which shall come into force on the same conditions as this Contract.

Participants' liability

- 44.3** The Participants shall be jointly and severally liable for:
- a.** losses or damages caused to third parties by their employees or Subcontractors due to negligence, errors or omissions of a Participant or the Operator in accordance with the applicable Malagasy laws and this Contract;
 - b.** damages due to pollution caused by Petroleum Operations, without the need to establish the existence of a fault;
 - c.** financial obligations and other obligations towards the Malagasy State.

The following obligations shall, however, be individual obligations of the Participants:

- a.** the payment of taxes;
- b.** the compliance with and respect for confidentiality rules in accordance with the applicable law and the Contract, save for the application of such rules to actions carried out by the Operator in its capacity as Operator;
- c.** the compliance with and respect for the rules on financing, banking operations and foreign exchange transactions, save for the application of such rules to the Operator in its capacity as Operator.

It is understood that a Participant shall protect, defend, indemnify and hold OMNIS harmless from any claim, demand or trial intent of any kind whatsoever and from any penalty resulting from loss or damage.

Intellectual property rights

- 44.4** The Participants shall be liable to and shall protect, indemnify and hold OMNIS harmless from any claim, demand or trial intent of any nature whatsoever arising from an infringement or alleged infringement of intellectual property rights in any material or information provided in any form whatsoever and used by the Operator.

ARTICLE 45
NOTIFICATIONS

45.1 Any notice, correspondence and communication between the Parties under this Contract shall be in writing and shall be sent, by hand, by post, telex or electronic mail to the following addresses:

For OMNIS

21, làlana Razanakombàna

B.P 1 Bis Antananarivo 101

Madagascar

E-mail: secdg@omnis.mg

To the attention of the Director General

For [xxxx]

45.2 The authorized representatives as well as the above-mentioned addresses of Parties may be changed with at least ten (10) days' notice to the other Parties.

ARTICLE 46**DEFAULT**

- 46.1** If there is more than one Participant and, if one of the Participants fails to fulfill its financial obligations under this Contract or is declared bankrupt or is forced to repay its creditors, it shall forfeit all its rights under this Contract, subject to the following:
- a.** Upon ascertainment of the default, the Operator shall notify this default of payment, in accordance with the Article 45 to the defaulting Participant. The forfeiture shall take effect by right after a period not exceeding thirty (30) days after the notification, if the default has not been remedied by that date. The forfeiture shall not extinguish the Participant's debts or prevent interest from accruing at the rate defined below.
 - b.** However, as long as the time limit set out above has not expired, the defaulting Participant shall retain the right to pay the amount claimed, increased by an interest at L.I.B.O.R rate plus two percent (2%) from the date when the payment should have been done until the effective date of payment. These amounts plus interest shall be paid directly to the Operator.
- 46.2** The other Participants shall agree on the way the Contract shall be implemented without the defaulting Participant and shall request OMNIS' approval on such revised arrangements within thirty (30) days after the notification has expired.

ARTICLE 47

TERMINATION OF THE CONTRACT

- 47.1** According to the provisions of this Article, OMNIS shall have the right to terminate the Contract and take possession of all the assets relating to the Contract Area in the event that:
- a.** the Participants are in breach of the provisions of this Contract;
 - b.** the Mining Title has expired and has not been the subject of a renewal request or has not been renewed in accordance with legal and regulatory provisions;
 - c.** the Production has been suspended for a period of more than ninety (90) days without cause.
- 47.2** If OMNIS intends to implement the termination provided in Article 47.1 above, it shall notify the Participants of its intention to terminate and shall give notice to them either to remedy the breach or to provide compensation. If, within three (3) months after the date of this formal notice, OMNIS does not obtain satisfaction on the remedy or compensation offered by the Participants, the Contract shall automatically terminate.
- 47.3** If OMNIS terminates the Contract pursuant to Clause 47.1 above, the Participants shall not be entitled to any financial compensation.
- 47.4** The Participants shall have the right to terminate the Contract by waiving the entire Contract Area in accordance with the provisions of the Contract and the Malagasy law in force.
- 47.5** Termination of the Contract shall automatically result in the withdrawal of the current Hydrocarbon Mining Title.

Remaining obligations

- 47.6** The end or the termination of the Contract shall not release the Participants from their remaining contractual obligations at these two (2) events or those prescribed by the laws and regulations in force, in particular with regard to environmental protection, Decommissioning and abandonment of wells, personnel obligations and financial and tax obligations.

The Participants shall liquidate the operations in progress and bear the costs of such liquidation.

ARTICLE 48
CONTRACT STABILIZATION

- 48.1** In the event that, after the date of signature of this Contract, a legislative or regulatory provision has an adverse impact on the economic balance of this Contract, the Parties shall meet and agree on adjustments to be made to the terms of this Contract in order to restore the economic balance of the Contract as it stands on the date of signature in accordance with the economic model in Appendix G.
- 48.2** However, the above stabilisation clause excludes additional costs caused by a change in regulations relating to personal safety, environmental protection, Petroleum Operations control or labour law.

ARTICLE 49
EFFECTIVE DATE

- 49.1** This Contract shall enter into force and shall be binding on the Parties on the date of publication, in the Official Gazette of Madagascar, of the last of the decrees of the President of the Republic approving the Contract and granting OMNIS the Hydrocarbon Exploration Mining Title, respectively.

Done in [XXXX] original copies in French.

Antananarivo, [xxxx]

For OMNIS

for [XXXX]

APPENDIX « A »

TO THE

PRODUCTION SHARING CONTRACT

BETWEEN

**THE OFFICE DES MINES NATIONALES ET DES INDUSTRIES STRATEGIQUES
(OMNIS)**

AND

.....
(.....)

DATED ON

CONTRACT AREA

**APPENDIX « A »
CONTRACT AREA**

APPENDIX « B »

TO THE

PRODUCTION SHARING CONTRACT

BETWEEN

**THE OFFICE DES MINES NATIONALES ET DES INDUSTRIES STRATEGIQUES
(OMNIS)**

AND

.....
(.....)
DATED ON

ACCOUNTING AND FINANCIAL PROCEDURE

APPENDIX « B »**ACCOUNTING AND FINANCIAL PROCEDURE****ARTICLE 1 – GENERAL PROVISIONS****1.1. OBJECTIVE**

This Accounting and Financial Procedure aims to establish equitable methods to determine the debits and credits applicable under the terms of the Contract to which this Appendix is attached to so that no Party will realize a benefit or incur a loss compared to the other Party.

However, the Parties agree that if the procedure proves unable to accomplish the above, the Parties shall meet and make best efforts to agree on the necessary modifications to the said methods to repair any unfair or inequity.

1.2. DEFINITIONS

The terms defined in Article 1 of the Contract to which this document is annexed to apply to this Accounting and Financial Procedure and have the same meaning. However, the articles mentioned in this Appendix refer to those listed under this Appendix unless otherwise stipulated.

