

- (h) evaluation of the Hydrocarbons Reservoir and adjoining areas; and
- (i) additional geological data and other relevant information relating to the Discovery.

7.6 Where the Lessee by notice in writing under Article 7.4, has informed the Lessor that the Discovery is commercially exploitable:

- (a) as soon as possible thereafter the Lessor and the Lessee will meet and, subject to the limitations set out in paragraph 9 of article 5 of the Hydrocarbons Law, will delimit by agreement the Exploitation Area in respect of the Discovery so as to include in a single area, so far as the boundaries of the Contract Area permit, the Hydrocarbons Reservoir in respect of which the notice was given under Article 7.4, together with a reasonable margin surrounding the periphery of that area. In the event that the Lessor and the Lessee are unable within sixty (60) calendar days from the date of the notice under Article 7.4 to agree on the boundaries of the Exploitation Area the Lessor or the Lessee may refer the matter for determination by a Sole Expert in accordance with Article 23.
- (b) the Lessee will prepare and submit to the Lessor not later than six (6) Months from the date of the notice given under Article 7.4 a Development and Production Programme in respect of the Discovery. The Development and Production Programme shall be consistent with the requirements of the Presidential Decree, be prepared on sound engineering and economic principles in accordance with Good Oilfield Practices and be designed to ensure:
 - (i) the maximum economic recovery of Hydrocarbons by the efficient, beneficial and timely use of the Hydrocarbon resources of the Exploitation Area;
 - (ii) adequate measures for the protection of the environment in conformity with accepted standards prevailing in the international petroleum industry, and taking account of the particular characteristics of the Contract Area.
- (c) Without prejudice to the generality of the requirements set out in Article 7.6(b) the Development and Production Programme will contain the following particulars:
 - (i) feasible alternatives for the development and production of the Discovery, including the method for disposal of associated gas;
 - (ii) proposals relating to the spacing, drilling and completion of production and injection wells, the production and storage installations and transport and delivery facilities required for the production, storage and transport of Hydrocarbons. The proposals will include the following

information:-

- (A) estimated number of production and injection wells;
- (B) (b) particulars of production equipment and storage facilities;
- (C) particulars of feasible alternatives for transportation of the Hydrocarbons including pipelines;
- (D) particulars of installations and other technical equipment required or the operations:
 - (1) the production profiles for Crude Oil and Natural Gas from the Hydrocarbons Reservoirs;
 - (2) specific steps which the Lessee proposes to take during production to prevent pollution and to restore the environment when the Exploitation Stage terminates;
 - (3) cost estimates of capital and recurrent expenditures;
 - (4) economic feasibility studies carried out by or for the Lessee in respect of the Discovery taking into account the location, the water depth (where applicable), meteorological conditions, cost estimates, the price of Hydrocarbons and any other relevant data; and evaluations thereof;
 - (5) proposals (if any) relating to the establishment of processing facilities and processing of Hydrocarbons in Greece;
 - (6) safety measures be adopted in the course of the Exploitation Operations including measures to deal with emergencies;
 - (7) estimate of the time required to complete each phase of the Development and Production Programme; and
 - (8) the delivery point for the delivery of the Lessor's In-Kind Royalty.

7.7 At or before the time the Development and Production Programme is submitted to the Lessor the Lessee, if so requested by the Lessor and in addition to the EIS prepared in accordance with Article 12, will make available to the Lessor an environmental impact study prepared by a third party (approved by the Lessor) with expertise in the field of international environmental studies, for the purpose of assessing the effects of the proposed development on the environment, including its effect on human beings, wild life and marine life in and around the Contract Area. This EIS shall, as a minimum address the matters referred to in Article 12.6.

7.8 Within two (2) Months from the date on which the Development and Production Programme was submitted to the Lessor, the Lessor will approve the Development and Production Programme unless, after its review by the Technical Advisory Committee, the Lessor determines that the Development and Production Programme does not satisfy the requirements of Article 7.6(b). In that event, if the Lessor and the Lessee are unable to agree appropriate changes to the Development and Production Programme, the matter or matters in dispute will be referred to a Sole Expert in accordance with Article 23.

7.9 The opinion of the Sole Expert shall be binding on the parties with the effect that:

- (a) if the Sole Expert is of the opinion that the Development and Production Programme submitted by the Lessee meets the requirement of Article 7.6 (b), the Development and Production Programme shall be deemed to have been approved by the Lessor;
- (b) if the Sole Expert is of the opinion that the Development and Production Programme does not meet the requirements of Article 7.6(b), the Lessee shall, not later than sixty (60) calendar days from the date on which the Sole Expert has given his opinion, either re-submit the Development and Production Programme amended to take account of the opinion of the Sole Expert or surrender the Exploitation Area; and
- (c) where the Lessee has re-submitted the Development and Production Programme, amended as aforesaid, the Development and Production Programme as so amended shall be deemed to have been approved by the Lessor within five (5) Business Days of its receipt by the Lessor.

ARTICLE 8

DURATION AND EXPIRATION OF THE EXPLOITATION PERIOD

- 8.1 Subject to the possibility of an extension pursuant to paragraph 13 of article 5 of the Hydrocarbons Law, the duration of the Exploitation Stage for each Exploitation Area shall be twenty five (25) years from the date on which a notice was given by the Lessee to the Lessor under Article 7.4 (twenty five (25) plus two (2) extensions of five (5) years each).
- 8.2 The Lessee may at any time unconditionally surrender 100% of its exploitation rights over any one (1) or more or over all of the Exploitation Areas created under the terms of Article 7.6, by serving notice to the Lessor (90) calendar days in advance. Such surrender shall not entitle the Lessee to any claim whatsoever against the Lessor in respect of costs or damages. Surrender by the Lessee of less than 100% of its exploitation rights in one (1) or more or in all of the above Areas or surrender with conditions shall not be permitted, but nothing in this paragraph shall be read or construed as prohibiting a Co-Lessee from withdrawing from this Agreement provided that its rights and obligations under this Agreement are assumed by the remaining Co-Lesseees (or by a third party) according to Article 20 of this Agreement.

- 8.3 Upon the expiration of the Exploitation Stage in any Exploitation Area the same shall revert, free and clear, to the State.
- (a) The use of real property, which has been acquired pursuant to the provision of paragraphs 1 to 4, inclusive, of article 6 of the Hydrocarbons Law and paragraphs 1 to 5, inclusive, of article 11 of the same Law, and the ownership of moveable property, the value of which has been fully depreciated, shall be turned over to the Lessor ipso jure without the payment of any consideration.
 - (b) Real property which has not been acquired pursuant to the provision of paragraphs 1 to 4, inclusive, of article 6 of the Hydrocarbons Law and paragraphs 1 to 5, inclusive of article 11 of the same Law and movable property, the value of which has not been fully depreciated shall be transferred to the Lessor at a fair market value taking account of the condition of the assets and making allowance for depreciation already recovered hereunder. In the event that an agreement cannot be reached on a fair market value the matter shall be referred for determination to a Sole Expert under Article 23.
 - (c) In respect of the assets acquired by the Lessor under this Article, the Lessor shall bear no responsibility whatsoever to the lenders of the Lessee for any of the Lessee's debts and the Lessee hereby indemnifies and holds harmless the Lessor against any claims by its lenders. In the event that security has been granted in favour of any such lender the Lessee is obliged to release the security before the property reverts to the State.
- 8.4 Unless the Lessor states otherwise not later than ten (10) Months prior to the expiration of the Exploitation Stage the Lessee shall be obliged to:
- (a) plug all producing wells and known water zones;
 - (b) remove all installations;
 - (c) restore the environment in accordance with the proposals set out in the Development and Production Programme, the EIS and any further environmental impact study prepared pursuant to Article 12, and in accordance with Environmental Laws.
- 8.5 A committee shall be formed in accordance with the provisions of paragraph 1 of Article 8 of the Presidential Decree for the monitoring and coordination of work to ensure the fulfillment of the Lessee's obligations under paragraphs (b) and (c) of Article 8.4 ("The Committee for the Removal and Disposal of the Installations"). This Committee shall comprise three (3) members. One member shall be appointed by the Lessor, one by the Lessee and the third member, who shall be the chairman of the Committee, shall be appointed by the two already appointed members, jointly. This third member shall be selected from persons who are independent of the Lessor and the Lessee and have experience on matters of Good Oilfield Practices in the international petroleum industry. If the two members fail to appoint the third member of such Committee within thirty (30) calendar days of their appointment, the Lessor or the Lessee shall be entitled to

request the selection and the appointment of the third member by the Sole Expert.

