ONGSHORE PRODUCTION SHARING CONTRACT

between

THE OFFICE OF NATIONAL MINES AND STRATEGIC INDUSTRIES (OMNIS)

XXXX

and

XXX

* * *

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PARTIES

This Production Sharing Contract ("PSC") is made subject to applicable Malagasy law on the ………..day of ………………., 2006:

**Between**

THE OFFICE OF NATIONAL MINES AND STRATEGIC INDUSTRIES ("OMNIS") a government entity acting for and on behalf of the Republic of Madagascar with its registered office at 21 rue Razanakombana Ambohijatovo, Antananarivo, on one hand;

and

………………………….. a Company duly incorporate and registered in ………………. with its headquarters in ……………… ("…"), and

………………………………………… a Company duly incorporated and registered in ……………….. with its headquarters in ……………….. ("…."), on the other hand.

……. and ……..

shall hereinafter be referred to as "Participant" individually and "Participants" collectively.

OMNIS, ……. and ……. shall hereinafter be referred to as the "Parties".
PREAMBLE

Considering Law No. 96-018 of 4 September 1996 at the Effective Date of this Contract constitutes the Petroleum Code and its implementing texts,

Considering that applicable petroleum law 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 Republic of Madagascar,

Considering Decree No. 96-1133 of 7 November 1996 designates OMNIS as the provisional Technical Organism in charge of the national management of Petroleum resources,

Considering Decree N° 97-740 of 23 March 1997 relating to Mining Title for Exploration, Exploitation and transport of Hydrocarbons,

Considering Law N° 90-033 of 21 November 1990 relating to the Environment Charter, and its implementing texts,

Considering Law N° 2004-019 of August 19, 2004 on the implementation of the international conventions for the protection of the marine and inshore environment against the pollution by the discharge of Hydrocarbons, the Decree N° 2004-167 amending some provisions of the Decree n° 99-954 of 15 December 1999 related to compatibility of the investments with the environment, the Decree Interdepartmental N° 12032/2000 of November 6, 2000 on the regulation of the mining sector concerning protection of the environment,

Whereas all solid, liquid or gaseous Hydrocarbon deposits subject to Malagasy law and jurisdiction are not subject to any type of private appropriation,

Whereas no legal entity may undertake petroleum activities within Malagasy mining jurisdiction, unless an association with OMNIS as holder of mining title has been concluded,

Whereas all hydrocarbon exploration, production, transformation and transportation operations within Malagasy mining jurisdiction could only be undertaken by virtue of an oil contract with OMNIS,

Whereas until the “Société Nationale“ has been established, OMNIS shall be deemed to be the "Organisme Technique" entitled to act on behalf of the Société Nationale,

In consideration of the premises, mutual covenants and conditions stipulated in applicable Malagasy law and herein, it is hereby agreed as follows:
ARTICLE 1
DEFINITIONS

The words and expressions stipulated in applicable Malagasy Hydrocarbons law shall apply to this Contract. Words and expressions used in this Contract shall have the following meaning unless otherwise specified:

1.1 "Accounting Procedure" means the accounting procedure appearing in Appendix B and forming an integral part of this Contract.

1.2 "Affiliate" means a legal entity which controls or is controlled by a Participant to this Contract, or by a legal entity which controls or is controlled by a legal entity which controls a Participant.

1.3 "Available Petroleum" means that portion of the Petroleum extracted from reservoirs in the Contract Area less Royalty attributable to Madagascar, which is available to the Participants for use in Petroleum Operations, for recovery of costs for the Participants and collection of Profit Petroleum for the Parties.

1.4 "Appraisal Well" means a Well drilled for the purpose of evaluating the commercial potential of a geological feature or a structure in which Petroleum have been discovered.

1.5 "Barrel" means a barrel of 0,159 m3 brought to standard conditions of the I.S (International System)

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 "Contract Year" means a period of twelve (12) consecutive Months starting on the day of Effective Date of the Contract.

1.8 "Contract" or "PSC" means the present Contract document including the Annexes which are an integral part thereof.

1.9 "Contract Area" means, on the Effective Date the area described in this Contract and thereafter the area as it may have been reduced from time to time by relinquishment.

1.10 "Control" for purposes of this Contract means holding directly or indirectly a majority of the voting shares or interest of the controlled legal entity exercisable at general meetings or giving the right to appoint members of boards or other organs of decisive authority governing the entity in question. A particular company is indirectly controlled by a company or companies ("parent company or companies") if a series of companies can be specified, beginning with the parent company or companies and ending with the particular company, so related that each company
of the series, except the parent company or companies, is directly controlled by one or more of the companies earlier in the series.

1.11 “Decommissioning” means to discontinue Petroleum Operations related to particular project or area on a permanent basis and as the case may be make safe, transfer, remove or dispose of any structures, facilities, equipment or works and property connected to such activities.

1.12 “Delivery Point” means the location specified in the approved plan for Development of Petroleum resources within defined Contract Area where any or all the Petroleum taken in kind by the Parties in accordance with their respective entitlements under this Contract in a state that enables the Parties to transport such Petroleum in bulk and where they may transfer title to such Petroleum to third parties.

1.13 “Development” means Petroleum Operations consisting of:

A. The drilling of Development Wells;

B. The design, engineering, construction, commissioning, operation and decommissioning of installations, pipelines, equipment and systems necessary for placing required Wells for Exploitation of Petroleum, as well as for processing and treatment of Petroleum extracted from reservoirs within the Exploitation Area and for the delivery of said Petroleum; and

C. The design, engineering, construction, commissioning, operation and decommissioning of any other, additional or necessary facility or activity for the prudent and proper planning, preparation or conduct of the aforesaid activities according to the approved Development plan as required by applicable Malagasy law.

1.14 “Development Costs” means those costs and expenses incurred for the purpose of prudent and proper Development. “

1.15 “Development Well” means a Well drilled after the date of approval of the Development Plan for the purpose of producing Petroleum, or to increase or accelerate the extraction of same, including intake Wells and dry Wells. Any Well drilled in a Exploitation Area during the Exploitation Period shall be considered a “Development Well”.

1.16 “Discovery” means the demonstration of the existence of accumulation of Petroleum by a documented Well which has penetrated Petroleum bearing horizons not previously known to exist.

1.17 “Effective Date” means the date this Contract enters into force, which shall be on the day OMNIS has received a Exploration Mining Title to the relevant area on the basis of the this Contract having previously been signed by duly authorized representatives of the Parties and having been approved by promulgation of a
decree by the President of Madagascar.

1.18 “Exploitation” means Development and Production operations including planning, preparations, construction, commissioning and decommissioning of installations, pipelines, equipment and systems in order to undertake prudent and proper operations.

1.19 “Exploitation Area” means the portion of the Contract Area that has been designated as an Exploitation Area in a Development plan approved according to applicable Malagasy law and this PSC.

1.20 “Exploration Costs” means the costs and expenses incurred in order to properly and prudently carrying out Exploration.

1.21 “Exploration” means all activities undertaken in order to detect the existence of Petroleum, by means of geological, petrophysical, geophysical, geochemical and geotechnical methods, drilling any Exploration Well, drilling an Appraisal Well outside an Exploitation Area, as well as other activities carried out during the Exploration period as stipulated in this PSC.

1.22 “Exploration Well” means a Well drilled for the purpose of confirming the presence of Petroleum in a separate structure or geological feature in which no Petroleum Discovery has previously been made.

1.23 “Field Exit Point” means the place where finally processed Petroleum extracted from a reservoir within the Contract Area has reached the metering station at the ultimate landing terminal onshore in Madagascar from where it may be freely traded as a commodity or when applicable when such Petroleum is loaded onto a ship for bulk transportation.

1.24 “LIBOR” means “London Interbank Offered Rate” the rate of interest in US Dollar for a six months deposit and marked at 11.00 am in London by the National Westminster Bank or any other bank accepted in writing by the Parties on the first working-day of each month for which interest is due.

1.25 "Liquid Petroleum" means all liquid hydrocarbons existing in their natural state in the subsoil, as well as other substances extracted in association with such hydrocarbons.

1.26 “Month” means one (1) calendar month.

1.27 “Natural Gas” means all hydrocarbons which are in a gaseous state under normal atmospheric conditions, including wet gas, dry gas and residue gas remaining after the extraction of liquid Hydrocarbons; including as the case may be Associated or Non-Associated Natural Gas which constitutes a gaseous mixture of free or dissolved hydrocarbons in liquid Petroleum and containing various portions of non-hydrocarbon gases under reservoir conditions.

1.28 “Operator” means a legal entity executing on behalf of the Parties to this PSC the day to
day management of the Exploration and Exploitation operations and related Petroleum activities.

1.29 “Petroleum” means all natural, organic substances existing in their natural state in the subsoil composed of carbon and hydrogen, as well as other substances extracted as a consequence and in association with such hydrocarbons, including crude oil, Natural Gas and their derivatives, as well as various portions of non-hydrocarbon elements naturally contained in the Petroleum under reservoir conditions.

1.30 “Petroleum Code” means Law no96-018 of September 4, 1996 constituting the Petroleum Code of the Republic of Madagascar as in effect on the Effective Date, and its implementing texts, and as may be amended from time to time.

1.31 “Petroleum Costs” means all authorized costs related to and for the purpose of Exploration, Development and Production, incurred in accordance with the terms of this Contract, appropriate Management committee procedure and as further described by Appendix B (Accounting Procedure) to this Contract.

1.32 “Petroleum Operations” means Exploration, Exploitation, transportation, and any other activity connected with these operations, including planning and preparations of such activities performed within the scope of applicable Malagasy Petroleum law and this PSC. Petroleum Operations consist of:

A. The design, engineering, commissioning maintenance and repair of pipelines, installations, machinery and any other equipment or systems required for Production and drilling and operations of Wells;

B. The extraction, injection, stimulation, gathering, processing, storage, transportation and delivery of Petroleum to the Delivery Point;

C. The design, engineering, construction, commissioning and decommissioning of equipment and facilities necessary for enhanced recovery;

D. The plugging and abandonment of Well and decommissioning of facilities, including dismantling and removal of equipment or facilities used in Petroleum Operations, and

E. when applicable the sale of Petroleum;

1.33 “Production” means extraction of Petroleum from one or more reservoirs, drilling Wells for the purpose of extraction, injection, improved recovery, in addition to treatment, processing and storage for transport and landing to a commodity market for exploitation or consumption, except transport or shipment in bulk, as well as the construction, commissioning, operation and use of a facility, fixed or floating, for the purpose of Production.
1.34 "Profit Petroleum" means that portion allocated to the Parties of extracted Petroleum as described in this PSC, less the volumes of Petroleum designated for Royalty and recovery of Petroleum Costs pursuant to the terms and provisions of this Contract.

1.35 "Quarter" means a period of three (3) consecutive Months starting on the first day of January, April, July and October.

1.36 "Subcontractor" means a specialized entity which has been retained by the Operator or a properly authorised Party to carry out specific tasks relevant to Petroleum Operations, and which operates under the supervision of and for the account of the Operator or a Party to this PSC as the case may be.

1.37 "Well" means a borehole made in the subsoil by drilling except for shallow drilling for seismic calibration purposes only and shall not be performed for the purpose of penetrating Petroleum bearing strata.
ARTICLE 2
OBJECT OF THE CONTRACT

2.1 The present Contract is a Production Sharing Contract where exclusive owner of the natural resources within the Contract Area is the Republic of Madagascar.

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

Any rights and obligations pursuant to or arising out of this Contract and any Petroleum activities planned or conducted pursuant to this PSC shall be performed in accordance with this PSC and Malagasy law as applicable from time to time.

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

- Annex “A” Map of the Contract Area
- Annex “B” Accounting and Financial Procedure
- Annex “C” Joint Operating Agreement
- Annex “D” Bank Guarantee
- Annex “E” Parent Company Guarantee
- Annex “F” Data and reports

Subject to the conclusion of the PSC, the Participants shall submit a signed Accounting and Financial Procedure and Joint Operating Agreement as stipulated in Annexes B and C respectively, for which Government approval is a condition under this PSC.

In the event of conflict between the provisions of the PSC main document and its Annexes, the PSC main document shall prevail.

2.2 Except for the rights expressly provided for in this PSC, no right is granted in favour of any Participant to any air or surface area, water column or the subsoil, or to any living or non-living natural or other resources.

2.3 All Petroleum Operations pursuant to this PSC shall be conducted in a prudent manner in accordance with applicable Malagasy law and consistent with the standard of best practice in the international petroleum industry with regard to comparable Petroleum Operations.
2.4 The planning and execution of Petroleum Operations shall take due account of the safety of personnel, the environment and of the economic value of the facilities, vessels and equipment, including operational availability. Petroleum Operations shall not unnecessarily or to an unreasonable extent impede or obstruct 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 prevent damage to flora and fauna, historical or cultural sites and relics of the past, public or private property and shall prevent, limit and mitigate the negative effects of pollution and littering of the territory, the subsoil, the sea and seabed, and of the atmosphere.

2.5 In entering into this PSC, OMNIS entrusts Operator on behalf of the Parties with the exclusive responsibility of managing or conducting all the Petroleum Operations in the Contract Area on a day to day basis unless determined otherwise by the Management committee as regulated in applicable Malagasy law and this PSC.

2.6 On the Effective Date of this PSC the respective Participant's interest of ……….. is ……… percent (….%) and of …………………is ……………percent (…..%) respectively. This percentage expressing the undivided interest of such Participant (expressed as a percentage of the total interests of all Participants) in the rights and obligations derived from the Participant’s interest in this PSC.

2.7 On Participants' request, OMNIS shall obtain the required Mining Titles related to Exploration, Exploitation and when required transportation activities pursuant to the PSC, including those of the Extension and Renewal Periods.

Rights and obligations pursuant to a relevant Mining Title shall without delay be transferred to the Operator on behalf of the Participants when pursuant to applicable law the Mining Title is delivered to OMNIS.