1.3. PRIORITY OF THE DOCUMENTS

In case of conflict or inconsistency between the provisions of this Accounting and Financial Procedure and those of the Contract, the provisions of the Contract shall prevail.

1.4. STATEMENTS TO BE PROVIDED TO OMNIS

- a.** Within thirty (30) days following the end of each Quarter, the Participant shall provide to OMNIS :
 - i. A statement of expenditure containing information required by Article 10 of this Appendix;
 - ii. A summary of the movements of the equipment and the commissioning of goods according to Article 7 of this Appendix;
 - iii. An annual summary of these statements is presented to OMNIS within thirty (30) days following the end of each year.

- b.** Similarly, from the date of Commercial Production within thirty (30) days following the end of each quarter, the Participant shall provide to OMNIS:
 - i. a statement of cost recovery according to the Article 11 below;
 - ii. a statement of control according to Article 14 below ;

and within thirty (30) days following the end of each month:

- i. a statement of the Production according to Article 8 below;

- ii. a statement relating to the valuation of the Production and the royalty payable under Article 9 below ;
- iii. a statement of the Production sharing according to Article 12 below.

An annual summary of each of these statements is provided to OMNIS within sixty (60) days following the end of each Calendar year.

- c. the Participants shall provide OMNIS with a copy of the certified financial statements within one (1) month of their submission to the Competent Authority.

1.5. STATEMENTS AND INVOICING BETWEEN THE PARTICIPANTS

- a. Unless otherwise agreed by the Participants, the Operator provides monthly to each Participant, within twenty-one (21) days, the statements of costs and expenses incurred during the previous month, indicating the appropriate clarifications, the category of the corresponding budget and the percentage of costs that are deemed to each Participant according to their profit share. These statements contain the following information:
 - i. The cash advances received in currencies of each Participant,
 - ii. The part of each Participant on the expenditures ;
 - iii. The cumulative expenditures ;
 - iv. The statement of the current working capital of each Participant ;
 - v. The summary of the costs, credits and expenses of the current month of the year and since the beginning of the year or other starting points agreed by the Participants. Such expenditures are grouped by category and topic named in the program of works and budgets approved according to the Contract;
 - vi. The details of any charge or credit in excess of fifty thousand (50,000) US dollars or an equivalent amount in other currencies.
- b. Each Participant shall be responsible for keeping its own accounting, preparing its tax declarations and any other declaration required by the malagasy laws in force.

As soon as the information on the accounting are available from the Operator, the latter shall provide periodically to the Participants these information to assist them in fulfilling their obligations.

1.6. ADVANCES AND PAYMENTS

- a. Unless otherwise agreed by the Participants, from the approval of any program of works and budgets and at the request of the Operator, each Participant shall pay in advance its share of the funds required to the Petroleum Operations. Each call for funds is equivalent to the Operator's estimate of the amount to be spent in currencies to fulfill its obligations according to the program of works and budgets. As an indication, the call for funds shall contain a detailed estimate of the funds required for the next sixty (60) days and by category as defined in the program of works and budgets. The estimate is submitted by the Operator to the Participants in accordance with this Contract.

- b.** Each call for funds detailed by category defined in the program of works and budgets submitted by the Operator under the Contract shall be in writing and issued to the Participants within a period not exceeding fifteen (15) days before the date of payment to the Operator for the call of those funds. The date of payment of such advance shall be determined by the Operator but cannot be the first business day of the month for which these advances are required. All advances must be allocated without bank charges. Any charge on the receipt of such advances shall be borne by the Participants.
- c.** Each non-Operator Participant shall transfer its corresponding share to the Operator prior to or on the date of payment in required currencies or any other currency accepted by the Operator, and in a bank acceptable to the Parties. If the currencies provided by the non-Operator Participants are other than that required, the cost of the exchanges shall be borne by those Participants.
- d.** Notwithstanding the provisions of paragraph 1.6.2., if the Operator is required to pay an amount of money which was not foreseen at the time of payment by non-Operator Participants of estimated funds by the Operator, this latter may send a request in writing to the Participants for a special advance corresponding to their part of share interest to cover such unforeseen amounts. Each Participant shall make the payment of its share of special advance within ten (10) days after receipt of such request.

If the advance of a Participant exceeds its share of expenses, the next advance shall be reduced consequently. However, if the amount in excess is greater than the amount expected for the next month, the Participant may request a refund of the difference, which shall be made by the Operator within ten (10) days after receipt of an application for reimbursement in case the amount exceeds ten thousand (10,000) US dollars or to an equivalent amount if the initial payment was made in other currencies. Such repayments shall not be subject to financial charges on the Operator.

- e.** If the Operator does not reimburse the said amount within the prescribed period, the outstanding balance shall be increased by the legal interest rate in force in Madagascar plus two (2) percentage points from the due date until the payment is received by the Participant.
- f.** If the advance of the Participant is less than its share of expenses, the difference is at the choice of the Operator, either added to the next required advance or paid by the Participant within ten (10) days following the receipt of the invoice of such difference by the Participant from the Operator.
- g.** If the Operator has made no application in advance to the Participants, each Participant shall pay its corresponding share within ten (10) days of the receipt of the call for funds invoice from the Operator.
- h.** The payment of advances or invoices is made on or before the due date. If these payments are not made on the due date, the unpaid amounts shall be increased by the legal interest rate in force in Madagascar plus two (2) percentage points from the due date until the payment is received by the Operator. For the determination of the unpaid amount and due interests, the Operator will convert in

US dollars all amounts due in currencies other than that used for the exchange transactions defined in paragraph 1.8, at the closing of the last business day before the due date of the outstanding amount.

- i. Subject to malagasy legal provisions, the Operator shall have the right at any time to convert all or a part of advanced funds in other currencies, to the extent that such currencies are required for Petroleum Operations. The cost of such conversion shall be borne by the joint account.
- j. The Operator shall make the necessary to keep the obtained funds for the joint account in a bank account at a level compatible with the conduct of Petroleum Operations in a prudent manner.

1.7. ADJUSTEMENT

The payment of any advance or any invoice shall not prejudice the right of a Participant to challenge or ask their veracity, provided that all invoices and statements sent by the Operator during a Calendar year to the Participant are conclusively presumed to be true and correct twelve (12) months after the end of that Calendar year and unless within that period the Participant has made a written request relating thereto and claims an adjustment to the Operator. If such a claim is not made within that period, the veracity of statements and invoices is established and any objection and complaint shall be excluded.

No adjustment favorable to the Operator cannot be done unless the application has been submitted within the prescribed period.

The provisions of this paragraph do not include the adjustments resulting from the physical inventory of equipment provided for in Article 7. The Operator can make adjustments to the Joint Account beyond the period of twelve (12) months if such adjustments result from an external audit, claims from OMNIS, from a third party or the Government. In this case, the aforementioned adjustments can be audited within three (03) months following the twelve (12) months.