- (a) The time when the Committee for the Removal and Disposal of the Installations shall be empowered to act shall be determined by the mutual agreement of the Lessor and the Lessee which shall be reached upon the commencement of the Exploitation Stage.
- (b) This Committee shall examine all technical, legal, environmental and fiscal matters related to the removal of the installations and may, at its discretion, request the assistance of specialists on such subjects.
- (c) This Committee shall decide in accordance with the opinion of the majority and its decisions shall be binding upon the Lessor and the Lessee. The Committee's decision is subject to the approval of the Minister.
- (d) This Committee's expenses shall be paid by the Lessee and shall be debited to the Lessee's Income and Expenditure Account.

8.6 The Lessee, in order to cover the expenses which are required for the operations referred to in the preceding Article 8.4, shall at the commencement of the Exploitation Stage open a special account in a bank or banks lawfully operating in Greece in accordance with the provisions of Article 8.2 of the Presidential Decree. During the Exploitation Stage it shall periodically deposit amounts into such account and such funds, plus any interest thereon, shall be developed to be the Lessee's special reserve for the fulfillment of its obligations to remove the installations. The procedure and all relevant details for these periodic deposits shall be mutually agreed upon the commencement of the production. If no agreement is reached, the matters in issue shall be referred to the Sole Expert for final determination.

- (a) The time when the special reserve shall be used as well as the necessary amounts and the time when the Lessee shall deposit them, shall be determined by decision of the Committee for the Removal and Disposal of the Installations.

- (b) The accumulated reserve, without the relevant interest, shall be debited to the Lessee's Income and Expenditure Account.

8.7 The obligations to remove installations may be suspended following the consent of the Minister for whatever period of time the existence of such installations is considered necessary for the performance of the Lessee's operations in the same or in another Contract Area, in accordance with the provisions and the procedure laid down in paragraph 4 of Article 10 of the Hydrocarbons Law.

8.8 The provisions of Article 8.4 shall apply mutatis mutandis where the Lessee is declared to have forfeited pursuant to paragraphs 8 to 11 (inclusive) of Article 10 of the Hydrocarbons Law or where the Lessee surrenders its exploitation rights pursuant to paragraph 14 of Article 5 the same Law and Article 8.2. The provisions of Articles 8.6 and 8.7 shall also apply, mutatis mutandis, if the Committee for the Removal and Disposition of Installations has not been established, where such forfeiture or surrender

has taken place.

ARTICLE 9

CONDUCT OF PETROLEUM OPERATIONS IN THE CONTRACT AREA – OBLIGATIONS OF THE LESSEE

9.1 The Lessee will carry out Petroleum Operations in the Contract Area:

- (a) in accordance with:
 - (i) the Hydrocarbons Law and other applicable provisions of the Law, including but not limited to regulations made under paragraph 1 of article 12A of the Hydrocarbons Law;
 - (ii) the Presidential Decree, which in accordance with paragraph 29 of article 2 of the Hydrocarbons Law, is applicable to this Lease Agreement;
- (b) diligently, in accordance with Good Oilfield Practices, and in a safe workmanlike manner and, in respect of Petroleum Operations in any Exploitation Area, in compliance with the Development and Production Programme for that area.

9.2 Without prejudice to the generality of the foregoing, the Lessee, in accordance with such regulations as may be prescribed from time to time, will:

- (a) take all measures to control the flow and to prevent loss in any form or waste of Hydrocarbons above or under the ground during drilling, producing, gathering, distributing or storage operations;
- (b) take whatever practical measures are necessary to prevent any injurious ingress of water or damage of any kind to any Hydrocarbon-bearing formation which may be encountered while drilling operations are in progress, or upon abandonment of any well and shall carefully locate and preserve any fresh water sources discovered in the course of such operations;
- (c) take all precautions against fire and any unwarranted wasting of Hydrocarbons or water;
- (d) upon completion of the drilling of a well, inform the Lessor when the well will be tested and the production rate ascertained;
- (e) except in instances where multiple producing formations in the same well can be produced economically only through a single tubing string, refrain from producing Hydrocarbon from multiple oil carrying zones through one string of tubing at the same time, except with the prior written approval of the Lessor.
- (f) if the Lessor, acting reasonably, has determined that works or installations erected by the Lessee may endanger the physical safety of third parties or their property or cause pollution or other environmental damage harmful to people, animals or vegetation, take, as may be required by the Lessor, remedial

measures and repair damage to the environment;

- (g) effect and maintain for Petroleum Operations insurance coverage of the type, and in such amount, as is customary in the international petroleum industry in accordance with Good Oilfield Practices, and, on request, furnish to the Lessor certificates evidencing that such coverage is in effect when any surrender takes place. The said insurance shall, without prejudice to the generality of the foregoing cover those matters described in Annex E;
- (h) require its contractors and sub-contractors to carry insurance of the type and in such amount as is customary in the international petroleum industry in accordance with Good Oilfield Practices; and
- (i) indemnify, defend and hold the Lessor harmless against claims, losses and damages of any nature whatsoever, including, without limitation, claims for loss or damage to property, injury or death to persons or damage to the environment cause by or resulting from Petroleum Operations conducted by or on behalf of the Lessee, provided that the Lessee shall not be held responsible to the Lessor under this provision for any loss, claim, damage or injury caused by or resulting from any negligent action or wilful misconduct of personnel employed by the Lessor or from action done at the direction of the Lessor.

9.3 The Lessee shall promptly notify the Lessor of any serious events within the Contract, Area or of any serious damage to the installations capable of impeding the performance of the Annual Work Programme and Budget. If acts or omissions on the part of the Lessee its agents or servants, involve liability of the Lessor towards third parties, it shall indemnify and hold harmless the Lessor in respect of all such liability.

9.4 The Lessee shall, before drilling any Exploration Well or Appraisal Well:

- (a) notify the Minister and also in the case of an offshore area, the Ministers of National Defence and of Mercantile Marine:
 - (i) at least three (3) Months before the spudding of an Exploration Well; and
 - (ii) at least one (1) week before the spudding of an Appraisal Well; and
- (b) submit to the Lessor an application for consent to drill as set forth in Annex D:
 - (i) at least three (3) Months before the spudding of an Exploration Well; and
 - (ii) at least one (1) week before the spudding of an Appraisal Well.

9.5 Where the Lessee has, for the purpose of implementing a Development and Production Programme relating to one or more Exploitation Areas, constructed one or more pipeline(s), the Lessee shall on the application of the Lessor and subject to available capacity, in respect of which the Lessee shall have priority, make its pipeline available to transport the Hydrocarbons of the Lessor or of Independent Third Parties. The aforementioned Hydrocarbons shall be transported by the Lessee on reasonable terms

and conditions and where agreement on such terms cannot be reached by the Lessee and the Lessor, or as the case may be, the Lessee and an Independent Third Party within one hundred and twenty (120) calendar days of the commencement of discussions, the issue or issues in dispute shall be referred to an Sole Expert for determination under Article 23.

- 9.6 Three (3) Months before the beginning of each Calendar Year, the Lessee shall submit to the Lessor a statement showing the anticipated production of Hydrocarbons and By-Product(s) for the following Calendar Year and their expected values. Three (3) Months prior to the anticipated commencement of first regular production of the Hydrocarbons and By-Products, the Lessee shall submit a similar statement covering the period to the end of the then current Calendar Year.