2.8 Operator shall be responsible for the conduct of the Petroleum Operations. All the Operator’s activities shall be executed within the Parties’ rights and benefits subject to this PSC. Unless otherwise specified, it is the Operator who shall act outwardly towards regulatory authorities and other third parties on behalf of the Parties to the PSC. This includes the Operator's rights and obligations to obtain all necessary consents, approvals and licences, to enter into requisite agreements in the name of the PSC, and to make timely payment of all expenses incurred from the activities in accordance with the Agreement by the Parties to the PSC.

2.9 Natural resources other than Petroleum shall be excluded from rights awarded to the Parties with regard to exclusive rights to the Contract Area conveyed by this PSC, even if the Parties has discovered such other natural resources as a result of or during Petroleum Operations.

2.10 Participants shall only recover incurred expenses and costs to the extent they represent Petroleum Costs within the meaning of this PSC as regulated in Article 23, and such recovery may only be made from proceeds generated from the production and sale of
Petroleum extracted from the same Exploitation Area.

This recovery of costs shall be effectuated only within the limits of Article 23,

2.11 Available Petroleum being liquid Petroleum or available Natural Gas as described in Article 23.2, extracted from reservoirs within the Contract Area gained from Petroleum Operations shall be shared between the Parties, in accordance with Article 24, after deduction of Royalty in accordance with Article 22 and recovery of Petroleum Costs in accordance with to Article 23.

2.12 During the execution of his obligations, the Operator on behalf of the Parties shall have the right within the limits of this PSC and applicable Malagasy law to:

a) have access to and operate within the Contract Area, and to all materials used in Petroleum Operations anywhere;

b) when applicable use roads within the Contract Area or outside the Contract Area in accordance with terms and conditions stipulated for the approved plan for Development for production facilities including when required or , for the purpose of pipeline construction, under Article 32 and operation to or from onshore production facilities, as well as the use of other facilities required for the Petroleum Operations connected to the Contract Area; and

c) Import goods and services required for Petroleum Operations.
ARTICLE 3  
CONTRACT AREA

3.1 The initial area, regulated by this Contract, shall extend over a surface area deemed to be ……sq.Km2 for the purposes of this Contract, as defined by the map and coordinates attached as Annex A.
ARTICLE 4
TERM OF CONTRACT

4.1 This PSC includes an Exploration Period and an Exploitation Period defined as follows:

Exploration Period

4.2 The Exploration Period shall cover a period of eight (8) Contract Years followed, subdivided into phases as follows:

A. A first Exploration phase of four years;
B. A second Exploration phase of two years;
C. A third Exploration phase of two years;

The Participants may only proceed to the next Exploration phase, provided to the execution of the Participants’ obligations under applicable Malagasy petroleum law in accordance with this PSC related to the prior phase.

4.3 If the Participants decide not to enter into the second Exploration phase or the third Exploration phase, the Operator shall notify OMNIS at least thirty (30) days prior to the expiry of the then current Exploration phase.

4.4 Within the stipulated time limit of applicable Malagasy law, and if the Management committee determines that the total evaluation of the Contract Area is not completed, the Participants may apply to OMNIS in order to obtain an extension of the Exploration Period in order to complete this evaluation. This extension shall not exceed two years.

4.5 If no commercial Discovery is made and notified in the Contract Area, the Contract shall terminate at the end of the Exploration Period or any extension thereof.

Exploitation Period

4.6 In the event a Discovery of Petroleum within the Contract Area is declared to be a commercial Discovery, the designated Exploitation Area shall be subject to a Mining Title obtained by OMNIS.

4.7 The Exploitation Period and the corresponding Mining Title shall be for 25 years from the notification of Decree of the said Title.

4.8 In the event of a commercial Discovery predominantly of Natural Gas, the Exploitation Period and corresponding Mining Title shall be for 35 years.
4.9 In the event that a commercial Production of Petroleum can be obtained within the Exploitation Area at the end of the periods defined in Articles 4.7 and 4.8 above, and on the Participants request, OMNIS shall do its best in order to obtain an extension of the Exploitation Period. The request shall be made at least two years before the end of the said period.

The term of the extension of the Exploitation Period and corresponding Mining Title, shall be if necessary be up to:
- five (05) years for liquid Petroleum; and
- ten (10) years for Natural Gas.
ARTICLE 5
AREA RELINQUISHMENT

5.1 Subject to the provisions of Article 5.2 below, the Participants shall relinquish a portion of the Contract Area and the related rights in accordance with the provisions below:

A. 50 % of the initial Contract Area as defined in Article 3 of this Contract, excluding the Exploitation Areas, at the forth year of the Exploration period;

B. 50 % of the remaining Contract Area, excluding the Exploitation Areas, at the sixth of the Exploration period;

C. All of the Contract Area other than any Exploitation Areas at the end of the Exploration period (including the extension)

5.2 The Participants may, relinquish all or any part of the Contract Area during the Exploration period subject to notice delivered to OMNIS at least thirty (30) days in advance of the relinquishment, and subject to the provisions of Article 5.3 below. Such voluntary relinquishments during the Exploration period shall be considered as relinquishments required by Article 5.1 of this Contract.

The Contract shall terminate if all of the Contract Area is relinquished.

5.3 No relinquishment shall exempt a Participant from its unfulfilled obligations contractually or by applicable Malagasy law resulting or arising out of this PSC or activities or omissions related to this PSC. In the event a Participant decides to relinquish or abandon all of the Contract Area without having previously fulfilled all of its minimum work commitments as provided by Article 8 below or any commitments made in accordance with the provisions of Articles 10 and 11 of this PSC the Participant shall pay to OMNIS, prior to the date proposed for the total relinquishment, a sum equal to the remainder of the standby letter of credit pertaining to the minimum work program for the then current Exploration phase, under Article 8.

5.4 The coordinates of the relinquished area shall be communicated to OMNIS by Operator in accordance with the provisions of Article 4.3.

5.5 The configuration of a relinquished area shall be continuous and composed of rectangular components denominated by degrees end minutes. Each relinquished area shall not be smaller than thirty percent (30%) of the relinquished Contract Area.
ARTICLE 6
MANAGEMENT COMMITTEE

6.1 A management committee for Petroleum Operations shall be founded before commencement of any Petroleum activities under this PSC and in no circumstances later than thirty (30) days following the Effective Date. A Participant failing to nominate members in order to establish a management committee within the time limit stipulated in this Article renders this PSC null and void and no rights may be exercised or derived from this PSC in such a situation.

6.2 The management committee shall be composed of up to three (3) members designated by OMNIS and up to three (3) members nominated by the Participants.

Only those duly appointed by a Party and notified to the other Parties as a member of the management committee, may cast a vote in any management committee decisions.

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

6.4 The Parties shall be bound by, and abide by, each decision of the management committee duly made in accordance with this PSC and applicable Malagasy law.

6.5 Each Party shall proceed with utmost efficiency in substituting anyone of its representative members. In such cases the substitute member shall present documentation that he or she is appropriately authorized to act as a substitute member of the management committee.

6.6 During meetings, each Party may bring necessary experts and invite observers. Representatives of competent Malagasy petroleum regulatory or monitoring authorities may participate as observers during management committee meetings provided such Malagasy authorities they have notified the Parties of who shall be their representatives at the meeting. All participants at management committees shall sign a standard confidentiality declaration which may be executed under Malagasy law unless the observers are under legal obligations to retain confidential all information obtained due to their participation at a management committee meetings until released by law or a unanimous decision of the management committee. Experts and observers may only speak when requested by a unanimous management committee. The management committee may decide that experts and observers shall not be present when a proposal is put to a vote. Observers or experts duly appointed and notified by a competent Malagasy Petroleum authority may not be excluded from a management committee meeting as long as the subject matter voted on is subject to their area of responsibility or jurisdiction.

6.7 The management committee shall itself deliberate and take a decision on at least the following matters:

a) Establishing guidelines for Operator activities;
b) approval of all work programs, budget, reports and other proposals;
c) approval of Operator’s statements
d) unless governed by law approve levels of production proposed by the Operator in accordance with applicable Malagasy law in accordance with generally accepted best practices in the international petroleum industry
e) appointing an external auditor and reviewing the auditing of the Operator’s accounts
f) approve contract strategy and terms of tenders to potential Subcontractors under Article 20.3;
g) reviewing and approving the Development plan and budget for each reservoir or Field to be developed;
h) any co-operation with companies being an Affiliate or holding other PSCs or petroleum rights;
i) any obstacle and/or event that significantly affects the Petroleum Operations; and
j) settlement of any claim or initiation of litigation in excess of an amount equivalent to US$ ....and,
k) any other issue presented by a Party.

6.8 Each member shall have one vote in the management committee.

6.9 The management committee may not deliberate or make binding decisions unless OMNIS and the Participants are represented respectively by at least two members or its alternate/deputy. During a meeting, the management committee shall make efforts to reach unanimous decisions. If the management committee cannot agree during the meeting, a second meeting shall take place within seven (7) days following this delay for the examination of the same subject.

In the event of disagreement, the subject shall be submitted to arbitration in accordance with Article 40 or an Expert in accordance with to Article 41.

6.10 The management committee may not take any decision which may or is likely to afford a certain Party or others an unfair advantage to the detriment of other Parties participating in the PSC.

6.11 The ordinary meetings of the management committee shall be held in Madagascar or when required for special reasons in other locations agreed between Parties, at least twice a year before the date of the first commercial Discovery and at least three times a Calendar Year after this date.

If a Party is absent, the management committee meeting shall be delayed for a period which shall not exceed five (5) working days. The Party able to hold the meeting shall notify the
other Party of the new date, the hour and the place for the postponed meeting.

6.12 Any Party may with reasonable prior notice call for an extraordinary meeting of the management committee in order to discuss any subject or development related to Petroleum Operations.

6.13 The coordination of the management committee shall be assured by a president chairing the management committee meeting. The presidency of the management committee shall alternate on a biannual basis between one of the members designated by OMNIS and one of the members designated by the Operator. The meetings of the management committee shall be coordinated by the representative who organizes the meeting.

6.14 A secretary of the management committee who is designated by Parties shall cause the preparation of minutes of the management committee meeting and its decisions which shall be subject to approval by the members of the management committee. Draft minutes shall be circulated to the members of the management committee within fourteen (14) working days of a management committee meeting. Members shall without undue delays notify the secretary whether the minutes are approved or not and when appropriate specify any corrections or additions proposed. The secretary of the management committee shall without delay notify the President and all members of the management committee if at all possible and at the same time of the 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. Approved minutes shall be signed by all members at the earliest possible time and at latest at the first management committee meeting following its approval. Each Party and each member of the management committee shall receive a copy of the signed minutes within fourteen (14) working days after signature.

6.15 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 fifteen (15) days before the date of the management committee meeting. No later than February 1st of each Calendar Year the president of the management committee shall forward to the Parties a proposed schedule for management committee meetings for that Calendar Year.

6.16 The management committee may establish a technical committee or other functional subcommittees for its assistance. The technical committee and any other sub committee shall be composed of experts selected by OMNIS and the Participants.

6.17 Prior to a management committee meeting, the technical committee shall prepare a statement established by the management committee regarding status of studies and activities in order to inform the management committee.

6.18 All costs and expenses of the Operator and a Participant with respect to the preparation of management committee meetings shall be charged to Petroleum Costs and shall be recovered pursuant to Article 23.
ARTICLE 7
OPERATOR

7.1 In entering into this PSC, OMNIS entrusts Operator on behalf of the Parties with the exclusive responsibility of conducting all Petroleum Operations in the Contract Area unless determined otherwise by the management committee as regulated in applicable Malagasy law and this PSC.

7.2 ............ is appointed and has accepted to be the Operator.

7.3 The Operator shall conduct all the Petroleum Operations on behalf of the Parties and at the sole risks and perils of the Participants in the name of OMNIS and the Participants, according to applicable Malagasy law and in accordance with the production sharing principle pursuant to this PSC, including:

   a) **Technical performance**

   Implement all technical means including provide when required qualified personnel and all equipment necessary for the prudent and proper execution of Petroleum Operations necessary to ensure activities in accordance with Malagasy law and best Petroleum industry practices.

   b) **Coordination of Exploration activities**

   Facilitate and coordinate all the Exploration activities as well as paying its percentage share; and in case of commercial Discovery, facilitate and coordinate all required activities, procure all equipment, goods and services required for the planning, preparation and execution of Exploitation operations as well as paying its percentage share.

   The financial contribution of the Participants shall cover their entire needs for the proper execution of all obligations under this PSC and applicable Malagasy law.

   c) **Administrative performance**

   Implement and utilize effective and suitable methods for the management and administration, technically and practically, of prudent Production of Petroleum and proper and safe conduct of Petroleum Operations pursuant to this PSC and applicable Malagasy law.

7.4 The Operator shall be responsible for the conduct of the Petroleum Operations. All the Operator’s activities shall be executed within the Parties’ rights and benefits subject to this PSC. Unless otherwise specified, it is the Operator who shall act outwardly
towards regulatory authorities and other third parties on behalf of the Parties to the PSC. This includes the Operator's rights and obligations to obtain all necessary licenses permits approvals and consents, to enter into requisite agreements in the name of the PSC, and to make timely payment of all expenses incurred from the activities in accordance with the Agreement by the Parties to the PSC.

7.5 The Operator shall not enjoy any profit nor suffer any loss from the performance of his task as Operator.

7.6 The Operator shall prepare the matters to be considered by the management committee. The Operator shall keep the committee informed of aspects which may be of importance to the Parties.

7.7 The Operator shall organise the activities so as to enable the management committee and the Parties to supervise and otherwise have access in Madagascar to all information concerning the Petroleum Operations and other necessary activities related thereto.

7.8 The Operator shall provide the other Parties and the relevant competent Malagasy authority with all information, reports and data pertaining to Petroleum Operations as required by applicable Malagasy law or as defined in this PSC.