1.8 ACCOUNTING BOOKS

- a. The Operator shall establish and maintain, in French, at its headquarter in Antananarivo, accounts, records, statements and reports concerning Petroleum Operations in accordance with the provisions of Article 15 of the Contract. The accounts are maintained on the basis of incurred and funded achievements.
- b. For the purposes of the conversion of the Ariary to US dollar, and vice versa, the average of the official exchange bid and selling price shall be used, as published by the Central Bank of Madagascar on the first business day of the month during which the rates are published and the expenses are recorded.
- c. Concerning the conversion of any foreign currency in US dollars, the rates are determined on the basis of the applicable exchange rate for commercial transactions in force on the international markets and published by the Central Bank of Madagascar on the same date as before. Any subsequent difference between the exchange rate at which the transaction was recorded and the effective rate applied by the bank at the time of

payment shall be debited or credited by transaction to the appropriate expenditure accounts. Any gain or loss resulting from such change shall be identified separately.

1.8. OUTLINES OF THE ACCOUNTING PROCEDURE

The expenses shall be separated in accordance with the objectives for which they were made. The objectives that are considered are those used for the approved program of works and budgets for the fiscal year in which the expenses were incurred. Within ninety (90) days following the effective date of the Contract, the Operator shall provide OMNIS with a summary of its accounting records, including its classification of expenditure for review and discussion. The Operator shall then submit its final accounts for Petroleum Operations in accordance with the accounting standard generally accepted and acceptable by the malagasy law and this Contract.

1.9. REVISION OF THE ACCOUNTING AND FINANCIAL PROCEDURE

The provisions of the Financial and Accounting Procedure can be changed on agreed terms. Each Party may request a review for possible modifications. All changes shall be made in writing and mention the date on which they shall take effect.

ARTICLE 2: COSTS AND EXPENSES

2.1. RECOVERABLE COSTS

The costs that may be recovered under the Article 23 of the Contract include, the following costs and expenses:

a. Cost of Personnel

- i.** The actual amount of the salaries and the wages of a personnel directly and permanently engaged by a Participant in Madagascar for the conduct of Petroleum Operations, including the remuneration of geologists, engineers and other employees temporarily engaged for this purpose including Participants and secondee personnel from Affiliates.
 - All personnel who are engaged on the Petroleum Operations and whose salaries and wages shall be recoverable as referred to above shall have job allocation sheets (time sheets).
 - These sheets shall register the time worked on the Petroleum Operations, even if the personnel in question are engaged on a fulltime or a part-time basis on the Petroleum Operations, and shall show the time worked on the various projects for the purpose of calculation and attribution of salaries and wages.
- ii.** The expenses related to expatriate allowances, to allowances for residency and housing, as well as other allocations usually added to the salaries of the expatriate employees as defined in paragraph a. i) above plus the costs of expatriating personnel including costs of travel moving personal belongings and costs of obtaining visas related to the Petroleum Operations.

- iii. The bonuses, the overtime, and other charges related to the salaries of the national employees as defined in paragraph a. i) above.
- iv. The expenses or the contributions specified by the law, such as taxes required by governmental authorities on the costs of the personnel defined in paragraph a. i) above.

b. Social charges of the personnel

The costs incurred by the application of the internal rules of the Participants concerning life insurance of the employee group, social security, hospitalization, pensions, retirement, purchase of securities, savings, different taxes applicable to salaries of the expatriate, costs of education for dependent children as well as other benefits attributable to the salaries specified in paragraph a. i) above.

c. Materials

- i. The materials, the equipment and the supplies purchased or provided by the Participants, assessed in accordance with the provisions of Article 4 hereafter.
- ii. The materials and the equipment rented, charged according to their actual cost.

d. Transport

- i. The transport of the equipment, the materials and the supplies necessary for the conduct of Petroleum Operations, to be carried out in accordance with the Contract.
- ii. Business travel expenses and travelling expenses normally allowed under the expatriate or national personnel policies of the Participants for the conduct of Petroleum Operations.
- iii. The relocation costs of expatriate or national employees normally allowed by the policies of the Operator: for expatriates, these costs shall include the cost of round-trip travel of the agents and their families from their point of departure to the work place to return to their post, for vacations as well as the travelling costs of the agents and their families appointed from one region to another within the malagasy territory. The costs of relocation of employees and their families resulting from the assignment to another location other than the point of departure shall not be charged to this Contract.
- iv. The relocation costs of expatriate or national employees normally allowed by the policies of the Operator: for expatriates, these costs shall include the cost of round-trip travel of the agents and their families from their point of departure to the work place to return to their post, for vacations as well as the travelling costs of the agents and their families appointed from one region to another within the malagasy territory. The costs of relocation of employees and their families resulting from the assignment to another location other than the point of departure shall not be charged to this Contract.

e. Services

i. External services

The costs of Consultants, service contracts and services provided by third parties.

ii. Services of Affiliates

ii.1. Specific services

The Operator may request any of its Affiliates to provide professional, technical or other specific services which have been included in the program of works and budgets and which are not covered by the fees for services under ii.2 below.

The Operator shall charge the accounts for the actual costs of obtaining such services at rates calculated by itself or by Affiliates to recover the actual costs of such services.

ii.2. Services, councils and general technical assistance

The Operator shall charge the fees for services to the accounts as the costs of services, councils and general technical assistances including the contribution to the payment of the cost of exploration and development operations, at rates calculated to recover the actual costs (without profit) of all the services, councils and general technical assistances put at the disposal of the Participant by virtue of a services contract (or a series of related contracts) or phased delivery contract or instalment contract the amount of which is equal or greater than fifty thousand (50,000) US Dollars, concluded between the Participant and the subParticipants concerning the Petroleum Operations. A copy of such contract and all amendments shall be provided to OMNIS.

The amounts charged to the accounts on the basis of ii.1 and ii.2 of this paragraph shall be calculated in accordance with the admitted accounting practice for the Affiliates and shall not exceed those charged to the debit of other affiliates the situation of which is similar.

Expenditures relating to these services may not exceed those normally required for similar services by independent service companies.

f. Decommissioning funds

No later than three (3) Months following the adoption of the Decommissioning plan, the Participants shall impute as Petroleum Cost, under the present Accounting and Financial Procedure, a part of the future Decommissioning costs to be incurred according to the limit of Petroleum costs recovery stipulated in the Article 23 and calculated in the following way:

$$FDT = \left[\frac{CEA \times (1 - QRH)}{PHA} \right] - SFD$$

where:

FDT: the amount to be transferred in the Decommissioning Fund for the current Quarter.

CEA: the Estimated Cost for the Abandonment of the operations according to the initial or final Decommissioning Plan.

ERP: the Estimated Remaining Quantity of Hydrocarbon reserves to be recovered at the end of the Quarter for which the Decommissioning Fund is established.

CPP: the Accumulated Hydrocarbon Production at the end of the Quarter for which the Decommissioning Fund is established.