ARTICLE 10

CONDUCT OF PERTOLEUM OPERATIONS IN THE CONTRACT AREA – RIGHTS OF THE LESSEE

- 10.1 The Lessee shall have the exclusive right to carry out Exploration and Exploitation Operations in the Contract Area and the management and control of such operations.
- 10.2 Subject to the provisions relating to the safety of installations, representatives of the Lessee, its personnel, and the personnel of its contractors and of their sub-contractors may enter the Contract Area and have free access to all installations of the Lessee.
- 10.3 Subject to the provisions relating to joint title where royalties are taken in kind as set out in Article 13, and Hydrocarbons Produced and Saved pursuant to a test as provided for in Article 7.1 each Co-Lessee, according to its interest in this Agreement, shall have unencumbered title at the wellhead to all Hydrocarbons Produced and Saved in the Contract Area.
- 10.4 The Lessee, its contractors and their sub-contractors shall be entitled to freely re-export any items they import into the country.
- 10.5 The Lessee shall be entitled to sell, within or outside the country, equipment, as well as materials resulting from the dismantling of installations no longer in use by notifying the Lessor within three (3) Months of the objects to be sold and the prices thereof.
- 10.6 No Governmental Authority shall grant to any third party any Hydrocarbons prospecting license in the Contract Area (or any part of it) to collect seismic and other data with the view to assessing its oil and gas potential without the prior written consent of the Lessee.

ARTICLE 11

UNITIZATION

11.1 If a Hydrocarbons Reservoir extends beyond the limits of the Contract Area of the Lessee into the contract area of another lessee, upon the invitation of the Minister the Lessee shall (jointly with the lessee of the adjoining contract area) prepare and submit to the Minister within the time specified by the Minister a unitization programme of exploration and exploitation of the Hydrocarbons Reservoir. If such a unitization programme is not submitted within the applicable timeframe, the Minister shall prepare such a programme in accordance with Good Oilfield Practice and the Lessee shall perform and observe all the terms and conditions thereof, failing which the Lessor shall be entitled to terminate this Agreement in accordance with paragraph 15 of Article 5 of the Hydrocarbons Law.

11.2 If a Hydrocarbons Reservoir extends beyond the limits of the Contract Area of the Lessee into an area where the Minister has the exclusive rights of exploration and exploitation, upon invitation by the Minister, the Lessee shall prepare a joint development plan for the exploration and exploitation of the Hydrocarbons Reservoir. Following the submission of a joint development plan the Lessor shall proceed in accordance with the provisions of paragraph 15 of Article 5 of the Hydrocarbons Law.

11.3 As from the date when the Minister invites the Lessee to prepare a unitization program in accordance with Article 11.1, or a joint development plan in accordance with Article 11.2, the time limits set for the fulfilment by the Lessee of its contractual obligations shall be suspended only insofar as the obligations are solely and directly related to matters arising under the unitization process described in this Article 11.

ARTICLE 12

ENVIRONMENTAL PROTECTION

12.1 All terms in this Article 12 will be considered according to the legislation in force, unless otherwise provided herein.

12.2 The Lessee shall:

- (a) conduct all Petroleum Operations in a manner which will assure the protection of environment in accordance with Good Oilfield Practices;
- (b) carry out all Petroleum Operations in full compliance with:
 - (i) the Environmental Laws;
 - (ii) the approved Strategic Environmental Assessment (SEA)
 - (iii) the Terms of Environment (ToE) resulting from the relevant Environmental Impact Assessment (EIA) ; and
 - (iv) any additional Environmental Action Plan (EAP),

pursuant to this Article and Good Oilfield Practices, while ensuring that such operations are properly monitored;

- (c) employ appropriate techniques in accordance with Good Oilfield Practices, for preventing any environmental damage that might be caused by the Petroleum Operations, and for minimizing the environmental impacts of the Petroleum Operations within the Contract Area and in adjoining or neighbouring or more distant areas;
- (d) properly and timely implement any Laws in force regarding the safety of Hydrocarbons exploration and production activities during the period of Petroleum Operations;
- (e) procure that the documentation on environmental compliance in conducting Petroleum Operations, such as SEA, ToE or EAPs and associated documents are made available to its employees and to its contractors and their subcontractors to develop adequate and proper awareness of the measures and methods of environmental protection to be used in conducting Petroleum Operations; and
- (f) ensure that any agreement between the Lessee and its contractors and their subcontractors relating to the Petroleum Operations shall include the terms as set out in this Article 12.1 and any established measures and methods for the implementation of the Lessee's obligations in relation to the environment under this Agreement.

12.3 The Lessee undertakes for the purposes of this Agreement to take all necessary and adequate steps:

- (a) to fully and timely fulfill all requirements of applicable Environmental Laws;
- (b) to prevent environmental damage to the Contract Area and neighbouring or more distant areas being caused by Petroleum Operations.

12.4 If the Lessor has on reasonable grounds reason to believe that any works or installations erected by the Lessee or any operations carried out by the Lessee are endangering or may endanger persons or any property of any other person or are causing pollution or are harming wildlife or the environment to a degree which the Lessor deems unacceptable, the Lessee may take remedial measures within such reasonable period as may be determined by the Lessor and may repair any damage to the environment, the costs of such remedial action to be borne by the Lessee. If the Lessor deems it necessary, it may require the Lessee to discontinue Petroleum Operations in whole or in part until the Lessee has taken such remedial measures or has repaired any damage.

12.5 The measures and methods to be applied by the Lessee for the purposes of complying with the terms of this Article 12 shall be determined in timely consultation and agreed with the Lessor prior to the commencement of the relevant Petroleum Operations and/or associated works and whenever there is a significant change in the scope or

method of carrying out Petroleum Operations, the Lessee shall take into account Good Oilfield Practices, as well as the relevant requirements of the ToE.

12.6 Pursuant to Article 12.2(a), the Lessee shall prepare and submit to the competent governmental authority, an Environmental Impact Study (EIS) for the relevant Petroleum Operations in respect of which an EIA procedure is required. The EIS shall, as a minimum:

- (a) fully comply with the requirements of the EIA legislation in force;
- (b) meet the requirements and guidelines set out by SEA; and
- (c) be prepared by a third party with adequate expertise in the field of environmental studies, which will be appointed by the Lessee to work on its behalf.

12.7 Each project, work, activity or any other part of the Petroleum Operations that is subject to an EIA, shall commence only after the ToE have been approved.

12.8 Any modification, expansion, improvement or modernization of a project, work, activity or any other part of the Petroleum Operations with approved ToE, requires compliance with the relevant provisions of EIA legislations. The same applies for the renewal (time extension) of the ToE decision.

12.9 In case of activities for which an EIA is not mandatory, but nevertheless it is reasonably expected that some minor environmental impacts may occur, as in particular for the case of seismic surveys, the Lessee shall prepare an EAP, to determine, assess and mitigate these impacts, focusing on prevention and minimization thereof in accordance with Good Oilfield Practices.

12.10 The EAP shall be submitted to the Lessor for review and must be complied with by the Lessee.

12.11 The Lessee shall include in each Annual Work Programme and Budget to be submitted to the Lessor, an environmental report on the work to be undertaken as provided in that document, as well as on the work undertaken in accordance with the preceding Annual Work Programme and Budget.

12.12 Before carrying out any drilling activities, the Lessee shall fully meet the requirements of the applicable legislation for safety, contingency (i.e. oil spill, fire, accident, emissions etc.) and major hazard management plans.

12.13 In the event of any emergency or accident arising from Petroleum Operations affecting the environment, the Lessee shall immediately notify the Lessor, giving details of the incident and immediately implement the relevant contingency plan. In dealing with any emergency or accident affecting the environment, the Lessee shall at all times take such action as is prudent and necessary in accordance with the Environmental Laws and Good Oilfield Practices in the circumstances.

12.14 The Lessee shall not be liable for any environmental condition or damage existing in

the Contract Area prior to the commencement of the Lessee's operation therein and nothing in this Agreement shall be construed to hold the Lessee liable in relation to any such pre-existing environmental condition or damage. For this purpose, a baseline report shall be prepared by the Lessee, to detail the condition of the environmental parameters and resources at the time prior to operation commencement. The baseline report shall be submitted for review to the Lessor. If there are no objections from the Lessor within twenty (20) Business Days of submission of such report, the report shall be deemed accepted.