7.9 Reports and other information concerning the Petroleum Operations and other relevant activities shall be prepared and submitted to the management committee as soon as such information is available, or as often as the management committee or one Party may reasonably make a request for it. This applies for instance to:

   a) Copies of logs;
   
   b) Copies of records on drilling operations;
   
   c) Copies of test reports or reports on analyses etc.;
   
   d) Copies of the "final well report" with the "composite log";
   
   e) Copies of geological and geophysical reports, maps in connection with work carried out by the Operator or by subcontractors engaged by the Operator. They shall be stored by the Operator in Madagascar and made available to the Parties upon request;
   
   f) Field- and drill hole data, including reservoir studies and evaluations of reserves;
   
   g) Cores and samples of types of rock and liquids from the drill holes. Samples and cores remaining after distribution to the Parties and to Malagasy authorities shall be stored in Madagascar;
h) Copies of detailed final reports for each completed well and reports of subsequent alterations and repairs, including the results from completed functional tests and the “flow test”;

i) Copies of daily and periodic reports on exploration, development, maintenance, production and other activities. The reports shall, *inter alia*, contain information about problems or accidents, accompanied by a statement as to the cause and a description of the remedial work. The reports during the development phase shall among other details give an overview of the progress. The production reports shall, *inter alia*, contain information concerning the quantity and quality of the Petroleum produced;

j) Copies of contingency plans, safety and security manuals, safety and security reports and accident reports;

k) An overview of the Operator's organisation and of how the Operator, the Subcontractors at any time have staffed their organisations with regard to activities in accordance with this PSC;

l) Copies of reports and evaluations of a technical, economic and other nature in connection with the activities;

m) Copies of reports submitted to a Party or to a competent Malagasy authority by the Operator, and copies of minutes and correspondence between the Operator and OMNIS regarding the activities in accordance with this PSC;

n) Periodic development and status reports.

7.10 The Operator may also be required to prepare amendments or supplements to the available information.

7.11 Before plugging and abandoning a Well, the Operator shall perform tests necessary to identify all reservoirs or formations with potential of Petroleum according to applicable Malagasy laws and in line with best international Petroleum industry practices.

Unless previously acceptable to OMNIS, and when justified from a safety point of view, the Operator shall ensure that all Wells which technically are capable of Production, are left in a state which shall permit subsequent re-entry of the Well for the purpose of performing a Production test.

7.12 Within ninety (90) days after completing Exploration obligations or any additional Exploration activity, the Operator shall submit to the management committee an appraisal technical report of Petroleum relative to the Contract area as stipulated in Article 8, clauses 8.2, 8.3, 8.4, 8.5, 8.6 and 8.7.
7.13 If any of the Parties sustains losses arising from the Operator's performance of his task as an operator, the Operator shall only be liable if the losses were caused by wilful misconduct or by gross negligence on the part of the management or personnel of the Operator or any of the Operator's Affiliated Companies.

7.14 The Operator shall under no circumstances be liable for interruptions and other lost production. The Operator shall also not be liable for any loss suffered by the Parties in connection with damage inflicted on third parties outside the safety zone and caused by discharge of Petroleum, beyond any loss suffered by the Operator as a Party.

A corresponding limitation of the liability shall apply to a Party performing the work on behalf of one or more Party or the Operator.

7.15 The Operator may resign from his post as Operator by giving 6 months' written notice. The management committee may, subject to the consent of OMNIS, direct the Operator to continue until another entity is ready to take over the function as Operator.

7.16 The management committee may give notice to remove the Operator. The management committee shall state the reasons for the removal and the removal shall be effective unless otherwise stipulated by law with 6 months' notice.

Before a decision concerning such removal of the Operator may be made, the Operator shall be given the opportunity to express his views in a management committee meeting. The Operator is not entitled to vote on the issue of removal of Operator. A decision on removal requires the unanimous vote of to the Members of the management committee who are entitled to vote.

Subject to the approval of OMNIS, a removal of an Operator may take place with immediate effect in the event that:

a) someone from among the Operator's management or supervisory personnel has inflicted an economic loss on the Parties by wilful misconduct or by gross negligence;

b) the Operator or any of his Affiliated companies is declared bankrupt, applies for debt settlement negotiations to be opened, or becomes insolvent;

c) any of the Operator's Affiliated companies is dissolved;

d) the Operator assigns his Participating interest or a substantial part thereof, to somebody else.

7.17 The Operator shall co-operate with the new Operator on transfer of the function as
Operator. In the event of notice of removal, the Management committee shall arrange for an audit of the joint accounts and for registration of equipment, supplies and other items procured by the Operator for the activities of the PSC. Stored Petroleum shall also be recorded.

7.18 The Operator shall, not later than at the time of change of Operator and free of charge, hand over to the new Operator:

   a) all contracts/agreements, assets, core samples, log studies, records, data etc. which have been in his custody as Operator;

   b) all information and data necessary for accurate reporting during the period when the change of operator is taking place;

   c) books of account, accounting records and accounts concerning the activities of the PSC. The Operator shall, however, keep vouchers etc. for inspection by the Parties for as long as this Agreement remains in effect and, thereafter, for any period of time following from legislation or as required by the management committee;

   d) copies of documents retained by the Operator.

7.19 The Operator shall be liable to the other Parties for expenses pertaining to the change of operator if the Operator has resigned in accordance with Article 7.15 or has been removed in accordance with Article 7.16.

7.20 The management committee shall within 60 days following a notice of removal submit a proposal for a new operator to OMNIS. Failing such notice, or if OMNIS does not approve the proposed operator, OMNIS authority may appoint a new operator.

7.21 No change of Operator may take effect unless it has been approved in writing by OMNIS.

7.22 Within sixty (60) days of signature of this PSC, the Operator shall have a permanent office in Madagascar which is authorized and capable of independently managing the Petroleum activities in Madagascar. This PSC shall be terminated and no compensation shall be made to any Participant if the Operator fails this sixty (60) days time limit. If this requirement is not met for reasons beyond the reasonable control of the Operator then the OMNIS after having consulted the other Parties, shall determine what extension of the time limit shall be granted.
ARTICLE 8
MINIMUM EXPLORATION WORK OBLIGATIONS

8.1 The Operator shall start Exploration Operations within thirty (30) days after the approval of the corresponding work programs and budgets by the management committee according to Article 10. Operator shall on behalf of the Parties perform the minimum Exploration work obligation outlined below in this Article. The work must be performed in an ongoing, prudent and proper manner during the Exploration period in accordance with requirements stipulated in applicable Malagasy law and this PSC.

8.2 As a minimum Exploration work obligation during the first Exploration phase, the Operator shall on behalf of the Parties perform the following activities:

a) 

b) 

8.3 As a minimum Exploration work obligation during the second Exploration phase, the Operator shall on behalf of the Parties perform the following activities:

a) 

b) 

8.4 As a minimum Exploration work obligation during the third Exploration phase, the Operator shall on behalf of the Parties perform the following activities:

a) 

b) 

8.5 It is understood that, for the accomplishment of the minimum Exploration work obligation under Article 8.2 to 8.4 above:

a) the activities required to be performed as a minimum Exploration work obligation during the second Exploration phase or third Exploration phase, shall apply as long as the Parties are holding any portion of the Contract Area

b) each Exploration Well shall be drilled until a depth of at least 100 meters under the principal objective duly defined above, or penetrating basement by ten (10) meters;

c) Further seismic work or Exploration Wells undertaken in excess of the minimum Exploration work obligation on one Exploration phase shall be taken into account in order to satisfy the minimum Exploration work obligation of a later Exploration phase.
8.6 OMNIS shall be contacted by the Operator in ample time prior to the commencement of planned seismic surveys and shall be continuously updated on the movements of the vessels and its call at ports. Likewise OMNIS shall be contacted by the Operator in ample time prior to the commencement of drilling any Well.

8.7 OMNIS may stipulate terms and conditions in line with international law rules and consistent with applicable Malagasy law for the construction, use and operation of seismic vessels, drilling units and other facilities for the purpose of Petroleum Operations on the territory or that part of the continental shelf appertaining to Madagascar.
ARTICLE 9
BANK GUARANTEE

9.1 In order to warrant the execution of minimum Exploration work obligation under this PSC, each Participant shall establish an unconditional and irrevocable bank guarantee, to be deposited within thirty (30) days following the Effective Date.

This bank guarantee shall be issued by an international bank acceptable to OMNIS, and in accordance with the stipulations in Annex C.

9.2 The respective amounts of the bank guarantee shall be:

a) for the first four years of Exploration: ………..US dollars;

b) for the sixth year of Exploration phase: …………….. US dollars; and

c) for the third Exploration phase …………………..US dollars

9.3 The amount of the bank guarantee stipulated above in Article 9.2 shall be released without delay by OMNIS at the end of each Exploration phase, provided the execution of the minimum Exploration work obligation stipulated in this PSC for the concerned Exploration phase has been completed.

9.4 Bank guarantee is released at the end of each Exploration phase subject to the fulfillment of the obligatory work program commitment for the respective Exploration phase regardless of the cost incurred by commercial participant to complete said obligatory work commitment.

9.5 When the minimum Exploration work obligation of the corresponding Exploration phase is accomplished, Operator shall present to OMNIS a signed declaration from a duly authorized representative of each Participant attesting that the operation in question has been effected and request the release of the bank guarantee for the corresponding Exploration phase.

If a Participant concludes that OMNIS’ approval has been unjustifiably delayed or if OMNIS deems that the Participants have not accomplished the minimum Exploration work obligation stipulated in this PSC in a manner consistent with applicable Malagasy law and best practice in the international Petroleum industry, each Party may request the review by an independent Expert in accordance with Article 41.
ARTICLE 10
WORK PROGRAMS AND BUDGETS

Exploration

10.1 Within ninety (90) days after the Effective Date, the Operator shall submit to the Management committee a work program and budget proposal pertaining to the remaining Calendar Year.

Thereafter, during the Exploration period, Operator is required to present work program and budget proposals for each subsequent Calendar Year to the Management committee no later than ninety (90) days prior to the beginning of each Calendar Year.

10.2 Each work program and budget proposal shall include the following details without limitation:

A. The tasks to be completed, grouped by cost centre;
B. The total quantities of goods and equipment to be acquired and listed by category;
C. Estimates of services to be provided, including those to be performed by Subcontractors or Affiliates; and
D. The estimates of general expenses grouped by cost centre according to the Accounting Procedure in Annex B..

No later than thirty (30) days prior to the commencement of any activities included in the work program, the Operator shall submit to the Parties all details necessary for successfully completing said activity.

10.3 Any Party requesting amendments to the draft work program and budget presented by the Operator must notify the other Parties simultaneously and as soon as possible, but not later than thirty (30) days after having received the draft proposal for the work program and budget. Any request for amendments to the proposal must be accompanied by all relevant documents and data justifying the requested amendments to the proposal.

10.4 The Operator must notify the Parties of its opinion on the required for amendments to the draft work program and budget within fifteen (15) days from receipt of said request for amendments.

10.5 The Management committee shall meet within thirty (30) days after receipt of Operator's proposal for the examination and approval of the annual work program and budget.

In case of an emergency, the Operator may, within reasonable limits, incur additional expenses not stipulated in a work program and budget necessary in order to protect the health and safety of physical persons and to avert imminent danger or limit negative effects or damage to the environment and facilities or equipment.
Such additional expenses shall be submitted for approval at the first meeting of the Management committee following the relevant commitment to said additional expenditure.

Exploitation

10.6 As soon as the Management committee has approved the plan for Development, the Operator shall start Development Operations in accordance with the approved plan, with the applicable Malagasy law and when relevant be, in line with best international Petroleum practices.

Approval of Annual Works Programs and Budget

10.7 With ninety (90) days following the approval of the Development plan, the Operator shall prepare and submit to the Management committee for approval a work program and budget necessary for Production Operation) to be conducted during the following Calendar Year.

In order to forecast any expenses, the work program and budget proposal shall include, but not be limited to the following points:

- Tasks to be completed;
- Schedule and time limits;
- Materials and equipments to be acquired identified by main categories;
- Kind of services to be performed identifying those to be performed by Operator distinguishing from those to be performed by Subcontractors or an Affiliate;
- Program and related costs for development and training of Malagasy personnel; and
- Miscellaneous categories of general and administrative expenses.

The Management committee shall approve the production forecast and work program and budget within thirty (30) days after the date of receipt of said documents.

10.8 No later than 1 September of each Calendar Year, the Operator shall present to the Management committee the Production operation planned work program with a budget to be applied during the following Calendar Year.
ARTICLE 11
DISCOVERY

11.1 If an Exploration Well results in a Discovery, the Operator shall promptly notify the Participants and OMNIS of such Discovery.

Within thirty (30) days of notification of said Discovery, the Operator must present to the Management committee a report including all the technical data and the Operator’s opinion of the commercial potential of this Discovery.

Appraisal Program

11.2 If, by virtue of Article 11.1 above, the Operator has reported that the Discovery has commercial potential, it must, within ninety (90) days after the notification of a Discovery, present a proposal for an appraisal program to the Management committee. The appraisal program shall be considered approved if the Management committee has not provided Operator with an objection within thirty (30) days following receipt of the proposed appraisal program.

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

a) Detailed work programs and corresponding budget;
b) Schedule and time limit for completion of the activities to be performed; and
c) The demarcation of the area to be evaluated with a surface area not exceeding the double of the expected surface of the structure or geological feature to be appraised.

11.3 If, after a Discovery, drilling equipment is available the Operator may accomplish the drilling of any additional well needed by Operator, before or during the study of technical data of the Management committee with respect to Article 11.1 or the examination of the appraisal program. Any Well drilled for the purpose of a Discovery shall be considered as an Exploration Well.

Appraisal Report

11.4 Within ninety (90) days after the completion of the appraisal program, the Operator shall submit to the Management committee a detailed report on the activities undertaken, the materials, information and results obtained.

11.5 The report shall include, but shall not be limited to, the following information:
- Geological conditions;
- Physical properties of the fluids;
- Sulfur, sediment and water content in Petroleum;
- Types of substances measured;
- Natural Gas composition;
- Production forecast by Well; and
- Estimate of recoverable reserves.