SFD: the Balance of the Decommissioning Fund at the end of the previous Quarter.

g. Damages and losses

All the costs and the expenses necessary for the replacement or the repair of damages caused by fire, flood, storm, theft, accident or any other cause beyond the Operator's reasonable control, provided that such damages and losses are not caused by Willful Misconduct or Gross Negligence of the Operator and that this latter files a complaint and follows all the necessary procedures against the insurers.

The Operator shall immediately, if practicable notify OMNIS and the other Participants for any damage or loss equivalent to an amount in excess of two hundred and fifty thousand (250,000) US dollars at the receipt of the report of the incurred damage or loss.

h. Insurances and claims

The insurances costs shall include the civil liabilities, the damage on the properties, as well as the other insurances covering the responsibilities of the Operator towards its employees and/or third parties, or required by the current laws and regulations in Madagascar according to the Article 35 of the Contract. The amount received from such an insurance or a complaint shall be counted on the credit of the corresponding expenditure account, so reducing the recoverable costs. If no insurance was contracted for a particular risk, all the expenses caused and paid by the Participants for the compensation of any losses, complaints, damage, judgments as well as any other expense, including the administrative fees, shall be included in the statement of the expenses, provided that the losses, the complaints or the damage are not caused by Willful Misconduct or Gross Negligence of the Operator.

i. Field offices, camps, warehouses, and other facilities

Field offices, camps and other facilities such as base camps, warehouses, water supply systems, roads and other service roads directly used for Petroleum Operations.

j. Legal expenses

All costs and expenses for litigation or for legal services necessary for the protection of the Contract Area, the Petroleum Operations and the materials, the facilities and the equipment against third party claims, as well as in general support of Petroleum Operations, including attorney's fees and expenses, as well as costs of judgments obtained against the Parties or one of them with respect to the operations under the Contract, and the expenses relating to any action or claim concerning the operations or the objectives of the Contract. The price shall not be higher than those paid to third parties for identical or similar services.

In case such legal proceedings or complaints affecting the interests expressed above are handled by the legal department of the Participants or the Affiliates, the related expenses are imputed according to the provisions of paragraphs b. i. or e. ii.1.

k. Overheads

The personnel and the office maintenance costs of the Participant in Antananarivo as well as the other agencies in Madagascar in addition to those stipulated in the paragraph a. i. or e. ii.

l. Bank charges

The common fees for bank transactions of funds transfer and currency exchange.

m. Financial costs

The interests and the fees paid by the Participants in the frame of the loans contracted from third parties and/or Affiliates, in addition to their share of the capital, to cover a fraction of investment expenditures for the Development and the Transport of the Production up to the Delivery Point (s) to the extent that they do not exceed the normal rates in use in international financial markets for loans of a similar nature. Any loan project must first be submitted to the management committee for approval.

n. Overheads outside Madagascar

The overheads incurred outside Madagascar and applicable for the Petroleum Operations of the Operator shall be annually calculated in the following flat rates:

- i. During the Exploration Period: three percent (3%) of the Petroleum Costs incurred during the Calendar Year;
- ii. During the Exploitation Period: two percent (2%) of the Petroleum Costs incurred during the Calendar Year.

o. Other expenditures

All other costs, charges, or expenses, justified and not covered, referred to or not in this Article 2 or Article 6 of this Appendix and which have been contracted by the Operator for the proper conduct of the Petroleum Operations.

2.2 BREAKDOWN OF EXPENDITURES

For the purpose of the cost recovery, expenditures shall be split as follows:

- Exploration expenses;
- Development expenses; and
- Production expenses.

ARTICLE 3: COST CENTER

3.1 In order to facilitate the control and the follow-up of the Petroleum Costs in accordance with the Contract, all costs must be submitted to OMNIS by budget line item subdivided by principal cost centers in line with the program of works and budgets approved by the management committee. The following provisions shall be defined:

- a.** The expenses shall be allocated in the following manner:
 - i. The Contract Area excluding the Exploitation Area;
- b.** The costs shall be, in addition, allocated in the following manner:
 - i. Exploration operations, subdivided into:
 - Reconnaissance works and studies;
 - Each seismic survey (acquisition, processing and interpretation) taken separately;
 - Each Exploration or Appraisal Well (drilling, civil engineering) taken separately;
 - Other infrastructures and equipment;
 - Costs and expenses related to the Exploration office;
 - Administrative and general expenses;
 - Other costs.
 - ii. Development operations, subdivided into:
 - Reconnaissance works and studies;
 - Each Development well taken separately;
 - Production facilities;
 - Storage facilities;
 - Other infrastructures and equipment;
 - Administrative and general expenses;
 - Other costs.
 - iii. Production Operations, subdivided in a similar manner as those for Development Operations.
 - iv. Decommissioning operations, subdivided in a similar manner as those for Development Operations.

3.2 The Costs shall be allocated to the Crude Oil and/or the Natural Gas when they are produced and stored in the Exploitation Area. The allocation shall be made in accordance with the following principles:

- a.** When the costs are exclusively related to either Crude oil or Natural Gas, such actual costs shall be allocated entirely to the corresponding product.
- b.** When the costs can be allocated to both Crude Oil and Natural Gas, the costs shall be split on a basis defined and accepted by the Parties in accordance with practices generally accepted in the international petroleum industry.

ARTICLE 4: VALUATION OF MATERIALS

4.1 Materials which shall be charged to the accounts pursuant to Article 3 or shall be credited to the accounts pursuant to Article 5 shall be valued in accordance with the provisions of this Article. The material and the equipment purchased by the Operator for use on the Petroleum Operations shall be costed at the invoice price less commercial discounts and abatements, with the addition of insurance, freight and handling expenses between the point of supply and the Delivery Point (s), customs duties, taxes, fees and other applicable levies on the imported merchandise. This amount shall not be greater than the prices generally in force on the open market for impartial transactions, devoid of favoritism for material and equipment of the same quality available at the right time, with due consideration of freight and other similar costs.

4.2 Purchase

Materials, equipment and supplies which are required shall be purchased by the Operator directly from the supplier as much as possible and in such event, shall be charged at the price paid by the Participants after deduction of all the discounts effectively received.

4.3 Material provided by the Operator

The Material transferred to Madagascar from the stocks of the Operator or its Affiliates shall be valued according to the price defined in a. and b. below:

a. New material (Category "A")

The new material transferred from the warehouses or other storage places of Affiliates shall be imputed at the net cost price. However, the price of the supplied material shall not exceed that of the material of equal quality supplied on the same terms by third parties at the same moment.

In the event the Operator sells, exports or transfers any material to Affiliates or other entities, the value of such transfer shall be credited to the joint account and of which the cost of the said material being previously charged to the joint account.

b. Used material (Categories "B" et "C")

- i. The material in good condition of service susceptible to be reused without preliminary repair must be classified in the category "B" and imputed at seventy-five percent (75%) of the net value of a new material such as defined in the paragraph a. above.
- ii. Materials that cannot be classified in category "B" but which:
 - after repair, will be usable for its original function or;
 - will be partly usable for its original function but are difficult to repair

shall be classified in Category "C" and allocated to fifty percent (50%) of the net value of new equipment as defined in paragraph a. above. The reparation cost may be charged to the Category "C" materials provided that the cost after repair does not exceed the value of the materials classified in category "B".