ARTICLE 13 ROYALTIES

- 13.1 In accordance with the Presidential Decree, the Lessee shall pay to the Lessor a Royalty on all Hydrocarbons and By-Products Produced and Saved in the Contract Area. The Royalty shall be calculated and payable in accordance with the provisions of this Article 13.

For the purposes of this Article 13:

"Actual In-Kind Royalty" means, in respect of the First Period or any subsequent Calendar Quarter, the In-Kind Royalty determined in accordance with Article 13.5.(b).

"Actual Production" means, in respect of the First Period or any subsequent Calendar Quarter, the total quantity of Hydrocarbons and By-Products Produced and Saved from the Contract Area during that First Period or that Calendar Quarter, as the case may be, as set out in a statement prepared by the Lessee in accordance with Article 13.7 and section 5 of Annex C (the "Exploitation Statement").

"Cash Royalty" means any Royalty the Lessor elects to take in cash in accordance with Article 13.3.

"Cash Royalty Calculation Date" means each of the following dates: (i) in respect of the First Period, and in respect of each subsequent Calendar Quarter, that date which is thirty (30) calendar days after the commencement of the next Calendar Quarter; and (ii) the date of termination of this Agreement.

"Cash Royalty Payment Date" means each of the following dates: (i) in respect of the First Period, and in respect of each subsequent Calendar Quarter, that date which is forty five (45) calendar days after the commencement of the next Calendar Quarter, and (ii) the date of termination of this Agreement.

"Cumulative Gross Inflows" means in respect of the First Period or any subsequent Calendar Quarter the cumulative gross value of:

- (i) Hydrocarbons and By-Products Produced and Saved (as determined under the provisions of Article 16) from the Contract Area;
- (ii) sales of assets acquired for use in connection or associated with Petroleum

Operations; and

- (iii) the net proceeds of the transactions described in paragraph 3.6 of Annex C, any other income in connection or associated with Petroleum Operations including, but not limited to, tariff income derived from the construction and operation of pipelines to convey each Co-Lessee's Hydrocarbons and By-Products, whether such income is due to the Co-Lessee or its Affiliate Enterprise, income derived for the generation of electrical power and income resulting from any insurance policy or indemnity, for all years from the date of first commercial production up to and including the last day of that First Period or subsequent Calendar Quarter, as the case may be. For the purposes of this definition, gross value means the value prior to the deduction of any Royalty, taxes, duties or other fiscal impositions, transportation, handling, agency or any other costs or expenses of any nature whatsoever.

"Cumulative Total Outflows" means, for the First Period and all subsequent Calendar Quarters, the cumulative sum of all Exploration Costs, Exploitation Costs, Operating Costs and other deductible costs referred to in Section 3 of Annex C for all periods from the Effective Date up to and including the last day of that First Period and each subsequent Calendar Quarter, as the case may be.

"Estimated In-Kind Royalty" means in respect of the First Period or any subsequent Calendar Quarter, the estimate of the In-Kind Royalty for such period, as determined in accordance with Article 13.5.(a).

"Estimated In-Kind Royalty Calculation Date" means each of the following dates: (i) in respect of the First Period, such date (as agreed between the Parties) which is at least two (2) Months prior to the estimated date of first commercial production; and (ii) in respect of each subsequent Calendar Quarter, such date (as agreed between the Parties) which is at least two (2) Months prior to the first day of that Calendar Quarter.

"Estimated Production" means in respect of the First Period and each subsequent Calendar Quarter, the Lessee's estimate of the total quantity of the Hydrocarbons and By-products to be Produced and Saved from the Contract Area during such period.

"Estimated R Factor" means in respect of: (i) the First Period and the next Calendar Quarter, the Lessee's estimate of what the R Factor will be for each such period; (ii) the second Calendar Quarter after the First Period, the R Factor for the First Period; and (iii) each subsequent Calendar Quarter, the R Factor for that Calendar Quarter which immediately preceded the immediately preceding Calendar Quarter.

"Estimated Royalty Percentage" means, in respect of the First Period and in respect of each subsequent Calendar Quarter, the Royalty Percentage for such period calculated by reference to the Estimated R Factor for that period.

"First Period" means, that period from the date of the notice sent by the Lessee to the Lessor in accordance with Article 7.4 informing the Lessor that a Discovery is

commercially exploitable up to the commencement of that Calendar Quarter which immediately succeeds the date of first commercial production.

"In - Kind Royalty" means any Royalty the Lessor is deemed to elect to take in - kind in accordance with Article 13.3.

"In - Kind Royalty Calculation Date" means each of the following dates: (i) in respect of the First Period and each subsequent Calendar Quarter that date which is thirty (30) calendar days after the commencement of the next Calendar Quarter; and (ii) the date of termination of this Agreement;

"Royalty Percentage" means, in respect of the First Period and in respect of each subsequent Calendar Quarter, that percentage, calculated by reference to the R Factor, such that, if the R Factor in respect of such period is:

- (a) lower than or equal to 0.5, the Royalty Percentage shall be 2%;
- (b) higher than 0.5, but lower than or equal to 1.0, the Royalty Percentage shall be 5%;
- (c) higher than 1.0, but lower than or equal to 1.5, the Royalty Percentage shall be 10%;
- (d) higher than 1.5, but lower than or equal to 2.0, the Royalty Percentage shall be 15%;
- (e) higher than 2.0, the Royalty Percentage shall be 20%.

"R Factor" means, in respect of the First Period and in respect of each subsequent Calendar Quarter, the product of: (i) Cumulative Gross Inflows for the First Period or that Calendar Quarter, as the case may be, divided by (ii) Cumulative Total Outflows for the First Period or that Calendar Quarter, as the case may be.

Regarding the calculation of the R factor: (i) Any amounts deposited in the special reserve for decommissioning or removal of installations and the rectification of the Contract Area ("Abandonment") and if applicable; the total amount of actual expenses for Abandonment work not covered by the special reserve are considered and shall be treated as deductible costs. (ii) All costs and expenses, in relation to the loans to finance the Petroleum Operations, including but not limited to, interest and finance charges incurred by each Co-Lessee are not considered a deductible cost. (iii) Royalties are included in the denominator (Cumulative Total Outflows) of the R factor.

13.2 The Royalty to be paid by the Lessee to the Lessor shall be calculated as a percentage of the Hydrocarbons and By-Products Produced and Saved from the Contract Area in respect of the First Period and each subsequent Calendar Quarter in accordance with the following provisions of this Article 13.

13.3 The Lessor may elect, in its absolute discretion, to take its Royalty in-kind ("In-Kind Royalty"), or in cash ("Cash Royalty") or in a combination of both in respect of any

Calendar Year. If the Lessor wishes to take all or part of the Royalty as a Cash Royalty the Lessor shall advise the Lessee of its intention in writing not less than ninety (90) calendar days before the commencement of each Calendar Year (or for the first Calendar Year in which Hydrocarbons are produced, at least two (2) Months prior to the estimated date of first commercial production). The Lessor shall also specify the percentage of Royalty entitlement it intends to take as a Cash Royalty during that year (or in respect of the first Calendar Year in which Hydrocarbons are produced, during the remaining part of that Calendar Year). If the Lessor does not elect to take all or part of the Royalty as a Cash Royalty, in respect of any Calendar Year the Lessor shall be deemed to have elected to take all of the Royalty as an In-Kind Royalty in respect of that Calendar Year. That proportion of the Royalty the Lessor is to take as a Cash Royalty shall be calculated and paid in accordance with Article 13.4. The proportion of the Royalty the Lessor is to take as an In-Kind Royalty shall be calculated and delivered in accordance with Article 13.5.