**Declaration of a Commercial Discovery**

11.6 Together with the appraisal report as described above, the Operator shall submit a declaration to the Management committee specifying:
   a) Either that Operator has determined that the Discovery is commercially exploitable
   b) That the Operator has determined that the Discovery is not commercially exploitable, in which case sole risks conditions shall apply as stipulated in Article 13; or
   c) That the Operator has determined that the Discovery is an important Discovery which could become commercially exploitable, subject to additional Exploration or appraisal work either within or outside of the area already appraised.

11.7 In the event Operator's determination is consistent with the provisions of Article 11.6.c) above, Operator shall submit to the Management committee, within thirty (30) days after Management committee having reached the conclusion that a Discovery is not, but may become commercially exploitable, a corresponding work program and budget together with any relevant proposal intended to increase the likelihood of the development of the relevant Discovery.

11.8 If Operator does not present an appraisal program as stipulated by Article 11.2 or does not develop the commercial potential of a Discovery as mentioned in Article 11.6 c) or if Operator considers that the Discovery is not commercially exploitable, sole risks conditions shall apply as stipulated by Article 13.
ARTICLE 12
DEVELOPMENT

12.1 Within one (1) year after a notification of a commercial Discovery in accordance with Article 11.6 a) above, Operator shall submit a proposal for a Development plan to the Management committee. The proposed Development plan shall contain, but not be limited to the following points:

- A delimitation of a Exploitation Area taking into fully account the results of the appraisal program and its results in determining the potential of each reservoir and when applicable the entire field to be developed.

- The Drilling and completing of Development Wells;

- The Drilling and completing of Wells for water or Natural Gas injection;

- The laying of cables and pipelines;

- The installation of any facilities required to extract Petroleum and conduct all necessary Petroleum Operations in a prudent and safe manner;

- The treatment and transportation of the Petroleum to the processing or storage facilities onshore or offshore;

- The offtake of Petroleum including the laying of pipelines inside or outside the Contract Area to a storage facility or the Delivery Point;

- The establishment of required Petroleum storage facilities;

- The training requirements to accomplish the commitment in accordance with applicable law and this Contract;

- A comprehensive environment impact assessment which shall include an analysis of potential negative effects to the air, land and maritime environment, local communities and existing commercial and primary industries shall be included as a separate document. The assessment shall also contain a proposal or program for the mitigation of any deemed or potential negative effects on the interests referred to arising out of or resulting from facilities and activities subject to an approved plan for the Development of the Discovery.

- on how any structures, installations and facilities necessary for the Development of the commercial Discovery may be decommissioned and disposed of.

- Any other activities not explicitly mentioned in the Contract but which are necessary for the planned Exploitation and delivery of the Petroleum in accordance with Malagasy law and when applicable the best practices in the international petroleum industry.
12.2 The plan for Development shall be considered approved by the Management committee unless rejected by the Management committee, or the Management committee has requested additional information or amendments to the proposal within ninety (90) days after the latter having received the aforesaid plan for Development.

If there is no agreement within thirty (30) days on a revised proposal for a Development plan, Participants in agreement may proceed with the Development plan on an Sole Risk basis in accordance with this PSC provided all regulatory requirements to a Development plan under applicable Malagasy law has been satisfied.

12.3 Unless determined otherwise by applicable Malagasy law, the Operator shall submit to the management committee a proposal for a plan for Decommissioning a structure, installation or facility prior to the expiry or surrender of this PSC or the use of such structure, installation or facility is terminated permanently. The proposal shall evaluate the possibility for continued use said structure, installation or facility for Petroleum Operations within the scope of applicable Malagasy law from a resource management, safety, environmental and economic perspective.

12.4 The plan for Decommissioning shall be considered approved by the Management committee unless rejected by the Management committee, or the Management committee has requested additional information or amendments to the proposal within ninety (90) days after the latter having received the aforesaid plan for Decommissioning.
ARTICLE 13
SOLE RISKS

13.1 If the Participants in accordance with this Article 13.1 consider the completion of an additional work program during the periods of Exploration or after a Discovery has been made, they may at anytime undertake, either through the Operator or by themselves activities subject to the rules applicable to Sole Risks.

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

13.2 A Sole Risk Party shall notify the Operator and the other Parties of the additional work program:
   a) Within twenty four (24) hours after the Operator have notified the completion or termination of drilling if the purpose of the additional work program is to deepen or to test the well.
   b) At anytime, for drilling a well.
   c) Within thirty (30) days of the notification of a Discovery.

13.3 Any Party to this PSC may by notification reinstate its rights and participate in the undertaken as Sole Risk. In this case, Operator shall notify OMNIS and the other participants:
   a) Within forty-eight (48) hours, if the Sole Risk activity is for the purpose of deepening or to test a well.
   b) Within thirty (30) days, if the Sole Risk activity is for the purpose of drilling an Exploration Well.

13.4 If Sole Risk operations specified above result in a Discovery, a Party exercising its rights to Sole Risk shall notify the other Parties of such Discovery. When requested and for the purpose of evaluating the possibility of reinstating its rights a Party not having exercised the rights of Sole Risk shall receive in accordance with the rules governing notification of a Discovery, all information relevant thereto.

13.5 To be reinstated in its rights in the Discovery, Party unless carried shall pay:
   a) For activities stipulated in the Article 13.2, a reinstated Party unless carried shall reimburse an Sole Risk Participant all expenses due to this operation and shall pay an Sole Risk Party an additional four hundred per cent (400%) of these expenses as a premium.
b) For activities stipulated in the Article 13.3, the Party unless carried being reinstated shall reimburse the Sole Risk Participant all expenses due to this operation and shall pay an additional nine hundred per cent (900%) of these expenses as a premium.

The repayments made in accordance with this Article shall not be considered Petroleum Costs under this Contract.
**ARTICLE 14**

**NATURAL GAS**

**Utilization for Petroleum Operations**

14.1 Natural Gas extracted from reservoirs within the Contract area required for Petroleum Operations, may be used for Production support purposes including but not limited to power generation, pressure maintenance and recycling operations.

14.2 In particular Natural Gas shall be utilized when appropriate for the purpose of enhancing the recovery of Liquid Petroleum, provided such activities are in accordance with management committee approvals, applicable Malagasy law and when applicable in line with best international Petroleum practices.

14.3 The Participants shall be responsible for investigating market opportunities and seek to develop a market for Natural Gas produced from the Contract Area and shall sell unless agreed in the management committee and approved by OMNIS, such Natural Gas on a joint dedicated basis by the Operator on terms common to all the Parties to the PSC. In applying for approval from OMNIS the Parties represented by the Operator shall demonstrate that the prices and other terms of sale of such Natural Gas represents the market value obtainable for such Natural Gas, taking into consideration a fair market cost for transporting the Natural Gas from the Delivery Point to the purchaser and having regard to the alternative uses for such Natural Gas.

14.4 Natural Gas extracted, but not used for Petroleum Operations nor sold, at the option of OMNIS and provided such offtake does not substantially impede Petroleum Operations, shall be delivered to an entity designated by OMNIS at no costs to the Government. The entity receiving such Natural Gas shall assume all related costs from the Delivery Point or any other point agreed between the parties to off-take arrangement.

14.5 Natural Gas may only be flared to the extent necessary for safety or start up of operations. Any operation related to the flaring will require the management committee approvals, and will comply with applicable Malagasy law and when applicable in line with best International Petroleum industry practices. In the event Natural Gas is not sold, OMNIS decides not to remove the Natural Gas and the management committee deems that re-injection of this gas is not operationally safe, technically or economically feasible the Operator may apply for a permit to flare in line with applicable Malagasy environmental laws. The permit shall be reviewed periodically in order to establish if an offtake solution has materialized or may be developed.

14.6 If OMNIS finds a domestic market for Natural Gas, a Participant may elect to participate to provide Natural Gas to this market within sixty (60) days after OMNIS has notified the Participants of this market. In that case, the Participant taking part in the project shall assume all related costs for the development of such market or sale, including any costs related to the construction of facilities required, and the cost recovery will be
agreed by mutual convention.

14.7 An extension of the Exploration period of up to _________(__) year(s) may be permitted for the purpose of allowing the Operator to carry out their feasibility study of a Discovery of Natural Gas. The extension may only be granted on the basis of the Operator submitting to the Management committee and OMNIS a detailed explanation of its necessity with a detailed plan including a schedule for the completion of activities necessary to finalize the work necessary to establish the technical and commercial feasibility of Production and offtake. The study shall contain an outline of the project including a general description of the facilities necessary to develop or alternatively identify potential third party use of facilities and shall also include but not limited to describing the volume, quality, price that may be realized for the Natural Gas, what market it may be sold to as well as transportation infrastructure requirements for the transportation of the Natural Gas to market, including when relevant cost of transport and distribution.

The feasibility study shall take into account all relevant aspects related to the development of a Madagascar local market in Natural Gas as a primary or secondary source of energy.

14.8 The Parties shall meet and on the basis of available and relevant data decide if the Production and the sale of Natural Gas are possible.

14.9 If the Parties do not agree on the conditions for the Production and sale of Natural Gas or the conditions applied to the extension period, OMNIS may save for in cases of negative effects on health, safety and the environment or serious impediments to the contemplated Liquid Petroleum Production, on its own or with an other Party develop the Discovery of Natural Gas according to the Article 13.

14.10 The tax reference price or formula for fixing the Natural Gas prices shall be established in accordance with management committee approval, applicable Malagasy law considering the volume of Natural Gas for sale, its quality, distance to market and transport and distribution costs from the Delivery Point to the related market.

14.11 The tax reference price established when there could not be established what a true market price would be:

(a) in the case of sales to non-Affiliated Companies, the weighted average price per Gigajoule of commercial specification Natural Gas at the Delivery Point at which such Natural Gas has been delivered by the Participants during that calendar month, shall be the weighted average price per Gigajoule of all other commercial specification Natural Gas delivered during the same calendar month from Malagasy reservoirs and the weighted average of posted or publicly available
prices for alternative fuels to Natural Gas for large scale industrial consumers including power generators in the market where such Natural Gas has been delivered to ultimate customers.

(b) in the case of sales to Affiliated Companies, such price as stipulated in sub-paragraph a) above for sales to non-Affiliated Companies or such price approved by management committee.

14.12 In the event that OMNIS enters into a commercial sales agreement with a Participant for the purchase of Natural Gas from that Participant, such sales shall be at a price no higher than the price of Natural Gas sold to Affiliated Companies from the Contract Area as determined in the terms of this Article.
ARTICLE 15
ACCOUNTING AND AUDITING

15.1 All ledgers and accounts as well as any other accounting records related to Petroleum Operations (hereinafter the “Accounts”) shall be kept at Operator’s offices in Madagascar. The Accounts must show all the elements pertaining to the expenses incurred in term of volume and value of the Petroleum produced.

15.2 The Accounts shall be maintained according to applicable Malagasy law in accordance with the Accounting Procedure defined in Annex B and when applicable to generally accepted practices and procedures used in the international petroleum industry.

15.3 The Accounts shall be kept in French and expressed in U.S. Dollars which shall be the reference currency for the purposes of Article 23 of this PSC.

15.4 In order to comply with the applicable legislation in Madagascar, duplicate accounts shall also be kept in Malagasy Ariary and such Malagasy Ariary accounts shall be certified each Calendar Year by an independent auditor agreed by both Parties.

15.5 The Operator shall submit to the Parties within sixty (60) days at the end of each Quarter the statements and summary reports of Petroleum Cost during every quarter.

The rights of OMNIS to audit the accounts are referred to in the Accounting Procedure defined in Annex B.

15.6 In addition to the quarterly expense’s statement referred to in Article 15.5 above, the Operator shall provide the Participants and OMNIS the statement and reports of volumes of Natural Gas and liquid Petroleum extracted as referred to in the Accounting Procedure for the time period in accordance with the schedules and formats defined therein.
ARTICLE 16
OTHER OBLIGATIONS OF THE PARTICIPANTS

Representative residing in Madagascar

16.1 No later than on the date of signature of this PSC, each Participant shall notify OMNIS and relevant Malagasy authorities the name and address of that Participant's representative residing in Madagascar who shall be entitled to fully represent the Participant in any matter relating to the PSC, as well as to receive all correspondence addressed to Participant.

16.2 The Petroleum activities shall be conducted through supply bases in Madagascar. Supply bases comprise both those bases required for air- as well as maritime activities related to Petroleum Operations.

Conducting Petroleum Operations

16.3 The Participants shall see to that the Operator conducts the Petroleum Operations and all obligations stipulated in this PSC in a prudent and proper continuous, diligent and workmanlike manner consistent with applicable Malagasy law, this PSC and when applicable the best international Petroleum industry practices and environmental standards applicable in comparable situations.

Finance

16.4 The Participants shall provide in accordance with their percentage participation interest any and all funds necessary for investments and operating costs related to or arising out of Petroleum Operations, including Decommissioning, under this PSC.

Assistance to OMNIS

16.5 The Participants shall, at any time make available in Madagascar and do whatever is necessary in order to reasonably assist the representative of any competent public authority in Madagascar as well as representatives of OMNIS’ in their monitoring, control and verification of Petroleum Operations, the Operator's or Subcontractors' activities relevant to Petroleum Operations, records and any other information relevant to Petroleum Operations, at offices, sites, installations or other facilities of a Participant involved in any part of Petroleum Operations, the planning, preparations or support of such activities related to or arising out of this PSC.

OMNIS and any competent Malagasy authority may assign a reasonable number of representatives to such offices, sites, installations or facilities as referred to above in order to perform the monitoring, control and verification of activities

The representatives of competent authorities or OMNIS shall comply with the said control
and verification activities relevant health, safety and environment regulations and shall not unnecessarily impede Operator’s performance of Petroleum Operations unless such control or verification is initiated due to uncovered or potential serious violations of regulatory obligations under Malagasy law or infringement of this PSC.

Using Facilities

16.6 The Participants shall make any information, offices, sites, installations or other facilities available to the representatives of competent authorities and OMNIS, and shall render all assistance reasonably required to enable them to perform their regulatory tasks, and contractual rights and obligations, including transportation, room and board, under conditions equal to those provided by the Participants to their own employees.