- c. Material which cannot be classified in category "B" or category "C" shall be valued at the percentage agreed between the Parties reflecting the state of the material.

ARTICLE 5: REVENUES

Credits in favor of the Operator resulting from the Petroleum Operations shall be recorded in the corresponding accounts and shall be reflected in the statement of expenditures. Such credits shall include, but not be limited to, the following transactions:

- a. **Recovery of litigation**

The proceeds of any insurance or litigation in relation to the Petroleum Operations or relative to any asset charged to the accounts.

- b. **Revenues from third parties**

The revenues received from a third party including an Affiliate for the use of property or assets, for any services or for any information or data provided by the Operator.

- c. **Obtained refunds**

Any discounts or adjustments received by the Operator or its agents from suppliers and/or manufacturers in connection with the goods or services purchased, defective equipment or materials, initially imputed to the accounts.

- d. **Other credits**

The rentals, the refunds or the other credits received by the Operator, relative to any charge imputed to the accounts.

ARTICLE 6: NON-RECOVERABLE COSTS

The following costs shall not be recovered in accordance with Article 23 of the Contract:

- a. The expenses which cannot be reasonably justified with appropriate supporting documents, or which were incorrectly recorded;
- b. The expenses incurred prior to the Effective Date of the Contract or which have no connection with the Petroleum Operations;
- c. The Royalty paid in accordance with Article 22 of the Contract;
- d. The Direct Tax on Hydrocarbons paid in accordance with Article 29 of the Contract;

- e. Any other tax and Common Law tax paid in accordance with the malagasy laws in force;
- f. The costs of goods and services to the extent they exceed the international market price for goods or services of similar quality supplied in the same conditions at the moment at which such goods or services were ordered by the Participants;
- g. The costs of goods to the extent they exceed the amount established by Article 4 above and of which the conditions do not correspond to their prices;
- h. Costs incurred beyond the Delivery Point(s);
- i. The income taxes and other taxes incurred outside Madagascar, excluding taxes and duties that may be included in the cost of the materials and equipment, to be used in Petroleum Operations;
- j. The costs of arbitration incurred pursuant to Article 41 of the Contract except if the arbitration judgment is in favor of the Operator;
- k. The amounts paid in accordance with Article 39 of the Contract;
- l. The fines and penalties imposed by Competent Authorities as a result of the Operator's failure to comply with its legal obligations under the Contract;
- m. Donations, contributions or gifts;
- n. All the costs which are not in accordance with the provisions of the Contract and the Accounting and Financial Procedure including the procedures for the acquisition of goods and services provided in Article 18 of the Contract;
- o. Administration fees provided in Article 30 of the Contract; and
- p. Signature and Production bonuses provided in Article 32 of the Contract.
- q. Costs related to the actions of Corporate Social Responsibility (CSR);
- r. Costs resulting from a Willful Misconduct or Gross Negligence of the Operator;

ARTICLE 7: INVENTORIES AND STATEMENT OF INVENTORY

7.1 PERIODIC INVENTORIES, PROCEDURES, NOTICE AND PRESENTATION

At reasonable intervals agreed between OMNIS and the Participants, but in any case, at least once per Year and upon the expiration of the Contract, inventories of all materials, tangible assets and current constructions shall be prepared by the Operator.

The Operator shall notify OMNIS in writing, at least thirty (30) days before the beginning of the inventory, of its intention to proceed with such inventories to allow OMNIS to be represented during the inventory.

The inventory procedures established by the Operator shall be notified to OMNIS at the same time as the intention to carry out the inventories in such a way that any recommendations which OMNIS considers necessary in connection with the carrying out of the inventories on assets belonging to it be taken into account in these procedures.

The Participants shall provide OMNIS with a full report of each inventory within thirty (30) days of completion of the inventory.

Failure of OMNIS to be present at an inventory shall bind OMNIS to accept the inventory made by the Operator who shall, in that event, send to OMNIS a copy of the result of the said inventory.

Where an assignment of rights under this Contract is made, the Participants may, at the request of the assignee, make an extraordinary inventory, provided, however, that the costs of such an inventory shall be borne by the assignee and shall not constitute Petroleum Costs.

7.2 RECONCILIATION AND ADJUSTMENT OF THE RESULTS OF INVENTORIES

A reconciliation of the results of inventories shall be made by the Operator, at the end of which a list of differences shall be established and the inventory readjusted accordingly. The findings of the inventory shall be submitted to the management committee.

7.3 STATEMENT OF INVENTORY

- a. The Operator shall maintain up to date a record of properties acquired for Petroleum Operations pursuant to accounting classification described in Article 1.5.
- b. Every Month as part of the statements provided under 1.5 a. iv. above, the Operator shall provide OMNIS and the Participants with a working capital statement.

ARTICLE 8: STATEMENT OF PRODUCTION

8.1 The statement of Production provided by the Operator shall contain the following information:

- a. The amount of Crude Oil produced and recovered;
- b. The technical characteristics of each grade of Crude Oil extracted;
- c. Production volumes of Crude Oil available for sale;
- d. The amount of Natural Gas produced and recovered;
- e. The technical characteristics of each grade of Natural Gas extracted;
- f. The Natural Gas Production volumes for sale;
- g. The quantities of Natural Gas that will be reinjected into the reservoirs;

- h.** The quantities of Natural Gas that will be flared or vented to the atmosphere in accordance with Article 14.6 of the Contract;
- i.** The quantities of Crude Oil and/or Natural Gas used as fuel for drilling and Production operations and for pumping to storage facilities and any other quantities of Natural Gas used for other purposes that provide no income;
- j.** The quantities of Crude Oil and/or Natural Gas that will inevitably be lost;
- k.** The quantities of Crude Oil and/or Natural Gas in stock at the beginning of the Month concerned;
- l.** The quantities of Crude Oil and/or Natural Gas in stock at the end of the Month concerned.

The quantities of Crude Oil and/or Natural Gas used for Petroleum Operations or lost shall have to be the subject of a detailed monthly explanatory statement and submitted to OMNIS for approval.

All quantities in this statement shall be expressed in volumetric terms (barrels of Crude Oil and BTU of Natural Gas) and by weight (metric tons).

At the end of each Quarter, the combined statements of the last three (3) Months shall be submitted to OMNIS for each of the points listed in Article 8.1 above.

At the end of each Calendar Year, the cumulative Production Reports shall be submitted to OMNIS for each of the items listed in Article 8.1 above.