13.4 If, in respect of any Calendar Year, the Lessor elects to take any part of its Royalty as a Cash Royalty, the following provisions shall apply:

- (a) The Cash Royalty (if any) in respect of the First Period and each subsequent Calendar Quarter shall be calculated on the Cash Royalty Calculation Date in respect of the First Period or that subsequent Calendar Quarter, as the case may be, and shall be paid by the Lessee to the Lessor on the Cash Royalty Payment Date in respect of the First Period or that subsequent Calendar Quarter, as the case may be.
- (b) On the Cash Royalty Calculation Date in respect of the First Period and on the Cash Royalty Calculation Date in respect of each subsequent Calendar Quarter, the Lessee shall determine the amount of the Cash Royalty for such period by:
 - (i) determining the R Factor and then the Royalty Percentage in respect of the First Period or that subsequent Calendar Quarter, as the case may be;
 - (ii) multiplying the Royalty Percentage determined in accordance with Article 13.4(b)(i) above by the Actual Production for the First Period or that Calendar Quarter, as the case may be;
 - (iii) multiplying the amount determined in accordance with Article 13.4.(b) (ii) by a percentage which is equal to the percentage of the Royalty for that Calendar Year for which the Lessor has elected to take Cash Royalty in accordance with Article 13.3; and
 - (iv) calculating the cash value of the amount determined in accordance with Article 13.4.(b) in accordance with Article 16 (Valuation of Hydrocarbons).

13.5 If, in respect of any Calendar Year, the Lessor is deemed to elect to take any part of its Royalty as an In-Kind Royalty, the following provisions shall apply:

- (a) On the Estimated In-Kind Royalty Calculation Date in respect of the First Period

and each subsequent Calendar Quarter, the Lessee shall:

- (i) determine the amount of the Estimated In-Kind Royalty by:
 - (A) determining the Estimated R Factor and then the Estimated Royalty Percentage for the First Period or that Calendar Quarter, as the case may be;
 - (B) multiplying the Estimated Royalty Percentage determined in accordance with Article 13.5.(a)(i)(A) by the Estimated Production for the First Period or that Calendar Quarter, as the case may be; and
 - (C) multiplying the amount determined in accordance with Article 13.5.(a)(i)(B) above by a percentage which is equal to the percentage of the Royalty for that Calendar Year which the Lessor is deemed to have elected to take in-kind in accordance with Article 13.3; and
- (ii) with the Lessor, prepare a programme pursuant to which the Lessor shall take delivery of such Estimated In-Kind Royalty during such period, and the Lessee shall be obliged to deliver the Estimated In-Kind Royalty in accordance with the agreed programme at the delivery point agreed between the Parties in the Development and Production Programme.
- (b) On the In-Kind Royalty Calculation Date in respect of the First Period and each subsequent Calendar Quarter the Lessee shall determine the amount of the In-Kind Royalty by:
 - (i) determining the R Factor and then the Royalty Percentage for the First Period or that Calendar Quarter, as the case may be;
 - (ii) multiplying the Royalty Percentage determined in accordance with Article 13.5.(b)(i) above by the Actual Production for the First Period or that Calendar Quarter, as the case may be; and
 - (iii) multiplying the amount determined in accordance with Article 13.5.(b)(ii) by a percentage which is equal to the percentage of the Royalty for that Calendar Year which the Lessor is deemed to have elected to take in kind in accordance with Article 13.3;
- (c) If the Estimated In-Kind Royalty for the First Period or any subsequent Calendar Quarter is less than or greater than the Actual In-Kind Royalty for the same period, then an appropriate adjustment shall be made to future In-Kind Royalties or Cash Royalties to be delivered or paid by the Lessee to the Lessor in order to correct any such difference according to the provisions of article 2.3(b) of the Presidential Decree.

13.6 If a Cash Royalty shall become due to the Lessor, each Co-Lessee, according to its interest in this Agreement, shall acquire ownership of the extracted Hydrocarbons by acquiring possession thereof at the wellhead. If an In-Kind Royalty shall become due to

the Lessor, the Lessor and each Co-Lessee, according to its interest, shall become, as from the time of the extraction of the Hydrocarbons until delivery of the royalty to the Lessor is made, joint owners thereof in proportions by which the Lessor's royalty entitlement and the Lessee's entitlement (after deduction of the Lessor's Royalty entitlement) for the First Period or that Calendar Quarter, as the case may be, bear to the total volume of Hydrocarbons and By-Products Produced and Saved in the First Period or that Calendar Quarter, as the case may be.

13.7 Within fourteen (14) calendar days of the end of the First Period and the end of each subsequent Calendar Quarter the Lessee shall submit to the Lessor a statement showing the Actual Production for the First Period or that Calendar Quarter, as the case may be in accordance with the procedure and as contemplated in Section 5 of Annex C.

13.8 The Lessee shall bear all risks, costs and expenses associated with the Lessor's In-Kind Royalty up to the delivery point agreed between the Parties in the Development and Production Programme and the Lessor shall bear all risks, costs and expenses beyond that delivery point.

13.9 Subject to the provisions of this Article concerning the Lessor's right to take an In-Kind Royalty, each Co-Lessee shall be entitled to export freely the Hydrocarbons and By-Products produced.

13.10 Without prejudice to the provisions of Article 1.4 and notwithstanding anything to the contrary in this Agreement, any payment due to the Lessor under this Article 13 shall be made by the Lessee.

ARTICLE 14 TAXATION

The tax regime of this Agreement is exclusively governed by the provisions of the present Article, and, with the exception of paragraph 5 of article 8 and paragraphs 10 and 11 of article 9 of Law 2289/1995, the provisions of articles 8 and 9 of Law 2289/1995 (Official Government Gazette Vol. A' 27) do not apply.

14.1 Each Co-Lessee shall be subject to a special income tax, at a rate of twenty per cent (20%) and to a regional tax, at a rate of five per cent (5%), without any additional ordinary or extraordinary contribution, duty or other encumbrance of any kind, in favour of the State or any third party. The tax shall be imposed on the net taxable income earned by each Co-Lessee's contractual operations, as determined by the provisions of this article of this Agreement. Each Co-Lessee will be jointly and severally liable for the income tax due by the remaining Co-Lessee. The imposition of this tax exhausts the income tax obligations of each Co-Lessee as well as its shareholders/partners/members, with respect to the profits resulting from its contractual operations. The assessed tax is payable in one payment. Notwithstanding the provisions of the Income Tax Code and the Taxation Procedures Code, each Co-Lessee shall be exempted from the obligation of advance payment of income tax for the

tax corresponding to income arising from its contractual operations.

- 14.2 All the works, the purchases of fixed assets and the other expenses which are required for the fulfillment of the purposes of the present Agreement as stipulated in detail in paragraph 7 of the present Article are carried out by the Operator in its name on behalf of the Co-Lessees. The Operator concludes the required contracts, receives the relevant invoices in accordance with the tax legislation as in force and records them in its books separately per each exploration or exploitation area. The Operator issues a monthly clearance document until the 15th day of the following month allocating the above expenses to each Co-Lessee in accordance with the percentage that each Co-Lessee holds in the present Agreement. VAT, where applicable, is passed on to each Co-Lessee through the clearance document. The clearance document which constitutes a record to be used for the accounting entries in the books of the Co-Lessees and the Operator, is accompanied by copies of the relevant records, by which the initial entries in the books of the Operator have been made. In case the Operator is one of the Co-Lessees the allocation concerns the remaining Co-Lessees. The amounts received by the Operator from the Co-Lessees for covering the expenses of the Operator do not constitute gross revenues of the Operator for the purposes of this Article and for income tax purposes. In addition to the expenses which are allocated to each Co-Lessee as above, each Co-Lessee shall have the right to deduct expenses stipulated in paragraph 7 of the present Article and carried out by the Co-Lessee itself.
- 14.3 Each Co-Lessee shall maintain books and records that fully reflect its transactions, according to tax legislation and the accounting standards that are prescribed under Greek legislation, and in which it shall maintain separate income and expenditure accounts for each exploration or exploitation area.
- 14.4 The amounts that are recorded as income and expenses in the accounts specified in the preceding paragraph, shall be determined in paragraphs 6, 7 and 8 of this article. Specifically with regard to licenses that fall within the provisions of Law 2289/1995, up to fifty per cent (50%) of the expenses of exploration operations in one Contract Area may be included in the expenses of another Contract area for which the Lessee or each Co-Lessee holds an exploitation license according to the provisions of Law 2289/1995 and has commenced the production of hydrocarbons. Such a transfer of expenses is realized, in the case of each Co-Lessee, in accordance with its participation percentage in the present Agreement. Both exploration operations expenditures and the related depreciations of this category are accounted for in separate accounts in the books of each Co-Lessee. Net taxable income shall be the difference resulting between the amounts credited as income and the amounts debited as expenses, as such amounts are shown in the consolidated account for the entire contract area.
- 14.5 For the purposes of determining each Co-Lessee's annual taxable income, the permissible depreciation level of the value of the expenses incurred for exploration and the exploitation infrastructure and the remaining fixed assets, including expenses incurred prior to the production of hydrocarbons and expenses of the first establishment, recorded in the income and expenditure account in accordance with paragraph 9, is equal to fifty percent (50 %) of the value of the annually Produced and

14.6 Saved Hydrocarbons and By-products: Any depreciation taking place in accordance with the above, may not exceed the expenses incurred for exploration and the acquisition value of the assets to be depreciated. The value of the annually Produced and Saved Hydrocarbon and By-products is determined in accordance with article 16 of this Agreement.