Safety

16.7 In conducting Petroleum Operations, a Participant is required to take all reasonable and necessary steps to insure the health and safety of its personnel and see to that its Subcontractors implement equivalent measures related to their employees according applicable Malagasy law and at least to the level of generally accepted best practices in the international petroleum industry.

These provisions shall include, but not be limited to:

(a) Ensuring systems and equipment for fire fighting and evacuation of personnel in case of emergency, including the supplying of first aid kits, protective gear for the personnel and relevant safety equipment in each work area,

(b) Implementing and maintaining sanitary standards to ensure a healthy working environment for workers;

(c) Reporting to OMNIS within seventy-two (72) hours any injury on the job involving an employee, as a result of which the employee is unable to return to work following the incident;

(d) Implementing a permit-to-work procedure based on documented qualifications according to applicable Malagasy law or as applicable best petroleum industry practices for hazardous areas or tasks;

(e) Provide adequate and safe storage areas for explosives, detonators and other hazardous, poisonous, contagious or otherwise dangerous products stored or used on during or related to Petroleum Operations;

(f) Supplying fire-fighting and fire protective gear and equipment in work areas; and

(g) Take all necessary precautions to ensure sage and prudent Petroleum activities in any location related to Petroleum Operations under this PSC in accordance with applicable Malagasy law and when applicable generally accepted best practices in the international petroleum industry to ensure prudent Petroleum Operations, the control of any blow out, leak, discharge or fire which could potential or actually damage the environment, facilities, personnel or the deposits.
ARTICLE 17
ASSISTANCE BY OMNIS

17.1 OMNIS shall take reasonable steps in order to assist a Participant in developing relations with local authorities and administration and in the following areas obtaining:

a) authorizations for the use of transportation and communication;
b) authorizations in matters of customs or import/export;
c) visas, work permit or residence card, as well as any other administrative authorization which may be required to implement this Contract for the expatriate personnel who is required to work in Madagascar, including members of their families;
d) authorizations for the sending abroad, if necessary, of documents, data or samples for analysis or processing during the Petroleum Operations;
e) authorizations relative to the environment; and
f) any other administrative authorizations for the conduct of Petroleum Operations.

17.2 Within the scope of the services covered by this Article, all reasonable expenses incurred by OMNIS shall be reimbursed by the Participants on a one to one basis, and shall constitute Petroleum Costs, in accordance with applicable provisions of the accounting procedure as set out in Annex B.
ARTICLE 18
PROCUREMENT OF GOODS AND SERVICES

18.1 The Operator himself or through the use of Subcontractor is required to supply on commercially competitive terms and conditions with regard to supply organization, timely delivery, quantity and quality all required goods and services for the purpose of planning, constructing, commissioning and operating structures, installations and other facilities necessary for the conduct of prudent and efficient Petroleum Operations with the aim of maximizing the depletion of one or more reservoirs within the Contract Area.

18.2 Supply contracts shall primarily be based on competitive bidding in accordance with the transparent predefined procedures approved by the management committee and invitations for tenders shall be submitted to the Parties.

18.3 The procurement, storage and utilisation of goods and services during Petroleum Operations shall be conducted in accordance with the approved work program and budget.

18.4 The Operator shall examine with the Management committee the procedure for the procurement of goods and services relative to Petroleum Operations. Detailed, draft provisions for procurement of goods and services, including standardized forms and terms for purchase orders and contracts shall be submitted to the management committee for approval. Procurement strategies and the detailed provisions shall be approved by the management committee.

In arranging the supply calls for tenders and selecting suppliers relating to the delivery of goods and services for Petroleum Operations pursuant to this PSC, competitive Malagasy suppliers shall be given a genuine opportunity to secure orders.

The Operator shall submit proposals to the management committee for decision concerning specific proposals for contracts including a bidding list in cases of procurements with an expected contract value exceeding the equivalent of US$……………(…) . A decision by the management committee shall be made within ……..(…) business days after the Operator has submitted his proposal to the management committee.

18.5 Priority shall be given to the utilization of goods and services produced or delivered locally in Madagascar or by the Participants, as long as their price, quality, suitability, and delivery terms are comparable to those potentially imported on c.i.f terms into Madagascar.

18.6 Operator shall furnish the OMNIS automatically and any Participant upon request with copies of any Subcontractors’ Contracts.

18.7 The award of any contract, including the name of the Subcontractors, a general description of the goods or services to be delivered and the total contract amount shall be made publicly available in all cases where a part or the total delivery within a framework contract exceeds the aggregate amount equivalent to …………….. US$.

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ARTICLE 19
OWNERSHIP OF TANGIBLE ASSETS

Ownership

19.1 Ownership of any tangible asset whether fixed or moveable acquired or used by the Operator on behalf of the Participants in connection with Petroleum Operations pursuant to this PSC shall become the property of OMNIS under the following conditions:

a. The ownership of all fixed assets is transferred to OMNIS as soon as they are acquired or made use of by the Operator; and

b. The ownership of all movable assets is transferred to OMNIS:
   i) From the time of their arrival in Madagascar, if they are purchased overseas; and
   ii) From the time of delivery either to the Contract Area, or to the offices or facilities of the Operator, for Goods purchased in Madagascar.

The provisions of this Article are not applicable to assets leased by a Participant or an Affiliate.

Use of tangible assets

19.2 The Participants are entitled to the full and exclusive use of all equipment and facilities described above for the conduct of Petroleum Operations. However, such assets may also be used by third parties designated by OMNIS provided such third party use does not unreasonably impede Petroleum Operations under this PSC. Third parties making use of equipment, installations or other facilities allocated to Petroleum Operations under this PSC shall through a tariff compensate OMNIS as owner and also the Participants for any incurred loss or required additional investment and cost of operation on the basis of non-discrimination and documented real incurred costs.

19.3 All moveable assets may be moved from any part of a Contract Area relinquished to portion of the Contract Area which is retained.

In the event a Participant wants to move assets acquired for the purpose or used in connection with Petroleum Operations pursuant to this PSC to another location or make use of said assets for the purpose of Petroleum Operations pursuant to another PSC inside Madagascar prior approval of the management committee and OMNIS is required. Upon
receipt of approval by the recipient of such asset, this latter shall pay to OMNIS:

(a) an amount equal to a transfer price mutually agreed between the Parties; or

(b) if no transfer price has been agreed within ………………….(…….) days of request by a Participant for an amount it shall be stipulated by an Expert which in the assessment at least shall take into consideration the percentage of cost recovery to date and the purchase price for the asset.
ARTICLE 20
SUBCONTRACTING

20.1 The Participants shall ensure that its Subcontractors have verifiable and adequate experience and professional qualifications, management systems and staff required for the performance of their duties.

20.2 The Participants shall give priority to Malagasy Subcontractors subject to applicable Malagasy law and the procurement procedures and conditions stipulated in this PSC.

20.3 All supply contracts entered into for the purpose of Petroleum Operations pursuant to this PSC shall be governed by Malagasy law and be based on Malagasy contract traditions, copies of which shall be submitted to the parties and to a competent Malagasy authority responsible for the monitoring.
ARTICLE 21
PERSONNEL AND TRAINING

Personnel

21.1 The Participants and Subcontractors shall employ Malagasy nationals for all positions to be filled within the scope of this PSC if they have the requisite experience and professional qualifications required for the performance for the position to be filled or the work performed. If Malagasy personnel are not available the Participants shall under the training obligation in this PSC establish a systematic program in order to qualify Malagasy nationals for such positions to be filled.

21.2 The Participants shall facilitate secondment of OMNIS’ personnel during any phases of Petroleum Operations. The condition of secondment of OMNIS’ personnel shall be regulated in more detail by agreement between the Parties.

21.3 The Participants and Subcontractors may hire expatriate personnel in the event that local personnel do not have the qualifications necessary for the relevant posting. If the expatriate personnel and/or members of their family engage in unlawful activities which the Management committee judge not acceptable, the Participant in charge of such personnel at the request of OMNIS, shall immediately repatriate such personnel.

21.4 Any foreign personnel participating in Petroleum Operations and working within Madagascar's jurisdiction shall be required to be properly authorised. Such authorization shall not be denied without reasonable and justifiable reason.

Training

21.5 The Participants shall develop and train its Malagasy personnel to the same professional level as its expatriate personnel and with a view of Malagasy personnel being qualified to all positions within the Malagasy subsidiary including executive and managerial, administrative, financial, economics and technical functions. The proposed program shall be submitted to OMNIS for approval.

21.6 The Participants and OMNIS, shall on an annual basis agree to a program for training and support in the capacity building of OMNIS’ personnel in matters relevant to resource management and Petroleum Operational matters, by making available any and all of its internal training and educational programs available to a reasonable number of candidates appointed by OMNIS and acceptable by the Participants on the basis of relevance and skills required to complete such training. Costs incurred relating to participation in such programs shall be covered by the relevant Participant. Travel and subsistence shall be provided to OMNIS’ personnel by the Participant and should the extent costs be external , related costs be refunded by OMNIS at a net cost basis.

21.7 All costs and expenses incurred by a Participant with respect to this article shall be charged to Petroleum Cost.
ARTICLE 22
ROYALTY

22.1 In accordance with applicable Malagasy law, the Participants shall pay Royalty on all Liquid Petroleum and Natural Gas extracted from reservoirs within the Contract Area, save for that Petroleum which is re-injected in the same reservoir or another reservoir within the same Contract Area provided in the latter case that the purpose of injection in another reservoir is for the purpose of enhanced Liquid Petroleum production. But Petroleum used for the purpose of Petroleum Operations shall be subject to Royalty.

Royalty shall be based on volumes extracted from reservoirs within the Exploitation/Contract Area and valued at the International Market Price at the Delivery Point, when such price is established.

22.2 Royalty may be taken in kind or in cash and shall be measured and calculated separately for Liquid Petroleum and Natural Gas.

22.3 OMNIS shall inform the Participants three (03) months in advance whether the royalty shall be taken in Liquid Petroleum and Natural Gas or in cash.

22.4 Royalty taken in kind shall be delivered in accordance with the provisions of Article 23. From the total quantity of Petroleum extracted a Participant may take a portion thereof necessary to discharge the Participant's obligation for Royalty in kind.

22.5 The volumes of Royalty Petroleum taken in kind shall be delivered as Liquid Petroleum and Natural Gas at the Delivery Point.

22.6 Royalty shall be based on the daily mean production of Liquid Petroleum and Natural Gas including those volumes that are used in Petroleum Operations, lost, flared or otherwise unusable.

22.7 On OMNIS’ request, a Participant shall assist OMNIS in selling all or part of the Malagasy’ share of Petroleum taken as Royalty.

22.8 Government may by six (6) months notice given to the Operator, require the Participant to sell on behalf of the Government during the succeeding calendar year unless otherwise instructed the whole or any portion of the volume of Royalty Petroleum taken in kind. The quantity of such Petroleum, which the Government or as the case may be OMNIS, desires to sell shall be specified in said notice. The Participant shall sell that quantity of Petroleum on the open market at the best price reasonably obtainable and remit the proceeds of the sale directly and forthwith to the Government or as the case may be OMNIS. The Participant shall not realize any profit or loss resulting from the selling of the Government Petroleum (taken in kind as Royalty).
22.9 On OMNIS’ request, a Participant shall assist OMNIS in selling all or part of the Government's share of Petroleum for the Government as stipulated in Article 24.
ARTICLE 23
RECOVERY OF COSTS

23.1 The Operator may use Petroleum extracted from reservoirs within the Contract Area for Petroleum Operations.

23.2 Available Petroleum shall be valued at the Delivery Point.

23.3 Each Party shall take its entitlement to Petroleum Costs consistent with what is considered best Petroleum industry practices at an approximately regular rate throughout each calendar year.

Recovery of Petroleum Costs

23.4 With respect to the stipulations of the Accounting Procedures and this PSC, Participants may recover the Petroleum Costs as incurred within sixty percent (60%) of proportionally Available Liquid Petroleum and Available Natural Gas of the Contract Area.

23.5 The pricing related to Article 25 shall apply to the Participants in order to establish the value of Liquid Petroleum or the Natural Gas of each Quarter in the relation to Petroleum Costs.

Expenses incurred by the Participants in order to bring Profit Petroleum to the Delivery Point shall be considered as Petroleum Costs and recovered as stipulated by Article 23.4.

23.6 Participants are free to export his portion of Petroleum recovered as Petroleum Costs.
ARTICLE 24
SHARING OF PROFIT PETROLEUM

24.1 The Profit Petroleum is the quantity of Available Liquid Petroleum and Available Natural Gas obtained, after deduction of the quantity of Liquid Petroleum and Natural Gas allocated to recover the Petroleum Costs, as provided in Article 23.

24.2 The Liquid Petroleum portion of Profit Petroleum shall be shared between OMNIS and the Participants according to their share and according to the daily mean volume calculated on a monthly basis of Liquid Petroleum extracted from the reservoirs within the Contract Area in accordance with the table below:

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<th>Government’s Portion</th>
<th>Participants’ Portion</th>
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<tr>
<td>less than ……..bpd</td>
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| equal to or greater than
| ………………….bpd and less than
| ………………….bpd | … %                 | … %                  |
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| ………………….bpd | … %                 | … %                  |
| Equal to or greater than
| ………………….bpd and less than
| ………………….bpd | … %                 | … %                  |

24.3 The Natural Gas portion of Profit Petroleum shall be shared between OMNIS and the Participants according to their share and according to the daily mean volume calculated on a monthly basis of Natural Gas extracted from the reservoirs within the Contract Area in accordance with the table below:

<table>
<thead>
<tr>
<th></th>
<th>Government’s Portion</th>
<th>Participants’ Portion</th>
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<tr>
<td>less than ……..Scm</td>
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| equal to or greater than
| ………………….Scm and less than
| ………………….Scm | … %                 | … %                  |
24.4 Participants shall have right to take, to deliver and to export freely his part of Profit Petroleum according to the PSC and to keep overseas his sales revenues of the aforesaid Profit Petroleum.