8.2 The Production statement provided by the Operator shall be prepared according to the following principles:

- a.** the quantities of Hydrocarbons, other than Natural Gas, shall be corrected according to the water and sediment content of the Hydrocarbons and shall be determined on the basis of standard temperatures and pressures. Density, sulfur content and other quality indicators for Hydrocarbons shall be regularly determined and recorded;
- b.** the quantities of Natural Gas shall be determined on the basis of standard temperatures and pressures. Thermal equivalence, sulfur content and other Natural Gas quality indicators shall be regularly determined and recorded.
- c.** production from the Exploitation area shall be determined on the basis of any Crude Oil and/or any Natural Gas produced and stored within the Exploitation area and measured at the Delivery Point (s) during the corresponding Month in accordance with Article 25 of the Contract. The Hydrocarbon Production in barrels per day, pursuant to the provisions of Article 25, shall be determined by dividing the total quantity of extracted Hydrocarbons during the Month, other than Natural Gas, by the number of days in the Month considered.

When several categories of Hydrocarbons, other than Natural Gas, are delivered to the Delivery Point (s), the quantities of each category shall be determined separately.

ARTICLE 9: STATEMENT OF VALUATION AND PAYABLE ROYALTY

9.1 OMNIS and the Participants shall prepare a statement providing the calculation of the value of the Crude Oil and/or Natural Gas produced at the Delivery Point(s) in accordance with Article 25 of the Contract. This statement shall include:

- a. the quantities of Hydrocarbons, other than Natural gas, sold by the Participants to third parties as well as the sales price applied during that Month in question;
- b. the quantities of Hydrocarbons, other than Natural Gas, sold by the Participant to buyers other than those referenced in a. as well as the sales price applied during the Month in question ;
- c. the quantities of stocks of Crude Oil and/or Natural Gas belonging to the Participants at the beginning and at the end of the Month ;
- d. information available to the Participants concerning the prices of Hydrocarbons produced by the main exporting countries of Hydrocarbons which are necessary for determining the value of Hydrocarbons, including the sub-contract prices, discounts and refunds as well as the prices applied in the spot market (free) according to the Article 25 of the Contract;
- e. the quantities of Natural Gas sold by the Participants and OMNIS as well as the applied sales price.
- f. the quantities of Crude Oil and/or Natural Gas representing the royalty payable to OMNIS.

ARTICLE 10: STATEMENT OF EXPENDITURES

The Participants shall prepare each Quarter a statement of expenditure which shall show:

- a. the expenses planned for the Calendar Year in the budget and presented according to the classification of the costs defined in Articles 1.5 and 3 ;
- b. the modifications to the budget and approved by OMNIS, without prejudice to the provisions of Article 10 of the Contract, in the case of emergency expenses ;
- c. the expenses incurred during the Quarter;
- d. the cumulative expenses for the Calendar Year ;
- e. the quantity of Crude Oil and/or Natural Gas delivered to the Participants during the Quarter as "Profit Oil".

ARTICLE 11: STATEMENT OF COST RECOVERY

The Participants shall prepare each Quarter a recovery statement which shall show the details of the account of the Petroleum Costs allowing in particular, to highlight for each Participant:

- a. The Petroleum Costs relating to activities of the concerned Quarter;
- b. The amounts, reflecting a decrease of the Petroleum Costs during the concerned Quarter;
- c. The Petroleum Costs remaining to be recovered at the end of the concerned Quarter;
- d. The amount and the value of Crude Oil and/or Natural Gas available to the Operator in the Quarter and which have been used for the recovery of Petroleum Costs during the said Quarter;
- e. The amount of recoverable costs to be carried forward to the next Quarter.

ARTICLE 12: STATEMENT OF PRODUCTION SHARING

12.1 Quarterly statement

The Participants shall prepare for each Quarter a statement containing the following information for the purposes of Articles 23 and 24 of the Contract relating to the OMNIS share in the produced Crude Oil and/or Natural Gas:

- a. The Petroleum Costs not yet recovered and carried forward Royalty of the previous Quarter.
- b. The Petroleum Costs to be recovered and the Royalty to be paid for the Quarter in question;
- c. The Petroleum Costs and the Royalty accrued for the Quarter in question (paragraphs 8.1.a and 8.1.b of this Accounting Procedure).
- d. Gross revenues (including the products carried forward from the previous Quarter);
- e. Gross revenues (including the credits for the Quarter in question);
- f. The Production share of Crude Oil and/or Natural Gas that goes to the malagasy State.

The quarterly statement referred to in this Article shall be submitted within thirty (30) days following the end of each Quarter.

12.2 Annual statement

The annual statement shall contain separate categories of information as referred to in Article 12.1 above for the year in question and shall specify the financial statements at the beginning and the end of the relevant Calendar Year for each Contract Area. The annual statement shall be submitted to OMNIS no later than sixty (60) days from the end of the year.

12.3 Accounting principles

The accounting maintained exclusively for the Production sharing shall include the costs and revenues on the basis of cash flows.

ARTICLE 13: AUDITS

13.1 Provided that the Participants are notified one (1) Month in advance, OMNIS shall have the right to audit the Participants accounts including the Participants recoverable Petroleum Costs and the volume, the value and the other calculations included in all other statements, lists and reports mentioned in the present Appendices within three (3) years following the end of the relevant Calendar Year to begin any auditing procedure. In the absence of any audit carried out by OMNIS within the set deadlines, the Participants accounts shall be deemed approved by OMNIS and no adjustment may subsequently be requested by OMNIS.

In the frame of said audit, OMNIS shall have the right to carry out physical inventories of the materials, facilities and equipment and equipment corresponding to the audited accounting documents.

13.2 OMNIS may carry out the audits by itself at its own expenses, or through an international auditing firm with expertise in the audit of international oil companies at the Participants expenses which shall be considered as recoverable costs.

13.3 In performing such an audit OMNIS shall not unreasonably interfere with the conduct of the Petroleum Operations.

The Operator shall provide all the required facilities for the auditors appointed by OMNIS, including the workspace and the access to all relevant personnel, records, files and other materials.

13.4 All reserves to the audit shall be made in writing and shall be notified to the Participants with copies of the documents justifying the said reserves within ninety (90) days from the end of the audit, and shall be the subject of an exchange of letters between the Participants and OMNIS. Failure to notify one or more reserves within the above-mentioned time frame, the accounts of the Participants shall be deemed reliable and regular.

13.5 The Participants shall respond to all notifications of reserves under Article 13.4 above within ninety (90) days of the reception of such notification. Failure of the Participants to respond within this period, the reserves shall be deemed accepted.

13.6 All the accepted adjustments resulting from an audit and all those resulting from the accepted reserves shall be made immediately in the Participants accounts. Any resulting payments due to OMNIS will be settled within thirty (30) days of such acceptance. In the event of late payment, the sums due will bear interest at the legal interest rate in force in Madagascar plus two (2) points of percentage from the date when they deemed to be paid until their settlement with monthly capitalization of interests if the delay is greater than thirty (30) days.

13.7 If the Participants and OMNIS fail to reach an agreement on the proposed adjustments to the accounts, they may, by mutual agreement in the framework of a management committee meeting, submit the dispute for resolution to an auditing firm specialized in the field of international oil accounting approved by the parties. In this case, the decision of the said firm shall bind the parties and shall be deemed to have been agreed upon by each other.

