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MEMORANDUM OF UNDERSTANDING

THIS MEMORANDUM OF UNDERSTANDING (this "MOU") is made by and between:

The Government of the Federation of Bosnia and Herzegovina, having its main office at Alipašina 41, Sarajevo, Federation of Bosnia and Herzegovina represented by its Prime Minister, Mr. NERMIN NIKŠIĆ and its Federal Minister of Energy, Mining and Industry, Mr. BRDAL TRHULJ (the "Government"); and

Shell Exploration Company B.V., a company incorporated in the Netherlands and having its registered office at Carel van Bylandtlaan 30, 2596 HR The Hague, the Netherlands represented by its Attorneys-in-Fact, Messrs. MARCUS ANTONINI and MICHAEL FOLEY ("Shell"),

(In this MOU, the Government and Shell are also jointly referred to as the "Parties" and individually as a "Party")

WHEREAS:

1. The Government, in order to progress the economic development of the Federation of Bosnia and Herzegovina, wishes to attract international investment for the exploration and development of hydrocarbons resources in the Federation of Bosnia and Herzegovina;
2. Shell, as a leading international oil and gas company, is experienced in exploring for and developing hydrocarbon resources around the world and has expressed an interest to the Government to explore for such resources in the Federation of Bosnia and Herzegovina;
3. The Parties wish to jointly examine possibilities of co-operation in developing hydrocarbons opportunities in the Federation of Bosnia and Herzegovina as contemplated by Article 1; and
4. The Parties have come to a general understanding on how, and on what basis, they wish to conduct such joint examination, and wish to record such understanding in this MOU.

THEREFORE, NOW, THE PARTIES RECORD THE FOLLOWING:

DEFINITIONS

"Affiliate" means with respect to Shell, any company or legal entity which (i) either directly or indirectly controls Shell, or (ii) which is controlled directly or indirectly by Shell, or (iii) is directly or indirectly controlled by a company or legal entity which directly or indirectly controls Shell. For the purpose of this definition, "Control" means the right to exercise more than 50% of the voting rights in the appointment of the directors of such company or legal entity.

"Effective Date" means the date upon which this MOU has been signed.

1 SCOPE OF THIS MOU

1.1 Within one (1) year from the Effective Date Shell will, at its own expense in accordance with Article 4.1, provide to the Government the following:

- (a) digitalization of the geological and geophysical data relating to the MOU Area made available to Shell by the Government;
- (b) an initial geological and geophysical screening of said data; and
- (c) a structural reconstruction of the fold thrust belt using state of the art tools, technology and insights.

Shell's deliverables described in this Article 1.1 shall be based on the geological and geophysical data provided by the Government to Shell within the first three (3) months from

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the Effective Date. Shell shall consult the Geological Survey of the Federation of Bosnia and Herzegovina (the "Geological Survey") on the format in which this data shall be provided to the Government to ensure such format is compatible with computer software programmes used or to be used by the Geological Survey (*i.e.*, ArcGIS or Arcinfo and for .nag files, Petrel or Kingdom Suite, or as otherwise agreed).

The Parties, or in the case of Shell its designated Affiliate, agree to share geological and geophysical data for the purposes described above in this Article 1.1 and, if applicable, in Article 1.2. To this end, the Government will ask "Energoinvest" d.d. Sarajevo ("Energoinvest") as well as any relevant previous owners of exploration rights in the MOU Area or their legal successors for (copies of) the data gathered and provide such data to Shell as soon as possible. The Government will furthermore provide Shell, through the Geological Survey or otherwise, with any other necessary information and samples that relate to the Project Objectives, if available.

- 1.2 After completion of the work described in Article 1.1, Shell will have the option to conduct, at its own expense in accordance with Article 4.1, a play based evaluation covering the Federation of Bosnia and Herzegovina, based on the data made available by the Government and regional studies conducted by Shell or its Affiliates.

Shell will notify the Government in writing not later than eleven (11) months after the Effective Date whether it exercises its option to conduct such play based evaluation or whether it will terminate the MOU in accordance with Article 8.2. If Shell so exercises its option, the Parties, or in the case of Shell its designated Affiliate, shall cooperate to assess the hydrocarbon production potential throughout the territory of the Federation of Bosnia and Herzegovina (the "MOU Area"), with the aim of identifying the most prospective acreage within the MOU Area consisting of \_\_\_\_\_ square kilometers (\_\_\_\_\_ km<sup>2</sup>), unless otherwise mutually agreed by the Parties (the "Exploration Area"). Such play based evaluation shall consist of a review of the geological, geophysical, hydrogeological and other technical aspects of the MOU Area.

Subject to Article 8.3, Shell shall provide the Government with a comprehensive report of the play based evaluation, which will include the results of the activities and analyses described in Attachment 1, within ten (10) months from the date it has notified the Government of the exercise of the said option.