24.5 The quantity of Profit Petroleum and Cost Petroleum shall be transported until the Delivery Point, offshore and onshore, its preservation and storage shall be assured by the Operator. Title to, risk and liability related to the said quantity of Petroleum shall be transferred at the Delivery Point.

24.6 No later than twenty-one (21) days before the date of the start of extraction of Petroleum from a reservoir and no later than thirty (30) days before the beginning of each Quarter, Operator shall prepare and deliver to the Parties a Production program with a Production estimate for the next Quarter and the evaluation of the quantities of Petroleum returned to each Party during the same Quarter.

24.7 Operator shall within sixty (60) days following the end of each Calendar Year submit an annual Production report to the Management committee and Malagasy authorities designated by law or by OMNIS, listing the quantities of Liquid Petroleum and Natural Gas delivered to each Party including overlift and underlift.
**ARTICLE 25**  
**PRICING OF PETROLEUM AND MEASUREMENT**

**Pricing**

*25.1* When an international market price for a quality of Liquid petroleum extracted according to this PSC is not available, that Petroleum shall be valued for the purposes of this PSC, and, shall, when available, be according to applicable Malagasy tax reference prices. Such tax reference prices shall be a price Liquid Petroleum which could have been traded for between independent parties in a free market. By independent parties is meant buyers and sellers who have no mutual common interest which might affect the agreed price. When a Malagasy tax reference price is not available for a particular quality of Liquid Petroleum, then the price of such Petroleum shall be calculated at the end of each Month, based on an international market price at the Delivery Point during the Month in question, and when applicable less the transportation costs between the Field Exit Point and the Delivery Point.

*25.2* The international market price referred to above is the average of the FOB price per barrel, in U.S. Dollars, at the Delivery Point, obtained from the commercial sales between independent parties of Liquid Petroleum by the Parties during the preceding Month. Segregation of Liquid Petroleum of different quality or grade shall be agreed between the Parties unless regulated by applicable Malagasy law. Each grade or quality of Liquid Petroleum produced in a Calendar Year shall contribute its proportionate share of Royalty, Cost Petroleum and Profit Petroleum.

*25.3* Notwithstanding the provisions of Article 25.2 above, if the sales between independent parties referred to above are based on volumes of less than half of the amount of Available Liquid Petroleum for the current Month, the applicable international market price shall be the average of the FOB prices per barrel obtained during the current Month on commercial sales made between independent parties on the international market of Liquid Petroleum originating from other production areas which sell their Petroleum in markets, where they compete with the Liquid Petroleum produced in the Contract Area.

To this end, reference shall be made to a basket of Liquid Petroleum as stipulated by competent Malagasy authorities, similar to those produced in the Contract Area, produced and sold on the international market. The relevant prices shall be adjusted to allow for variations in quality, such as specific gravity and sulphur content, transportation costs, product yield, seasonal variations in price and demand, general market trends and other terms of sale.

**Natural Gas pricing**

*25.4* The tax reference price or formula for fixing the Natural Gas prices shall be established according to applicable Malagasy law considering the volume of Natural Gas sale, its quality, distance to market and transport and distribution costs from the Delivery Point to the related market.
25.5 The tax reference price established when there could not be established what a true market price would be:

(a) in the case of sales to non-Affiliated Companies, the weighted average price per Gigajoule of commercial specification Natural Gas at the Delivery Point at which such Natural Gas has been delivered by the Participants during that calendar month, shall be the weighted average price per Gigajoule of all other commercial specification Natural Gas delivered during the same calendar month from Malagasy reservoirs and the weighted average of posted or publicly available prices for alternative fuels to Natural Gas for large scale industrial consumers including power generators in the market where such Natural Gas has been delivered to ultimate customers.

(c) in the case of sales to Affiliated Companies, such price as stipulated in sub-paragraph a) above for sales to non-Affiliated Companies or such price agreed between OMNIS and Participants.

25.6 In the event that the Government enters into a commercial sales agreement with a Participant for the purchase by the Government of Natural Gas from that Participant, such sales shall be at a price no higher than the price of Natural Gas sold to Affiliated Companies from the Contract Area as determined in the terms of this Article.

Accounting statement relevant to the pricing

25.7 In accordance with this Article, the Operator shall establish and submit to the Parties a monthly statement showing the calculations of the value of the produced Liquid Petroleum and Natural Gas at the Delivery Point(s). This statement must include:

 g) The quantities of Liquid Petroleum sold by a Participant that constitute commercial sales on terms applied between independent parties; as well as the sales price applied during that particular Month;

 h) The quantities of Liquid Petroleum sold by a Participant that do not fall into the category referred to in a) above, as well as the sales price applied during that particular Month;
i) The volumes of Petroleum in storage belonging to a Party at the beginning and at the end of the Month; and

j) The quantities of Natural Gas sold by a Party as well as the sales prices realized.

Measuring

25.8 Petroleum shall be measured when extracted from the reservoir and at the Delivery Point. Unless otherwise agreed, Petroleum shall be delivered at the Delivery Point in accordance with generally accepted practices in the international petroleum industry. The measuring equipment shall be installed and managed by Operator. Parties and competent Malagasy authorities shall be free to inspect said equipment installed by Operator and all relevant documents and supporting information pertaining thereto.

Operator's measuring equipment shall be subject to a periodical technical inspection (gauging) in accordance with applicable Malagasy law and generally accepted practices in the international petroleum industry.

25.9 If the measuring equipment is not at a required standard or defect, Operator shall repair it within fifteen (15) days, or replace it within forty-five (45) days, from the date the defect was detected. Such defect will be deemed to have occurred in the middle of the period between the last gauging operation that led to normal results and the gauging operation that showed the defect.

25.10 Any disputes arising under this Article 25.9 shall be settled by Expert determination in accordance with Article 41 of this PSC, and shall be final and binding on the Parties.
ARTICLE 26
DOMESTIC MARKET – SALES OF THE MALAGASY SHARE

Domestic Market

26.1 In accordance with the provisions of the Petroleum Code, a Participant shall, when necessary, participate in supplying the local market with a portion of the Available Petroleum to which it is entitled.

26.2 The quantity “Q” to be supplied by a Participant shall be calculated with the formula hereunder:

\[
Q = \frac{c}{a - b} \times \frac{c}{c + d}
\]

where:

- \(a\) = the volume of local consumption
- \(b\) = the volumes which cost to the Government and OMNIS concerning all productions in Madagascar
- \(c\) = the volumes that costs to Participant
- \(d\) = the volume that costs to the foreign contracted Parties working in Madagascar except the Participant

26.3 Save for in cases of a national emergency in which it is reasonable to expect serious disruption to energy supplies, OMNIS must notify the Participant concerning the supply to the local market six (6) Months in advance, specifying the volume intended to supply the local market for the following six Months. The monthly variations of this volume must not exceed a range of more or less than ten percent (10%).

26.4 The price applied to the sales in accordance with the present Article shall be the International Market Price calculated in accordance with the provisions of Article 25 of this PSC.

26.5 Any payment related to the sales of Petroleum pursuant to Participant's domestic inland market obligation must be paid in U.S. Dollars and made by wire transfer to the bank account designated by that Participant.
These payments shall be effected by OMNIS within thirty (30) days after the Date of liquid Petroleum Delivery for domestic markets.

Sales of the Government Share of Petroleum

26.6 On OMNIS’ request, with a prior notice of ninety (90) days, a Participant shall provide on a joint dedicated basis the sale or delivery in kind an entity appointed by OMNIS of all or part of the Governments entitlement of Petroleum extracted. Neither benefits nor any costs shall be deemed to be realised or incurred by a Participant in order to conclude such sales.

26.7 The proceeds from the sale on a joint dedicated basis of Petroleum in any given period shall be divided between the Government and the Participant selling Petroleum on behalf of the Government, in proportions to which they had title in undivided entitlements to the Petroleum sold.

26.8 After receipt of OMNIS’ prior notice regarding joint dedicated sale, the Participant shall submit as soon as available information on price, potential purchasers with all proposed terms and conditions of sales.
ARTICLE 27
FINANCIAL PROVISIONS AND INDEXATION

27.1 Any payment made by a Party by virtue of this PSC shall be made in U.S. Dollars or in any other currency agreed to by the Parties, and wired to an account of a bank designated by the creditor Party.

27.2 Any conversion provided for by this PSC shall be made at the most favourable exchange rate available to any industrial or commercial enterprise in Madagascar and shall apply to commercial transactions at the time of payment. Participants shall not realize any gain or loss as a result of fluctuations in the exchange rate and, consequently, any gain or loss resulting from exchange operations shall be debited or credited to the Petroleum Costs.

27.3 Any payment due to Participants by OMNIS or by the Government shall be made in Malagasy Ariary to a commercial bank in Madagascar designated by a Participant. Payment must be effected by OMNIS to Participants for the Petroleum sold to the domestic market as stipulated by Article 26.5.

27.4 Participants shall have the right to convert any currency gained from Petroleum Operations into US Dollars and transfer such funds outside Madagascar.

27.5 A Participant shall have the right to receive, retain outside Madagascar, and use without restriction all of the proceeds from export sales of its share of Petroleum, subject to its meeting its obligations the Government, the other Participants in this PSC, third party liabilities and when applicable obligations to supply the local market as stipulated in Article 26 of this PSC.

27.6 For the duration of the PSC, a Participant shall have the right to open and use one or several bank account(s) outside Madagascar.

27.7 The Participants shall have the right to regulate freely its financial needs for the accomplishment of Petroleum Operations in convertible currency and to convert the currency in Madagascar, at the exchange rate in line with stipulated procedures in this Article.

27.8 A Participant shall have the right to transfer its foreign currencies offshore Madagascar and to dispose of:

   a) the perceived revenues in Madagascar, resulting from the sales of Petroleum,

   b) the perceived revenues from other operations and activities led in Madagascar by virtue of this PSC.

27.9 A Participant shall have the right to pay for its Subcontractors and its expatriates, in currencies, either in Madagascar or abroad, Subcontractors and expatriates shall only transfer in Madagascar the necessary amount of currencies for their local needs. Subject to
procedures stipulated by applicable Malagasy law the Participants have the right to repatriate the profits from sales.

27.10 A Participant's Subcontractors and their employees shall have the same rights as a Participant and its personnel with respect to Article 27.

27.11 In accordance with the applicable provisions of the Malagasy Petroleum Code, a Participant may not have recourse to loans from Malagasy banks nor loans among companies or concerns resident in Madagascar.

27.12 Any financial arrangement in which an entity by virtue of the agreement establishing the availability of third party financial resources of any kind in favour of a Participant in which such third party establishes any influence on any aspect of Petroleum Operations or sale of Petroleum under this PSC is prohibited unless approved by OMNIS. The same applies to any transfer or assignment of such rights. The approval by OMNIS, the identity of the Parties to such an arrangement and the nature of the arrangement shall be subject to public disclosure.

27.13 OMNIS may consent to the mortgaging by a Participant of its participation share in this PSC. The same applies to any transfer or assignments of such rights. The approval by OMNIS, the identity of the parties and the nature of such an arrangement shall be subject to public disclosure.
ARTICLE 28
CUSTOMS PROVISIONS

Exemption during the Exploration Period

28.1 In accordance with the provisions of applicable Malagasy law goods and specific products used directly in the Petroleum Operations shall benefit from the regime of temporary tax and from customs exemption. Such benefits may not last beyond the term of an Exploration Mining Title.

Exemption during the Exploitation Period

28.2 Participants may export from Madagascar the Petroleum produced in the Contract Area, as stipulated by this PSC, exempt from custom duties.

28.3 In accordance with the Petroleum Code, the a Participant shall be exempt from the payment of customs duties and taxes for all materials and equipment and products used in Development Operations and the first installation of goods used in Exploitation, and during processing and transportation of Petroleum. The Operator shall on behalf of the Participants supply OMNIS with a list of equipment and materials used for these operations and consult OMNIS before applying to the Minister of Finance for the preparation of the order.

28.4 In accordance with applicable Malagasy law Participants are free to import and re-export the personal belongings including home appliances and furniture belonging to their foreign employees and its families who reside in Madagascar. Any sale of personal belongings and home appliances and furniture may only take place in accordance with the relevant rules applying to such sales.
ARTICLE 29
TAX PROVISIONS

29.1 Subject to the provisions of Article 28 above, the Participants and the entities comprising a Participant are individually subject to the tax provisions and the payment of Royalty applied in Madagascar.

29.2 The Parties shall be subject to the Direct Tax on Petroleum which discharges them to taxes such as corporate income taxes, capital gains tax and forfeited taxes on transfer.

29.3 The Direct Tax on Petroleum is based on the results (i.e. Profit Petroleum) that a Participant obtains from the Exploration and Exploitation activities of the Contract Area, as well as on the transportation or Production activities on the territory of Madagascar.
ARTICLE 30
ADMINISTRATION FEES

Within thirty (30) days from the Effective Date and within twenty (20) days from the beginning of each Contract Year, the Operator, on behalf of the Participants, shall pay OMNIS and according to their relative participation interest in the PSC the Administration Fees as follows:

i) US$ ……….. for the first four year of Exploration
ii) US$ ……….. for the sixth year of Exploration ;
iii) US$ ……….. for the remaining years of Exploration.

Any delayed payment of administration fee payments shall result in the Participants having their rights under the PSC suspended without resort to any extension or compensation of any kind and shall carry an additional five per cent (5%) interest.
ARTICLE 31
PRODUCTION BONUSES

The Operator, on behalf of the Participants, shall pay OMNIS the following production bonuses
- ……….. US Dollars when the average production reaches ……….. boe per day for a period of 90 consecutive days.
- ……….. US Dollars when the average production reaches ……….. boe per day for a period of 90 consecutive days.
- ……….. US Dollars when the average production reaches ……….. boe per day for a period of 90 consecutive days.

In case of Natural Gas Discovery, the calorific equivalence of the production mentioned above shall be applied.
ARTICLE 32
PIPPINES

32.1 OMNIS shall when necessary for the purpose of transportation of Petroleum produced under this PSC transfer to the Participants its right on the transportation of Petroleum by pipeline, with respect to the Petroleum Code. The Participants shall have the right to build, to operate and to maintain pipelines and related infrastructure for the transportation of such Petroleum.