14.6 The income and expenditure account of each exploitation area is credited with the following:

- (a) the value of the hydrocarbons and their by-products produced and sold by the each Co-Lessee;
- (b) the value of royalties paid in kind to the Lessor;
- (c) the proceeds of the sale of assets to the extent that such proceeds exceed the acquisition value thereof and, in the case of fixed assets, to the extent that such proceeds exceed the value thereof not yet depreciated; and
- (d) any other income connected with the contractual operations or, deriving from the transportation of products through the Lessee's pipelines on behalf of independent third parties, within the country and within areas defined by paragraph 1 of article 148 of the Mining Code or resulting from the receipt of any insurance or other compensation.

In the event that any of the above revenues are derived by the Operator in the name and on behalf of the Co-Lesseees such revenues will be allocated to the Co-Lesseees by application of paragraph 2.

14.7 The income and expenditure account of each exploration or exploitation area is debited with the following:

- (a) the expenses that are incurred for the exploration, the exploitation infrastructure and the other fixed assets, including expenses incurred prior to the commencement of the exploitation of hydrocarbons, as well as the expenses of the first establishment, which are calculated in accordance with paragraph 5 of this article;
- (b) current production expenses, and particularly the expenses incurred for materials, supplies or energy used or consumed, salaries and related expenses and expenses incurred for services provided by third parties;
- (c) general expenses incurred in the country for the Co-Lessee's contractual operations, including specifically expenses for salaries, rental costs for fixed and movable assets and insurance premiums;
- (d) amounts for salaries of managers or employees of the Co-Lessee's offices abroad and for general administrative expenses of such offices according to the services provided by them relating to the contractual operations. Such amounts shall not exceed a percentage of the corresponding expenses

incurred in Greece, as determined by P.D. 127/29.05.1996 (Official Government Gazette Vol. A' 92);

- (e) amounts of interest on loans and other bank charges incurred for the purpose of securing financing or enabling each Co-Lessee to obtain credit in any other manner for the performance of the contractual operations, with the exception of exploration operations and the delineation of deposits. The following interest charges shall be excluded: 1) the amounts by which the interest paid exceeds a reasonable interest rate according to the arm's length principle; 2) the amounts by which the revenues from the production of hydrocarbons are used to finance capital investments in fixed development assets during the production;
- (f) amounts for bad debt provisions according to the provisions of the Income Tax Code as well as any compensation paid for damages caused to third parties;
- (g) the non-depreciated value of destroyed or abandoned assets;
- (h) any other current expense or loss relating to the contractual operations, provided that such expense or loss shall be deductible from the gross income in accordance with the general income tax provisions;
- (i) any amount deposited in a special account held with one or more banks lawfully operating in Greece, which shall be used for the satisfaction of the Lessee's obligations relating to the termination of the exploitation. The amount accumulated shall appear in a reserve account and, any amount not used shall be taxed upon the termination of exploitation;
- (j) any amount of the Royalty to be paid in cash or in kind, as determined in accordance with Article 13 of this Agreement.

14.8 Revenues and expenses that cannot be attributed exclusively to a specific exploitation area are apportioned between all of the exploitation areas of the contract area, as more particularly prescribed by P.D. 127/29.05.1996 (Official Government Gazette Vol. A' 92).

14.9 The value of the hydrocarbons and their by-products is determined in accordance with article 16 of this Agreement.

14.10 Losses incurred in respect of a particular Exploitation Area prior to the commencement of any exploitable production shall be carried forward without any restrictions for such period. From the commencement of any exploitable production and thereafter, the general income tax provisions shall apply in relation to the carrying forward of losses.

14.11 In the event of a suspension of exploitable production in accordance with article 26 of this Agreement, the suspension period shall not be taken into account for the purposes of calculating the time period for which the transfer right of taxable losses applies in accordance with the general income tax provisions.

- 14.12 The actions of the grant of hydrocarbon exploration and exploitation rights to the Lessee in accordance with this Agreement, the transfer of rights by each Co-Lessee pursuant to agreements concluded in accordance with paragraphs 4 to 8 of article 7 of Law 2289/1995 and Article 20 of this Agreement, the sale of hydrocarbons produced by each Co-Lessee, the project contracts entered into for contractual purposes by the Lessee with contractors and by contractors with subcontractors, the lease, the granting or the acquisition in any other manner of the use of property in accordance with the provisions of this Agreement shall be objectively exempt from any general or special, ordinary or extraordinary tax, duty, stamp-duty, dues, ordinary or extraordinary contribution and deduction and are generally exempted from any financial charge in favour of the State and any third party. With respect to VAT, the provisions of the VAT Code (Law 2859/2000), as in force, shall apply. The capital gains resulting from the first transfer of the rights of each Co-Lessee pursuant to agreements concluded in accordance with paragraphs 4 to 8 of article 7 of Law 2289/1995 and Article 20 of this Agreement that is effected during a period of six (6) months from the commencement date of this Agreement is exempt from income tax, provided that the consideration paid does not exceed the aggregate amount of payments made by such person for the implementation of the contractual operations against the proportion transferred.
- 14.13 The loan or credit agreements granted to each Co-Lessee by banks or financial institutions or legal entities of any nature foreign or domestic, in order for the contractual operations for hydrocarbons exploration and exploitation to be performed, the interest accrued and its payment, as well as the payments (cash calls) paid by each Co-Lessee to the Operator shall be objectively exempt from any general or special, ordinary or extraordinary tax, duty, stamp-duty, dues, ordinary or extraordinary contribution and deduction and are generally exempted from any financial charge in favour of the State and any third party, save for the contribution of Law 128/75. Interest accrued on the aforementioned loan and credit agreements are not exempt from income tax. With respect to VAT, the provisions of the VAT Code (Law 2859/2000), as in force, shall apply.
- 14.14 The above provisions shall apply notwithstanding the provisions of the Income Tax Code (Law 4172/2013 (Official Government Gazette Vol. A' 167), which shall apply only with respect to issues that are not addressed by this article.
- 14.15 The Code on taxation of inheritance, donations, gifts inter vivos and lottery gains, as ratified by the first article of Law 2961/2001 (Official Government Gazette A' 226) shall apply in the event that the conditions for its application are met.

ARTICLE 15 FEES AND BONUSES

15.1 The Lessee shall pay the following surface fees:

- (a) ten (10) Euros per square kilometer of the Contract Area annually during the Exploration Stage (First Phase);

- (b) fifteen (15) Euros per square kilometer of the Contract Area annually during the the Exploration Stage (Second Phase);
- (c) twenty (20) Euros per square kilometer of the Contract Area annually during the Exploration Stage (Third Phase) and any extension thereof as provided for in Article 2.3;
- (d) in addition to fees paid in respect of paragraphs (a), (b) and (c) above, two hundred (200) Euros per square kilometer of the Exploitation Area annually during all Phases of the Exploitation Stage.

For the Calendar Year in which this Agreement is executed, the surface fee set forth in paragraph (a) above shall be calculated pro-rata from the Effective Date through to December 31st of said Calendar Year, and shall be paid within thirty (30) calendar days after the Effective Date.

For succeeding Calendar Years, the surface fees set forth in paragraphs (a), (b) and (c) above shall be paid in advance, thirty (30) calendar days before the beginning of each Calendar Year.