ARTICLE 14: STATEMENT OF CONTROL

14.1. The Operator shall establish a statement of control showing the total of recoverable expenses, the amount of recovered expenses and the remaining uncollected expenses.

APPENDIX « C »

TO THE

PRODUCTION SHARING CONTRACT

BETWEEN

**THE OFFICE DES MINES NATIONALES ET DES INDUSTRIES STRATEGIQUES
(OMNIS)**

AND

DATED ON.....

JOINT OPERATING AGREEMENT

APPENDIX « C »

JOINT OPERATING AGREEMENT

APPENDIX « D »

TO THE

PRODUCTION SHARING CONTRACT

BETWEEN

**THE OFFICE DES MINES NATIONALES ET DES INDUSTRIES STRATEGIQUES
(OMNIS)**

AND

DATED ON.....

FORM OF STAND-BY LETTER OF CREDIT

APPENDIX « D »
FORM OF STAND-BY LETTER OF CREDIT

ISSUED BY: [XXXX]

BANK: [XXXX]

DATE: [XXXX]

THE OFFICE DES MINES NATIONALES ET DES INDUSTRIES STRATEGIQUES
 (« OMNIS »)

(«BENEFICIARY »)

21, LALANA RAZANAKOMBANA, AMBOHIJATOVO

B.P. 1 Bis

ANTANANARIVO 101 – MADAGASCAR

TO THE ATTENTION OF THE DIRECTOR GENERAL

We, Bank [XXXX] hereby issue an irrevocable Stand-By Letter of Credit N°[XXXX] in your favor, on request and on behalf of [XXXX] domiciled in [XXXX] (The “ISSUER”) in an amount not to exceed US dollars [XXXX] (USD.....) payable at sight by virtue of your draft drawn on us and presented at our tellers on [XXXX] (“EXPIRATION DATE”), which according to the ISSUER occurs thirty (30) days after the date on which the minimum exploration work obligations for the first phase of the Exploration Period will have been fulfilled in accordance with the Production Sharing Contract between OMNIS and the ISSUER concerning the Contract Area referred to as block « XXXX », by the latest [XXXX] [months/years] after the issuance date.

This Letter of Credit No.[XXXX] shall be released at the end of the [XXXX] phase provided that the minimum exploration work obligations of the Participant have been fulfilled in accordance with the Production Sharing Contract, for that purpose, a declaration of OMNIS is submitted in writing to the Bank and latest [XXXX] [months/years] after the issuance date.

Your draft drawn by virtue of this Letter of Credit N° [XXXX] shall be accompanied by your declaration to such effect, signed and dated by your duly authorized representative, as follows:

“I, the undersigned, [XXXX], representing the OFFICE DES MINES NATIONALES ET DES INDUSTRIES STRATEGIQUES (“OMNIS”) hereby certify that [XXXX] has not fulfilled the entire minimum exploration work obligations for the [XXXX] phase of the Exploration Period as set forth in Article 9.2 of the Production Sharing Contract (the “CONTRACT”) dated [XXXX] and in effect on [XXXX] between [XXXX] and OMNIS in the timeframe provided and set forth in Article 4.2. of the Contract. The amount of the attached draft represents the amount owed by [XXXX] under the CONTRACT and is the amount existing under the Letter of Credit N° [XXXX] by Bank [XXXX], of the said Letter of Credit”.

This Letter of Credit is subject to the most recent version of UCP 600.

The interpretation, validity and performance of this Stand-By Letter of Credit shall be governed by and construed in accordance with malagasy law.

We hereby commit to honor any draft accompanied by the documents established in accordance with the terms of this Letter of Credit, upon presentation in the manner specified at the date or before its expiration date.

APPENDIX « E »

TO THE

PRODUCTION SHARING CONTRACT

BETWEEN

**L'OFFICE DES MINES NATIONALES ET DES INDUSTRIES STRATEGIQUES
(OMNIS)**

AND

DATED ON.....

FORM OF PARENT COMPANY GUARANTEE OF EACH PARTICIPANT

APPENDIX "E"**FORM OF PARENT COMPANY GUARANTEE OF EACH CONTRACTOR**

CONSIDERING THAT [xxxxx], a company duly organized and registered under the laws of [xxxxx] and having its registered office at. [xxxxx] and represented by [xxxxx],

(Hereinafter referred to as "the Guarantor"),

WHEREAS the company [xxxxx] is a signatory of a Production Sharing Contract concluded in Madagascar with the Office des Mines Nationales et des Industries Stratégiques (OMNIS) for the Exploration and the Exploitation of Hydrocarbons in the Contract Area [xxxxx] (Block [xxxxx]),

(Hereinafter referred to as "the Contract"); and

WHEREAS the Guarantor wishes to guarantee the performance of the Company [xxxxx] under the Contract as required by the terms of the Contract;

CONSEQUENTLY, this Act provides as follows:

1. The Guarantor unconditionally and irrevocably guarantees to OMNIS that it shall make available to the company [xxxxx] the financial, technical and other resources required to ensure that [xxxxx] shall be able to fulfill its obligations in the Contract.
2. The Guarantor unconditionally and irrevocably guarantees to OMNIS the due and timely fulfillment by the company [xxxxx] of its obligations under the Contract.
3. The Guarantor hereby agrees with OMNIS that, if the Company fails to fulfill its obligations under the Contract or is in breach of the provisions of the Contract, the Guarantor shall perform or shall enforce the said obligations in place of the company [xxxxx] and shall indemnify OMNIS against all losses, damages, costs, expenses or others that may arise directly or indirectly from such failure in the performance of such obligations or violation of these provisions by the company [xxxxx].
4. This guarantee will take effect from the date of entry into the Exploitation Period and will remain in effect until the end of the Contract and thereafter until no sum will be charged to the Company [xxxxx], under the Contract or following a decision or sentence made by an expert or an arbitral tribunal.
5. This guarantee shall not be affected by any change in the statutes and regulations of the Company [xxxxx] or the Guarantor or any instrument establishing the Company or the Guarantor.
6. The responsibilities of the Guarantor will not be discharged or affected by:
 - a. any indulgence, waiver or consent at any time given to the company [xxxxx];
 - b. any amendment to the Contract or any surety or other warranty or indemnity to which the Company has subscribed;

c. the performance or the waiver of the provisions of the Contract or of any surety, other warranty or indemnity; or

d. the dissolution, merger, reconstruction or reorganization of the Company [xxxxxx].

7. This guarantee shall be governed by and construed in accordance with the laws of Madagascar.

IN WITNESS WHEREOF, the Guarantor, through its duly authorized representatives, has duly affixed its seal herein and this guarantee has been duly executed on [xxxxx].

APPENDIX « F »

TO THE

PRODUCTION SHARING CONTRACT

BETWEEN

**THE OFFICE DES MINES NATIONALES ET DES INDUSTRIES STRATEGIQUES
(OMNIS)**

AND

.....