32.2 OMNIS shall obtain the required Mining Title for the transportation of Petroleum, and with the assistance of the Operator obtain the permits and access rights necessary to convey Petroleum to the designated Delivery Point.

32.3 The Operator shall submit to the Management committee, before the construction of pipeline and required infrastructure, the following information

a) the proposed route of pipeline and the placement of related infrastructure and equipment
b) forecast rate of flow and capacity
c) an evaluation of investments required and the operation cost of pipeline and related infrastructure and equipment
d) a proposal of financing plan
e) a progress plan with milestone
f) general technical description of pipeline and related infrastructure and equipment
g) outline of planned of building and tests
h) an environmental impact assessment and proposals for mitigating measures on environmental damages and the third parties
i) any other information relating to the pipeline project.

The Management committee shall examine the information here above and shall approve the proposed project of pipeline construction with respect to the Article 6.3.

32.4 If excess of capacity of a pipeline is available, a reasonable rate shall be charged for the use of the pipeline by a third party, which may transport Petroleum by this pipeline.

32.5 The related costs to the construction of pipelines, the operations and the maintenance of the pipeline and the related facilities shall be considered as Petroleum Costs.

32.6 The Participants shall have the right during the term of this PSC to transport Petroleum, as well as to operate and maintain pipelines and related equipment, for the purpose of the PSC.

32.7 The obtained revenues from the third parties for the pipeline use shall be included in the recovery of Petroleum Costs until the recovery of all construction costs, as well as the operations and maintenance of pipeline and the related facilities and equipment (including financial costs), OMNIS shall perceive the total revenues coming from the third
parties for the pipeline use, at the end of the recovery of the said costs by the Participants.

32.8 Following the Recovery of all constructions costs, operations and maintenance of pipeline and the related installations (including financial costs), the operation costs, pipeline maintenance and related installations shall be supported by the Participants and treated as Petroleum Costs.

32.9 OMNIS shall have the same rights as the Participants for the use of pipeline and related facilities and equipment, without costs, for the transportation of its Petroleum extracted from reservoirs within the Contract Area.
ARTICLE 33
COORDINATED PETROLEUM ACTIVITIES AND UNITIZATION

Unitization

33.1 The Operator shall notify the Parties in the event a reservoir within an Exploitation Area extends beyond the Contract Area into adjacent areas subject to the jurisdiction of the Republic of Madagascar where third parties have obtained a petroleum rights for Exploration and Production of Petroleum.

33.2 OMNIS, the Parties to this PSC and the participants of such other area shall agree on a timeline for the coordination of Petroleum Operations and when agreed between the parties of the two areas or deemed appropriate by OMNIS cause the unitization of such a deposits; based on the best operational and economical techniques as used by the international petroleum industry.

33.3 OMNIS or when determined by applicable Malagasy law such designated competent authority shall apportion the deposit if Parties can not agree on the manner in which a reservoir extending across the geographical limitation of this PSC and into an area which is subject to petroleum rights held by one or more persons not a Party to this PSC within …….(…..) months after OMNIS having been notified to reservoir extending beyond the Contract Area.

33.4 Agreements on joint or coordinated Production Operations, unitization, transportation or Decommissioning are subject to approval by OMNIS, unless applicable Malagasy law designates another competent authority.
ARTICLE 34
DECOMMISSIONING

Decommissioning plan

34.1 ...........................................(…) months prior to the termination of production if in the
reasonable expectation of the Participants, the use of such one or more structure, installation
or facility will cease to be used permanently under this PSC the Operator shall submit to the
management committee, unless determined otherwise by applicable Malagasy law a
proposal for a plan to undertake the orderly Decommissioning of a structure, installation or
facility. The obligation to prepare a plan for Decommissioning applies mutatis mutandis
when the PSC expires, is revoked or surrendered. The Government may exempt or modify
the obligation to prepare and submit a plan for Decommissioning when agreed among the
Parties and warranted by law.

34.2 When a proposal for a plan for Decommissioning has been agreed between the
Parties it shall be submitted to OMNIS for approval. The Decommissioning plan may be
submitted to the Malagasy authorities at the earliest …… (…) years and not later than
…………(…) years prior to the expiry or surrender of this PSC or the use of such structure,
installation or facility is terminated permanently.

34.3 The Decommissioning Plan shall be prepared in accordance with applicable law
and shall include but not be limited to:

(a) particulars, separately set out in respect of each Contract Area, of measures to be
taken, to effect decommissioning including but not limited to:

(i) decommissioning of equipment and installations for each Contract Area;

(ii) timely removal of facilities and equipment not required for ongoing
Petroleum Operations in any area outside the Contract Area; and

(iii) any other steps that may reasonably be required in order to prevent hazard
to human life, to the property of others or to the environment.

(b) estimates of the time required to complete operations under the plan including a
progress plan with milestones;

(c) a budget for operations under the plan, including particulars of the costs of
decommissioning facilities and equipment;

(d) a schedule of breakdowns from the fund established for meeting
Decommissioning costs in order to meet the costs of implementing the proposed
plan; and
(e) such environmental, engineering and feasibility studies as may be necessary to support the proposed plan.

34.4 The plan for Decommissioning shall be prepared in compliance with applicable law, the provisions of this Article and shall ensure that decommissioning is conducted in a manner which will give effect to standards generally recognized as applicable in the international petroleum industry and when applicable the Participant’s standards for decommissioning.

34.5 In the event that the Participants do not submit a plan for Decommissioning to OMNIS authorities within the time allowed by under law a notice may be served upon the Participants requiring the Participants to submit to OMNIS, within a period of ninety (90) days from date on which the notice was served, a plan for Decommissioning. If within that period no plan for Decommissioning is submitted, OMNIS may commission consultants of international standing to prepare a plan for Decommissioning.

34.6 A plan for Decommissioning prepared by a consultant in accordance with applicable law and this article shall be implemented by the Operator and if the Operator fails in implementing the plan by one of the Participants in accordance with its terms as though it were an obligation of the Participants. The cost of commissioning engineering consultants to prepare a consultant’s proposed plan for Decommissioning plan shall be payable by the Participants and may be recovered from the Decommissioning fund.

34.7 In the event that the Participants considers that production will cease before a plan for Decommissioning has been prepared, Decommissioning measures for that particular facility be prepared by the Operator in accordance with the requirement for Decommissioning set out in this Article, and where those measures have been approved by OMNIS shall take effect as an amendment to the plan for Development of the Exploitation Area.

OMNIS may under applicable law waive the requirement to submit a plan for Decommissioning.

Decommissioning funds

34.8 The Participants shall establish in a bank of its choice a separate interest bearing ............... account or such other currency account to be mutually agreed by the Parties in a first class international bank in Europe or United States. The fund shall be denominated as the Decommissioning Fund into which the Participants shall pay from time to time amounts in order to meet the estimated costs of implementing an approved plan for Decommissioning.

34.9 Any fund allocated to cover a provisional cost related to Decommissioning of facilities and equipment and termination of production shall be established for each Exploitation Area, and the deposit of the said fund shall start at the latest:

i) five (5) years before the termination of use of facilities, or
when 50% of Petroleum reserves have been produced.

34.10 The Participants shall be jointly and severally liable for any cost related to decommissioning and shut down as well as any removal operations and shall for this purpose supply this bank account regularly so it will permit him to dispose sufficient fund to cover the provisional cost of withdraw and closure.

34.11 Any amounts deposited to the fund shall be recovered as Petroleum Costs in accordance with the provisions applicable to this PSC.

34.12 The Participants shall not withdraw money from the Decommissioning Fund save for the purpose of covering the costs of implementing an approved plan for Decommissioning and all statements relating to the Decommissioning Fund provided by the bank from time to time shall be copied to OMNIS and the competent Malagasy authority.

34.13 Costs incurred by the Participants to implement an approved plan for Decommissioning shall unless they are recovered from the Decommissioning Fund be cost recoverable in accordance with provisions in that regard set out in Article 23 or for tax purposes shall be treated as an operating expense save where such costs have been funded by withdrawals from the Decommissioning Fund.

Any funds remaining in the Decommissioning Fund after the approved Decommissioning Plan has been completed

34.14 In the event that at the time of implementing the plan for Decommissioning, there are insufficient funds available in the Decommissioning Fund to fund the implementation of the plan, then that shortfall shall be paid in full by the Participants.

34.15 If the total amount of the funds exceeds the effective costs of the Decommissioning of facilities and termination of production from the Exploitation Area, the remaining balance including interest accrued shall be shall be treated as Profit Petroleum and the remaining balance shall be shared in accordance with the provision of Article 24 according to the established split between OMNIS and the Participants. Participants' share of the proceeds shall be subject to applicable taxes on profit earned on Petroleum activities. Each Party will have the half of the balances.
ARTICLE 35
INSURANCE

35.1 The Operator shall, within the scope of this Contract, purchase the insurance coverage required by laws of Madagascar applicable on the Effective Date, as well as any policies which are required by the Management Committee, in accordance with standard practice in the petroleum industry.

These insurances policies shall cover, but shall not be limited to:

a) Loss and damage to installations, equipment, and materials used for Petroleum Operations,

b) Bodily injury caused to employees or to third parties in relation to Petroleum Operations,

c) Loss and damage to petroleum products within the Contract Area,

d) Loss and damage to pipelines or other transportation systems,

e) Damage and harm caused by the pollution of the environment and the disruption of the ecosystem (fauna and flora),

f) Cleaning and restoration of the area damaged by Petroleum Operations.

35.2 All applicable insurance policies must name OMNIS as an additional insured party with respect to the Petroleum Operations of the insured, while precluding any possibility that the insurer could be subrogated to the Operator in an action against OMNIS. Such waiver of subrogation against OMNIS must be expressly stipulated in the insurance policies. Operator shall not be responsible for carrying insurance coverage for claims arising from the negligence of OMNIS or any employee or Subcontractor of OMNIS.

35.3 Operator shall furnish the Parties appropriate evidence of insurance coverage.

35.4 Each Participant shall be responsible to implement all claims related to insurers with respect to insurance arranged by each entity. All premiums and indemnities resulting from subscribed insurance shall be treated in accordance with the provisions of the Accounting Procedure.
ARTICLE 36
INFORMATION AND CONFIDENTIALITY

36.1 The Operator is required to keep full records of the Petroleum Operations in Madagascar. Also, it shall supply the Participants and OMNIS with all of the information and data obtained, particularly those defined in Annex D.

Upon request of any Party, the Operator shall also supply the Participants with the samples of rocks or any other tangibles extracted during the Petroleum Operations. In case of a request by OMNIS such supply shall be at no cost to OMNIS.

36.2 The originals of reports and technical data recordings cannot be taken out of Madagascar without the prior approval of OMNIS. However, magnetic tapes and other data which must be analyzed, processed abroad, or stored under controlled conditions in their original state may be shipped out of Madagascar, as long as OMNIS retains a right to require their return.

36.3 The Participants, OMNIS and representatives of competent Malagasy authorities shall have access, at any time, to information and data relating to the Petroleum Operations in the Participant's possession. It is understood that in exercising this right the entity gaining access to said material or information shall not without due legal grounds impede or disturb the proper performance of Participant's activities.

36.4 Operator shall furnish OMNIS of all information, reports, tapes or other data (geological, geophysical, logs, interpretations, drilling reports, etc...) on Petroleum Operations, including documents and justifications related to the recuperated costs by Article 23. All the originals shall be transmitted to OMNIS at the end of the Contract.

36.5 Neither of the Parties shall disclose information related to the Petroleum Operations to any person or organization, Affiliated Companies; employees, professional consultants, subcontractors, any bank or financial institution without their having previously entered into a written confidentiality agreement undertaking to keep the information strictly confidential unless they are required by law.

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

36.7 The confidentiality obligation does not apply to information considered to be in the public domain, that is already known to the entity on the date of disclosure, is received independently from a third party that entity represents or an entity that has the right to disseminate such information or data at the time that such information or data was transmitted by a Party, or that is required to be disclosed under applicable law, regulation, administrative- or court order by a governmental, judicial or regulatory body having jurisdiction over the Party.

The confidentiality of the information shall apply to the Party and such entity gaining
access to confidential information for the duration of the Contract. Likewise, no entity may sell nor exchange data related to the Contract Area without the approval of OMNIS, which approval shall not be withheld when in Participants opinion the exchange would benefit the Petroleum Operations. However, a Participant may disclose the information and data to third parties who are prospective co-venturers or assignees of participating interest in the PSC (including an entity with which Participant is conducting bona fide negotiations directed towards a merger or consolidation) provided such a prospective co-venturer executes a confidentiality agreement with substantially similar terms as set forth in this Article 36.
ARTICLE 37
ENVIRONMENTAL PROTECTION

37.1 In the conduct of Petroleum Operations and in accordance with the best international petroleum industry practices and the applicable Malagasy laws, the Operator on behalf of the Participants shall take and ensure that their personnel, their Subcontractors and agents take necessary measures for the protection of the environment and the prevention of pollution, safety of life, conservation of property, crops, fish, wildlife and navigation, and safety and health of personnel, which may result from Petroleum Operations.

37.2 If the Operator’s failure to comply with the provisions of sub-article 37.1 above and the Regulations results in pollution or damage to the environment or marine life or otherwise, the Operator shall take all necessary measures to remedy the failure and effects thereof. If such pollution or damage is the result of gross negligence or wilful misconduct of the Operator, the cost of the remedy shall not be a Recoverable Costs for the purpose of this PSC.

37.3 The Operator shall notify OMNIS and the Participants forthwith in the event of any emergency or accident affecting the environment and shall take such action as may be prudent and necessary in accordance with best international petroleum industry practice in such circumstances.

37.4 Prior to each relinquishment, the Operator shall take all the necessary and reasonable measures to clean and restore the environment to the extent possible to its original state prior to commencement of Petroleum Operations, taking into account, safety, the cost and feasibility of such measures. Such measures shall include, among others, the removal or decommissioning of all facilities, material and equipment which OMNIS declares it does not need, to the extent it is not inconsistent with applicable legislation.