For the Calendar Year in which the Exploitation Period commences with regard to the Contract Area, the surface fee set forth in paragraph (d) above shall be calculated pro-rata from the date the Exploitation Period commences through to December 31st of said Calendar Year.

For succeeding Calendar Years the surface fees set forth in paragraph (d) above shall be paid in advance, thirty (30) calendar days before the beginning of each Calendar Year.

Surface fees shall be calculated based on the surface of the Contract Area and, where applicable, of the Exploitation Areas held by the Lessee on the date of payment of said surface rentals. In the event of surface relinquishment during a Calendar Year or in the event of Force Majeure, the Lessee shall have no right to be reimbursed for any surface fees already paid.

15.2 The Lessee shall pay the following amounts as bonus:

- (a) one million one hundred thousand Euros (€1,100,000) as a signature bonus within thirty (30) calendar days after the Effective Date;
- (b) one million Euros (€1,000,000) Euros after the total average daily production from Contract Area first reaches five thousand (5,000) barrels of oil per calendar day or equivalent for a period of sixty (60) consecutive calendar days;
- (c) two million Euros (€2,000,000) after the total average daily production from Contract Area first reaches ten thousand (10,000) barrels of oil per calendar day or equivalent for a period of sixty (60) consecutive calendar days;

- (d) four million Euros (€4,000,000) after the total average daily production from Contract Area first reaches twenty-five thousand (25000) barrels of oil per calendar day or equivalent for a period of sixty (60) consecutive calendar days.

Natural Gas shall be taken into account for purposes of determining the total average daily production from the Contract Area under Article 15.2 (b) to (d) and Article 15.3(c) by converting daily Natural Gas delivered into equivalent barrels of daily Crude Oil production in accordance with the following formula:

$$\text{MSCF} \times H \times 0.167 = \text{equivalent barrels of Crude Oil}$$

where

MSCF = one thousand Standard Cubic Feet of Gas.

H = the number of million British Thermal Units (BTU's per MSCF).

Such payments shall be made within thirty (30) calendar days following the last day of the respective sixty (60) calendar day period.

The surface fees and bonuses required under this Article shall not be included in the Cumulative Total Outflows for the purposes of calculating the Royalty under Article 13.

- 15.3 The Lessee shall also contribute to the training and improving of the professional skills of the local staff in accordance with the provisions of the Hydrocarbons Law and a plan established in agreement with the Minister at the end of each Calendar Year. For that purpose:

(a) during the Exploration Stage, the Lessee shall spend on said plan or, at the Minister's election, place at the disposal of the Minister for implementing said plan, a minimum amount of eighty thousand Euros (€80,000) per Calendar Year.

(b) from the date that the Lessee declares a Discovery to be commercially exploitable under Article 7.4, said amount shall be increased to ninety thousand Euros (€90,000) per Calendar Year

(c) from the date that the Lessee reaches an average daily production from the Contract Area of one thousand (1,000) barrels of oil per calendar day or equivalent, said amount shall be increased to one hundred thousand Euros (€100,000) per Calendar Year.

- 15.4 All payments from the Lessee to the Lessor under this Agreement shall be made free of any deduction including, without limitation, any deduction by way of claim, counterclaim or set off.

ARTICLE 16

VALUATION OF HYDROCARBONS

Taking into account the provisions of the Presidential Decree, the value of Hydrocarbons and By-Products shall be determined as follows:

16.1 For Crude Oil

- (a) In the case of Arm's Length Sales (as defined herein below) of Crude Oil by the Lessee to Independent Third Parties: the price shall be the price free on board at the place of loading, ("FOB Greece Point of Delivery") actually realised by the Lessee provided that it is true and reasonable. A price shall be considered reasonable if it does not unduly differ from the official selling price, fixed from time to time by the major crude oil exporting countries for Crude Oil closest in quality to that produced and sold by the Lessee, after adjustment of such price to allow for variations - in specific gravity, sulphur content, transportation costs and terms of sale (the "Official Price"). In the event of Cost Insurance Freight (CIF) sales appropriate deductions shall be made for applicable insurance and freight charges to calculate the FOB Greece Point of Delivery price.
- (b)
 - (i) In the case of sales by the Lessee to Affiliate Enterprises and in the case of quantities retained by the Lessee for its own refining or use, and of, Crude Oil received in kind by the Lessor: the average weighted price, free on board at the place of loading, in each Calendar Quarter, as established by Arm's Length Sales of similar kinds of Crude Oil effected during such quarter from the production of the Contract Area by the Lessee to Independent Third Parties and by the Lessor to third parties
 - (ii) If, during any Calendar Quarter, no Arm's Length Sales of any kind of Crude Oil have been made by the Lessee to Independent Third Parties, nor by the Lessor to third parties, other than states and legal entities, directly or indirectly Controlled by the State or other states price shall be the Official Price.
- (c) In the event that, for the purposes of paragraph (a) and (b) of this Article 16.1 the Parties cannot ascertain the Official Price of the Crude Oil produced and sold then the price shall be as determined in accordance with paragraph (e) of this Article 16.1 for Crude Oil which, at the time of calculation, is being freely and actively traded in the international market and has similar characteristics (such as, by way of example only, specific gravity and sulphur content) to the Crude Oil in respect of which the price is being determined (the "Marker Crude"). The FOB selling price for the Marker Crude shall be ascertained from Platts Crude Oil Market Wire daily publication ("Platts").
- (d) In the event the Parties fail to agree upon the identity of the Marker Crude,

Article 16.3 shall apply.

- (e) The price, for the purposes of paragraph (c) of this Article 16.1 shall be the arithmetic average of the high and low FOB prices per barrel of the Marker Crude as published by Platts for each of the preceding five (5) consecutive Business Days, after adjustment of such prices to allow for variations in quality, transportation costs, delivery time, payment terms, the market area in which the Crude Oil is being sold, the prices available within the domestic market, product yield, seasonal variation in price and demand, market trends, other contract terms to the extent known and other relevant factors. Where the calculation for the average price includes a weekend or a day upon which Platts is not published, then the last published price shall be applied for the day or days upon which Platts is not available.
- (f) The FOB prices referred to in paragraph (e) of this Article 16.1 shall not include official sales prices set by governmental authorities or other prices established in government transactions, exchanged, barter, spot sales, restricted or distress transactions, any other transactions which are associated with special financial or commercial considerations or other dispositions not consistent with prevailing market prices for similar Crude Oil.
- (g) In the event that Platts ceases to be published for a period of thirty (30) consecutive Business Days, the Parties shall agree on an alternative daily publication of similar nature and stature used in the international petroleum industry. If the Parties cannot agree on the identity of an alternative daily publication as aforesaid, Article 16.3 shall apply.
- (h) For the purposes of this Article, the expression "Arm's Length Sales" means sales entered into between a willing seller and a willing purchaser on commercial terms reflecting current open market conditions and excludes exchanges, barter, restricted or distress transactions or any other transaction which is associated with special financial or commercial considerations.

16.2 For Natural Gas Condensate and other Hydrocarbons and By-Products

- (a) In the case of Hydrocarbons and By-Products, other than Crude Oil, sold by the Lessee, the price shall be the actual selling price realised by the Lessee provided that it is true and reasonable. A price shall be considered reasonable if it takes account of prices current from time to time on the international market, the particular characteristics of the product, and the price of alternative fuels in the place to which the gas is delivered.
- (b) In the case of Hydrocarbons and By-Products, other than Crude Oil, retained by the Lessee for its own use or received in kind by the Lessor, the price shall be agreed by both the Lessor and the Lessee, account being taken of the price referred to in the preceding paragraph (a).

16.3 Final Determination

In the event of any difference, dispute or failure to agree between the Lessor and the Lessee about the value or price of any Hydrocarbons or the manner in which such value or price is to be determined, in accordance with the provisions of this Article, the matter or matters in issue shall be subject to final determination by the Sole Expert in accordance with Article 23.

16.4 For the purposes of this Article, any reference to the Lessee shall be deemed to be a reference to the Lessee or any Co-Lessee.