DATED ON

DATA AND REPORTS

APPENDIX « F »
DATA AND REPORTS

I. DATA

a. Geologic

- i. Field samples listed and localized (rocks and/or liquid);

b. Seismic

- i. Magnetic tapes of seismic recordings and processing and other supporting data, including but not limited to:
 - observer reports
 - field data tapes ;
 - final processing , reprocessing and special processing tapes ;
 - navigation tapes;
 - position map tapes .
- ii. processed and intermediate and final reprocessed seismic profiles in digital format;
- iii. velocity data.

c. Airborne magnetic, gravimetric, FTG

- i. Digital records of data and other supporting data including, but not limited to:
 - field data;
 - final data processing, reprocessing and navigation; and
 - location map tapes.

d. Drilling

- i. A complete set of drilling logs in digital LAS format and paper version at a scale of 1/1000 in continuous logs;
- ii. unwashed and washed cuttings;
- iii. Cores and plugs.

e. Other

- i. Lidar data

The copy of the Exploration project database shall be submitted under Petrel and / or KingDom SMT.

II. REPORTS

- a. Daily, weekly, monthly and yearly reports on the field operations progress, in paper and digital version.
- b. Reports on the geological data studies within the petroleum block in paper and digital format, including but not limited to:
 - i. Geologic maps at 1/100,000, 1/250,000 and 1/500,000 scales as well as maps showing the sampling areas at a 1/500,000 scale;
 - ii. Results of the analyses of the reservoir rocks specifying the type of rock, the petrography, the permeability and the porosity;
 - iii. Results of the analyses of the source rocks, including the organic matter contents, their type and maturation;
 - iv. Results of seal rocks analysis;
 - v. Paleontological, stratigraphical and depositional environments studies.
 - vi. Geological model of the basin.
- c. Seismic data and their interpretation reports, in paper and digital format, including but not limited to:
 - i. Acquisition
 - seismic survey plan and design;
 - specification of the equipment used during the seismic acquisition;
 - location maps with details of the acquisition area in scale of : 1: 50,000, 1: 100,000, 1: 50,000 and 1: 500,000;
 - ii. Processing
 - processing workflow;
 - parameters;
 - iii. Interpretation
 - all interpreted seismic profiles as well as working documents relating to the areas of interest, the objectives and the prospects used;
 - maps of each horizon, structural maps (isochrones and isobaths), isopach maps, facies maps, depositional environment maps, maturation maps and any other created maps having an interpretation character ;
 - velocity analysis.
- d. Airborne magnetic, gravimetric and FTG studies reports, in paper and digital format, including but not limited to:
 - i. Maps of terrestrial, marine and aerial profiles at the following scales: 1/100,000, 1/250,000 and 1/500,000;
 - ii. Daily report of the earth's magnetic field;

- iii. Specifications of the equipment used for magnetic and gravimetric studies;
- iv. Maps showing the value of the gravitational field, the intensity of the magnetic field, the depth of the basement and the structural maps, including but not limited to:
 - Bouguer anomaly maps
 - free air anomaly maps
 - residual gravity anomaly maps (high pass, horizontal gradient)
 - total magnetic intensity maps;
 - magnetic intensity maps with pole reduction;
 - residual magnetic maps (high pass, pole reduction, horizontal gradient);
 - bathymetric and/or elevation maps;
- e. Drilling Project reports in paper and digital format, including but not limited to:
 - i. prospect study: geophysical, geological and resource assessment;
 - ii. geomechanical model;
 - iii. drilling program.
- f. Drilling reports, in paper and digital format, including but not limited to:
 - i. A daily drilling report to be handed before 1 pm the day after, including but not limited to:
 - details of the drilling operations including the problems encountered;
 - characteristics of the drilling fluid;
 - characteristics of the drill string;
 - deviation of the hole;
 - casing and cementing;
 - pressure testing : BOP - surface equipment - casing - fracturation of the formation or Leak Off Test;
 - characteristics of the drilling rig and drilling parameters;
 - well testing or production test (RFT - DST);
 - well logs;
 - seismic profiling;
 - coring;
 - drilling cost details.
 - ii. Daily geological report including but not limited to the following details:

- lithology;
 - hydrocarbon shows;
 - coring and core description;
 - well log: type and recording depth with full set of well logs - scale 1/200 or 1/500;
 - drilling and/or coring parameter.
- iii . Well completion report, including but not limited to:
- geological interpretation ;
 - well log interpretation ;
 - core interpretation ;
 - seismic profiling interpretation;
 - interpretation of the well testing or production test (RFT - DST);
 - well composite log on paper and on film;
 - petrophysical study of reservoir rocks;
 - geochemical study of source rocks;
 - OWC and OGC assessment;
 - biostratigraphic study.
- iv. Final drilling reports along with a complete outline of the drilling results, of the testing and the detailed picture of the geology to be executed at a 1/1000 or 1/500 scale including but not limited to:
- drilling operations;
 - report and lithological description;
 - formation tops;
 - shows;
 - casing, cementing and plugs;
 - coring (conventional and side wall coring);
 - well logs;
 - well testing or production test;
 - potential paleontological markers;
 - depositional environments;
 - biostratigraphy;
 - other information pertaining to the interpretation of the well results;
 - well abandonment report;
 - drilling cost details.
- g.** Hydrocarbon production report, in paper and digital format, including but not limited to:

- i. A daily, monthly and annual report of the total production, including but not limited to the:
 - details of operations for the last 24 hours;
 - quantity of oil produced in bpd;
 - quantity of gas produced in MMSCFD
 - quantity of water in bpd;
 - G.O.R. in SCF/STBBL;
 - BSW (sediment and water rate in %);
 - quantity of Natural Gas (gas lift) in MMSCFD ;
 - quantity of water injected in barrels per day (by extraction of water or steam);
 - quantity of chemicals injected (assisted extraction).

- ii. Laboratory report including but not limited to:
 - pour point (paraffin oil);
 - viscosity;
 - density;
 - gas analysis;
 - impurities;
 - 30 parameters analysis;
 - produced water analysis.

- iii. Well testing including but not limited to:
 - pressure at wellhead;
 - reservoir pressure;
 - Bottom hole pressure.
 - choke;
 - oil, water, gas production;
 - G.O.R.;
 - B.S.W.;
 - Gas Lift;

- iv. Stimulation report;

- v. Workover report.

- h.** Reports relative to:
 - i. Environmental impact assessment of any operation;
 - ii. Engineering study of the exploitation;

- iii. Upgrading study;
- iv. Infrastructures study;
- v. Reserves assessment;
- vi. Reservoirs study.

APPENDIX « G »

TO THE

PRODUCTION SHARING CONTRACT

BETWEEN

**THE OFFICE DES MINES NATIONALES ET DES INDUSTRIES STRATEGIQUES
(OMNIS)**

AND

.....

DATED ON

PROJECT ECONOMIC MODEL

APPENDIX « G »
PROJECT ECONOMIC MODEL