37.5 Prior to the Exploration activities, the Operator shall undertake one or more comprehensive environmental impact assessment in accordance with relevant applicable Malagasy law and shall get the information about national parks, reserves and other protected areas within the Contract area, in part or in total where the Operator cannot operate.

Natural Reserve Areas

37.6 In the event that a portion of the Contract Area is located within a natural reserve area, the Operator shall deploy the necessary efforts in order to minimize the negative impacts on these natural reserves, in accordance with generally accepted environmental practices in the international petroleum industry.
ARTICLE 38
ASSIGNMENTS

38.1 Sale, assignment or transfer of a participation interest, rights or obligations related to such participation in this PSC or part thereof may not take place without the prior notification or consent of OMNIS. The same applies to any direct or indirect transfer of interest in a Participant, including assignment of shareholdings and ownership shares that may provide decisive control of a Participant.

38.2 Notwithstanding Article 38.1 a Participant shall have the right to sell, assign, transfer or otherwise dispose of all or part of its participation interest, rights and obligations under this PSC to a properly qualified Affiliated Company incorporated in a jurisdiction fully transparent to Malagasy authorities. To this effect, the Participant must be able to demonstrate the financial and technical capabilities of this Affiliated Company. A Participant shall notify the Parties and apply to OMNIS for consent to any assignment to an Affiliated Company at least thirty (30) days prior to the date of such assignment.

38.3 A participant shall have the right to sell, assign, transfer or otherwise dispose of any part or all of the rights and interests under this PSC to any non-Affiliated Company incorporated in a jurisdiction fully transparent to Malagasy authorities and only with the prior consent of OMNIS, which consent shall not be unreasonably withheld. A Participant shall notify the Parties and apply for the consent of OMNIS of any assignment to a non-Affiliated Company. Any consent requested and properly documented by a Participant shall be deemed approved thirty (30) days after notification and application unless the Participant is notified to the contrary. The notification shall indicate a time limit if more time is needed for reaching a final decision. Grounds shall be given if an application is rejected.

38.4 In order for the instrument of assignment to take effect as stipulated in this Article the following shall be notified to the Participants and OMNIS:

A. The proposed assignee(s) shall provide tangible proof of its technical and financial capability, and must submit appropriate financial and other guarantees equivalent to in full or partial substitution of that of the assignor; and
B. The assignment shall include terms and conditions acceptable to OMNIS mentioning in particular that the assignee shall be bound to fulfil all existing obligations under the PSC and its Annexes.

38.5 If any participation interest in this PSC or direct or indirect controlling interest in a Participant is sold, transferred all or a part in favour of a non Affiliate Company, the Participant shall pay OMNIS an amount of US$ within fifteen (15) days) of the date the assignment or transfer was approved.

38.6 No sale, assignment, transfer or other disposal may be made until the obligatory work program has been concluded.
ARTICLE 39
FORCE MAJEURE

39.1 Neither Party shall be liable for the non-performance, for partial or late performance of any of its obligations shall not be considered as break of this PSC or as an object of litigation, if a Party is prevented by an event of Force Majeure. It is agreed that the Party being subject to Force Majeure shall notify as soon as practically possible the other Parties and shall take all necessary measures as soon as possible, in order to limit and if possible mitigate negative effects, liability or damage to the Parties and as soon as possible continue to carry out its obligations.

39.2 A failure to pay is never excused by an event of Force Majeure.

39.3 For purposes of this PSC, unforeseen event and irresistible and, beyond the control of either Party shall be considered Force Majeure if they meet the conditions without being limited to

a) wars declared or not, guerrilla warfare, inside or outside hostility
b) strikes, work stoppages
c) natural catastrophe such as floods, cyclones, fires or earthquake
d) environmental restriction which OMNIS has not informed the Operator
e) faits de Prince.
ARTICLE 40
SETTLEMENT OF DISPUTES

40.1 Any dispute between two or more Parties relating to or arising out of this PSC relating to the interpretation of law or this PSC shall be resolved, if possible, by negotiation between the Parties. A notice of the existence of a dispute shall be given by a Party to another in accordance with the provisions of Article 44. In the event that no agreement is reached within thirty (30) days after the date one Party notifies the other that a dispute exists, or such longer period that is specifically provided for elsewhere in this PSC, either Party shall have the right to have such dispute determined by arbitration or an expert as provided for in this Article 40.

40.2 Save for any matter to be referred to a sole expert as provided in Article 41, the Parties shall submit any dispute to arbitration as hereinafter provided:

(a) all disputes referred to arbitration shall be finally settled under the Arbitration Rules of the International Centre for the Settlement of Investment disputes (hereinafter called the “ICSID Rules”) pursuant to the ICSID Convention and which are in existence on the Effective Date, except as and to the extent that the ICSID Rules may be modified by the provisions of this Article;

(b) the seat of arbitration shall be ....., the law of the merits of the arbitration shall be Malagasy law and the law governing the arbitration agreement shall be Malagasy law. The arbitration proceedings shall be conducted in the French language. The French version of this PSC signed by the Parties shall be used as the official translation in arbitral proceedings;

(c) an award by an arbitrator or arbitrators shall be final and binding on all Parties;

(d) an award by an arbitrator or arbitrators shall be kept confidential by all Parties unless where prohibited by law;

(e) the arbitral panel shall be composed of three (3) arbitrators to be appointed in accordance with the ICSID Rules, provided that, upon mutual agreement of both Parties, the arbitration may be conducted by a sole arbitrator appointed under the ICSID Rules. Unless both Parties have agreed that the dispute shall be settled by a sole arbitrator, the claimant Party shall nominate in the request for arbitration, and the respondent Party shall nominate within thirty (30) days of the registration of the Request, one (1) arbitrator pursuant to the ICSID Rules. Within a period of thirty (30) days from the date when both arbitrators have accepted their appointments the arbitrators so appointed shall agree on a third arbitrator, who shall act as Chairman of the arbitral tribunal. If either Party fails to nominate an arbitrator as provided above, or if the arbitrators nominated by the Parties fail to agree on a third arbitrator within the period specified above, then ICSID shall make such appointments as necessary in
accordance with the ICSID Rules. If both Parties have agreed that the dispute shall be settled by a sole arbitrator the sole arbitrator shall be nominated by agreement between them subject to acceptance by the nominated arbitrator; provided that if the Parties are unable to agree on a nominee for sole arbitrator within thirty (30) days from the date of the registration of the Request, then ICSID shall appoint the sole arbitrator in accordance with the ICSID Rules;

(f) insofar as practicable, the Parties shall continue to implement the terms of this PSC notwithstanding the initiation of arbitral proceedings and any pending disputes; and

(g) the provisions set out in this clause 40 shall continue after the termination of this PSC.

40.3 The Parties hereby agree not to exercise any right to institute proceedings under any law or jurisdiction law to set aside any interim or final arbitral award made pursuant to this Article 40.
ARTICLE 41

EXPERT

41.1 Any matter in dispute of a technical nature not involving interpretation of law or the application of this PSC or which is required to be referred to a sole expert for determination under the provisions of this PSC (or with respect to any other matter which the Parties may otherwise agree to so refer concerning Articles 6.9, 9.5, and 25.10 shall be submitted to a sole expert by a Party by giving notice to such effect pursuant to Article 44. Such notice shall contain a statement describing the dispute and all relevant information associated therewith.

41.2 A sole expert shall be appointed pursuant to the mutual agreement of the Parties. The sole expert shall be an independent and impartial person of international standing with relevant qualifications and experience. The nationality of the sole expert shall not be the same as either of the contracting Parties nor have the same nationality as any Affiliate of any Participant, and shall not have any economic interest or relationship with any Party to the dispute.

41.3 Any sole expert appointed shall act as an expert and not as an arbitrator or mediator and shall be instructed to resolve the dispute referred to him within thirty (30) days of his appointment.

41.4 Upon the selection of the sole expert, the Party receiving the notice of referral above shall submit its own statement containing all information it considers relevant with respect to the matter in dispute. If the Parties are unable to agree on the appointment of a sole expert within twenty (20) days after a Party has received a notice of referral under this clause the sole expert shall be selected by the Secretary General of ICSID and the person so selected shall be appointed by the Parties.

41.5 The sole expert shall decide the manner in which any determination is made, including whether the Parties shall make oral or written submissions and arguments, and the Parties shall co-operate with the sole expert and provide such documentation and information as the sole expert may request. All correspondence, documentation and information provided by a Party to the sole expert shall be copied to the other Party, and any oral submissions to the sole expert shall be made in the presence of all Parties and each Party shall have a right of response. The sole expert may obtain any independent professional or technical advice as the sole expert considers necessary.

41.6 The French version of this PSC signed by the Parties shall be used as the official translation in any determination by the sole expert. The fees and expenses of a sole expert appointed shall be borne equally by the Parties.

41.7 The decision of the sole expert shall be final and binding and not subject to any appeal, save for fraud, mistake or miscarriage of justice.
ARTICLE 42
APPLICABLE LAW

42.1 This PSC consisting of the PSC main document and its Annexes forming an integral part hereof, any and all activities conducted on the basis of this PSC including Petroleum Operations, relevant subcontracts and any dispute related or arising out of such activities or contracts, shall be governed, construed and interpreted in accordance with Malagasy law and legal traditions.

42.2 Mandatory Malagasy law shall prevail in case of conflict with this PSC, its Annexes or any subsequent activities, arrangements or agreement related to or arising out of this PSC.
ARTICLE 43
MISCELLANEOUS PROVISIONS

43.1 A Participant shall have an organization and personnel in Madagascar, which is authorised and capable of taking relevant decisions and managing independently its interests in this PSC including when applicable all Petroleum Operations pursuant to or arising out of this PSC. To achieve this, the Government or an entity designated by Government may stipulate specific requirements to in respect of governance, organization and the capital of a Participant and the Operator.

43.2 Any modifications to this PSC must be subject to an addendum duly approved by the Parties and which shall enter into force under the same conditions as this PSC.

Loss or Damage

43.3 A Participant is jointly and severally liable for any loss or damage caused to third parties by employees or its Subcontractors as a result of negligence, errors or omission of any Participant or the Operator under applicable Malagasy law and this PSC, save for the following each of which, shall be a several obligations of the Participants:

a) The obligation to pay taxes;

b) The obligation to observe and abide by confidentiality rules under applicable law or contract, save for the application of such rules to anything done by the Operator in the capacity as Operator;

c) The obligation to observe and abide by financial, banking and foreign exchange rules, save for their application of such rules to the Operator in the capacity as Operator

It is understood that a Participant shall protect, defend indemnify and hold harmless OMNIS and the Malagasy Government for any claim, demands or causes of action of every kind and character as well as any penalty resulting from loss or damage.

Intellectual Property Rights

43.4 A Participant shall be liable for, and shall protect, defend, indemnify and hold harmless OMNIS from any and all claims, demands or causes of action of every kind and character arising from the infringement or alleged infringement of any intellectual property rights related to any material or information provided in any form furnished or utilised by Operator.
Litigation

43.5 Each Participant shall promptly inform the Parties of any initiated or potential litigation related to or potentially affecting the execution of this PSC.
ARTICLE 44
NOTIFICATIONS

44.1 All notifications, correspondence and communications between the Parties under the Contract shall be in writing and transmitted either in person or by mail, electronic mail, telex or facsimile to the following addresses:

For OMNIS:

21 Lalana Razanakombana
B.P. 1 Bis Antananarivo (101)
Madagascar
Fax: 261 (20) 22 22985
Attention: Monsieur le Directeur General de l’OMNIS

For …………………………………..:

XXXXXXXX

For …………………………………..:

XXXXXXXX

44.2 The authorized representative as well as the above-mentioned addresses of the Parties may be changed upon ten (10) days prior notice to the other Parties.
ARTICLE 45
TERMINATION OF THE PSC

45.1 Subject to the provisions of Article 45.3 below, OMNIS shall have the right to terminate the PSC with respect to a Participant and to take possession of all the assets pertaining to the Contract Area in possession of the Participants in Madagascar, in the event of one of the following cases that Participant:

A. Have failed to meet financial obligations as they are provided for in the PSC or applicable Malagasy law;
B. Knowingly and without cause does not satisfy any provision of Article 10 of this Contract; and
C. Knowingly and without cause does not abide with an arbitration decision rendered pursuant to the provisions of Article 40 of this Contract.
D. Knowingly and without cause does not abide with an Expert determination of material importance for the proper operation of this PSC rendered pursuant to the provisions of Article 41 of this PSC.

45.2 The Participants may terminate the PSC by relinquishing all of the Contract Area in accordance with this PSC or applicable Malagasy law.

45.3 If one of the Parties commits a material breach of its contractual obligations, including but not limited to the cases specified in Article 45.1 A and B or seriously or repeatedly infringe applicable Malagasy law is declared bankrupt or is forced to make restitution to its creditors, the other Parties shall have the right to terminate the PSC, being understood that:

A. The complaining Party must notify the other Party of its intention to terminate the Contract and the reasons for such termination and ask the latter, at its discretion, to either:
   i) Remedy the deficiency within three (3) months of the notice
   ii) Provide compensation.
B. If, within three (3) months after issuing the notice described above, the complaining Party, based on good and sufficient reasons, is not satisfied with the remedy or compensation offered by the other Party, the PSC shall be terminated unless either Party issues a notice of a dispute as provided in Article 40 of this PSC; in such case, this PSC shall remain in full force until a final settlement of the dispute has been reached in accordance with said Article

45.4 If OMNIS terminates the PSC, the Participants lose all their rights and interests under this PSC.
ARTICLE 46
EFFECTIVE DATE

This PSC shall become effective and shall bind the Parties upon signature by duly authorized representatives of OMNIS and Participants and after promulgation of a decree by the President of Madagascar approving the PSC, and after a decree granting the Mining Title to OMNIS.

Made in triplicate (3) originals,

Antananarivo, on the………………….