ARTICLE 17

MEASUREMENT OF HYDROCARBONS AND BY-PRODUCTS

17.1 The Lessee, using international standard measurement methods, shall measure all Hydrocarbons extracted at their place of extraction and shall also measure all Hydrocarbons and By-Products Produced and Saved pursuant to Article 17.2.

17.2 Representatives of the Lessor shall have the right to be present at and observe such measurement and to examine and test whatever appliances are used. If upon such examination or testing any appliance shall be found to be out of order or defective in any way the Lessor may require that the same be put in order or replaced by the Lessee, and if any such request is not complied with in a reasonable time specified by the Lessor, the Lessor may cause the said appliance to be put in order or replaced and may recover from the Lessee the cost of so doing.

17.3 If upon examination by the Lessor, as aforesaid, any error or defect is discovered in an appliance, such error or defect shall be deemed to have existed for three Months prior to its Discovery or from the date of the last examination and testing, whichever last occurred and quantities shall be adjusted accordingly.

17.4 If the Lessee desires to effect modifications to the measuring instruments, it shall give reasonable advance notice to the Lessor to enable the latter's representatives to attend the modifications.

ARTICLE 18

SATISFACTION OF DOMESTIC REQUIREMENTS

18.1 Pursuant to paragraph 1 of article 7 of the Hydrocarbons Law, in case of war, danger of war or any other state of emergency, the Lessee shall, upon request by the State, sell to the latter all or a specified portion of its share of the production of Hydrocarbons and By-Products from the Exploitation Area, provided that, if, immediately prior to the exercise of the above entitlement there are several exploitation areas in the same Contract Area or another areas in Greece, the Lessee's contribution pursuant to such request shall be apportioned on a pro rata basis among the lessees of the relevant areas.

18.2 The price charged for the quantities of Hydrocarbons and By-Products sold to the State pursuant to Article 17.4, shall be the price fixed for the Hydrocarbons and By- Products received in kind by the Lessor, in accordance with Article 16.

If, in the case of Crude Oil, the price taken is the average weighted price under Article 16.1(b) then, pending the determination of such price, payment for the quantities sold to the State during each Calendar Quarter shall be provisionally based on the corresponding average weighted price of the preceding quarter, any resulting differences being adjusted after determination of the definitive average weighted price.

ARTICLE 19

RECORDS, REPORTS AND DATA INSPECTIONS

19.1 The Lessee shall, as specified in the present Article:

- (a) keep current, complete and accurate records in the State of all Petroleum Operations and its activities in the Contract Area;
- (b) permit the Lessor's representatives to inspect the Petroleum Operations and the records kept according to paragraph (a) above;
- (c) submit to the Lessor all Data, as required pursuant to paragraph 10 of Article 7 of the Hydrocarbons Law, and
- (d) maintain the Proprietary Data in Greece and ensure that the Lessor has unrestricted access to such data, as required pursuant to paragraph 10 of Article 7 of the Hydrocarbons Law.

19.2 The following reports and data shall be supplied to the Lessor without delay upon being drawn up or obtained:

- (a) copies of geological surveys with supporting material, accompanied by the relevant maps;
- (b) copies of geophysical surveys with supporting material, as well as copies of recorded seismic magnetic tapes; and interpretation reports;
 - (i) in the case of drilling, daily reports while drilling is in progress and copies of records containing full particulars of;
 - (ii) the drilling, operations, deepening, testing, plugging and abandonment of wells;
 - (iii) the strata and subsoil through which wells are drilled;
 - (iv) the casing inserted in wells and any alteration in such casing; and
 - (v) any formation water, other minerals as per Article 7.2, or dangerous substances encountered;

- (c) copies of records on production tests carried out, as well as any survey relating to the initial production of each well;
 - (d) copies of all analysis reports of core samples and sampling procedure followed
 - (e) copies of any other technical reports which may be drawn up regarding the Petroleum Operations; and
 - (f) daily production reports and all relevant information related to production.
- 19.3 The Lessee shall, without delay after their execution, submit (in hard or electronic copy) to the Lessor copies of all contracts entered into by it with suppliers (including Affiliate Enterprises), contractors and sub contractors and others with respect to Petroleum Operations. The Lessor may ask for clarification of the terms and prices of these contracts.
- 19.4 The Lessee shall submit to the Lessor detailed quarterly and annual financial and technical reports of its activities under the Agreement. Quarterly reports shall be submitted within one (1) Month of the expiration of each Calendar Quarter and the annual report within three (3) Months of the end of each Calendar Year.
- 19.5 Within three (3) Months of the end of the Calendar Year in question - unless a shorter period is provided for lodging the tax return under paragraph 5 of Article 8 of the Hydrocarbons Law, in which case this shorter period shall also apply - the Lessee shall submit to the Lessor copies of income and expenditure accounts according to Annex C.
- 19.6 The Lessee shall submit representative samples of drilling cores and cuttings taken from each well, as well as samples of production fluids. Upon the expiration of this Agreement, samples of drilling cores and cuttings remaining in the possession of the Lessee shall be delivered up to the Lessor.
- 19.7 The Lessor warrants that it has title to all State Data and grants to the Lessee an unconditional, royalty free, licence only for those State Data held or developed by the Lessor until the Effective Date (excluding any data acquired and/or produced under the non-exclusive marine seismic data acquisition and services commenced on the 26th of October 2012) valid for the duration of this Agreement to access retain and use such data for the purposes of conducting the Petroleum Operations. The Lessor shall have title to all Data and grants the Lessee an unconditional royalty free licence valid for the duration of this Agreement to access, retain and use such data for the purposes of conducting the Petroleum Operations. Such licences shall be exclusive in respect of State Data and Data relating to all parts of the Contract Area which have not been relinquished or surrendered by the Lessee and non-exclusive for the areas relinquished or surrendered by the Lessee during the term of this Agreement. Notwithstanding the above, the Lessor shall keep State Data in relation to the Contract Area confidential but shall be entitled to disclose such data for purposes of promoting tenders with respect to exploration and exploitation of hydrocarbons in adjacent areas.
- 19.8 The Lessor acknowledges the proprietary rights of the Lessee in the Proprietary Data,

which shall continue to be the property of the Lessee.

19.9 The Lessee shall duly submit, upon request, all Data and Proprietary Data for statistical purposes as may be required under the Law.

19.10 The Lessee shall promptly report to the Lessor every discovery of fossil and minerals as per Article 7.2.

19.11 The Lessor shall keep all Data and Proprietary Data received from the Lessee in relation to all parts of the Contract Area confidential. It may, however, subject to the provisions of Articles 19.15 and 19.16, disclose such data under its responsibility and subject to a separate undertaking of confidentiality being executed, to independent scientific institutions or consultants acting as the Lessor's adviser in relation to the Petroleum Operations. It may also use the said data in the conduct of an arbitration or during litigation between the Parties.

19.12 The Lessee shall not unreasonably withhold its consent to requests of the Lessor to publish or communicate to independent scientific and academic institutions for scientific purposes, specific parts of the Data, if this can be done without detriment to the Lessee's interests.

19.13 The Lessor and its representatives:

(a) shall have rights to:

(i) access the Contract Area at all reasonable times and reasonable intervals and with reasonable prior written notice to the Lessee, at their own risk (save where injury or damage results from the gross negligence or willful misconduct of the Lessee) and expense;

(ii) observe Petroleum Operations; and

(iii) inspect all assets, records, Data and Proprietary Data owned or maintained by the Lessee relating to Petroleum Operations; provided that the Lessor and its representatives shall not interfere with the Petroleum Operations in exercising such rights; and

(b) may make a reasonable number of surveys, drawings, tests and copies for the purpose of monitoring the Lessee's compliance with the terms of this Agreement. In so doing, the Lessor and its representatives shall be entitled to make reasonable use of the equipment or instruments of the Lessee provided that no damage to the equipment or instruments or interference with the Petroleum Operations which results from such use. The Lessor and its representatives shall be given reasonable assistance by the Lessee for such functions; and the Lessee shall afford to the Lessor and its representatives all facilities and privileges afforded to its own personnel in the field, including the use of available office space and housing free of charge.

19.14 Except as provided in Articles 19.12, 19.15 to 19.20, for the term of this Agreement, all