- 1.3 In recognition of the play based evaluation conducted by Shell pursuant to Article 1.2, the Parties, or in the case of Shell its designated Affiliate, will preferentially and exclusively negotiate, in good faith, and subject to Article 7, one or several concessions, licences or production sharing agreements which provide Shell or its Affiliates with the exclusive right to explore for, appraise and, if successful, to commercially develop and produce hydrocarbons in the Exploration Area (each, a "Petroleum Licence" or "Definitive Agreement"), with the aim of the Government issuing to Shell (or its designated Affiliate) such Petroleum Licence(s), or the Parties (or in the case of Shell its designated Affiliate) entering into such Definitive Agreement(s) within twenty-four (24) months of the Effective Date of this MOU.

Each Petroleum Licence or Definitive Agreement will provide for mutually acceptable terms and conditions under which Shell or its designated Affiliate will carry out exploration, appraisal and development activities within the designated Exploration Area in accordance with applicable laws and regulations.

The exploration, appraisal and commercial development and production rights under such Petroleum Licences or Definitive Agreements shall cover the full lifecycle of all activities necessary to produce hydrocarbons. Details of such development and production will depend

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on the identification of the commercially viable resources to be produced, but will include the construction, development, ownership, operation and expansion of all the necessary production, processing and storage facilities, power generation, transport and distribution infrastructure, the wholesale and retail of products, either to the domestic market or for export, together with all commercial transactions necessary to achieve the foregoing.

- 1.4 For the purposes of this MOU the foregoing content of this Article 1 shall collectively be referred to as the "Project Objectives".
- 1.5 Shell will conduct its activities under this MOU in accordance with the Shell Group Business Principles, Health, Safety, Security and Environmental Principles, and Code of Conduct, copies of which has been received by the Government.

**2 THE MOU AREA AND THE EXPLORATION AREA**

- 2.1 For the term of this MOU the Government hereby grants Shell and its Affiliates the exclusive right to assess the hydrocarbon production potential of the MOU Area.
- 2.2 The Government has approved that effective as of 4 November 2011 Energoinvest assigns and transfers to Shell all geological survey results obtained by Energoinvest under the Geological Survey Licence issued to Energoinvest on 12 September 2007 and any predecessor of such Geological Survey Licence (the "Licence") under the terms of a separate assignment agreement to be entered into by Energoinvest and Shell on 4 November 2011. Immediately following the said assignment and transfer, the Government shall revoke the Licence. The Government confirms and warrants that:
- (a) the assignment and transfer of the said geological survey results by Energoinvest to Shell is in accordance with the laws of the Federation of Bosnia and Herzegovina;
  - (b) other than this MOU, Shell needs no further Government approvals, consents, licences or permits to conduct the activities contemplated by this MOU and pursue the Project Objectives; and
  - (c) no third party holds any rights that in any way conflict with Article 2.1 or the Project Objectives.
- 2.3 During the term of this MOU the Government shall not (i) provide any geological or geophysical data concerning the MOU Area to any third party (other than an Affiliate of Shell) and (ii) offer to, entertain any request from, or process or grant any hydrocarbon surveying, exploration or production rights to, any third party for all or any part of the MOU Area that in any way would conflict with Article 2.1 or the Project Objectives.

**3 MEETINGS AND STEERING COMMITTEE**

- 3.1 The Parties will meet within thirty (30) days from signing this MOU, and at regular intervals thereafter (which shall not exceed ninety (90) days) at mutually agreed times in Sarajevo (or another mutually agreed place) to provide general direction, monitor progress and take decisions in respect of key issues relating to this MOU.
- 3.2 The Parties shall each appoint (3) three representatives for the meetings described above, who shall together form the "MOU Steering Committee". The MOU Steering Committee shall co-ordinate the Parties' activities pursuant to this MOU and act as the focal point for all contacts between the Parties.

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The representatives of the Government shall be appointed within (10) days from the Effective Date.

Until further notice by Shell, the representatives of Shell shall be Mike Foley, Richard Knight and Sebastien van Roosmalen.

3.3 The language used in the correspondence and meetings between the Parties will be English.

**4 COSTS AND EXPENSES**

4.1 Unless otherwise agreed in writing between the Parties, each Party shall bear all of its own in-house and third party costs incurred in respect of any activities carried out by it under this MOU, including (without limitation) for salaries, insurance, taxes, duties, travel, office overheads and administration, breakages and downtime. Neither Party may claim any financial reward or fee from the other Party in respect of any work carried out under this MOU.

4.2 The arrangement set forth in Article 4.1 is without prejudice to any financial arrangement that may be agreed under any Petroleum Licence or Definitive Agreement.

**5 CONFIDENTIALITY**

5.1 If one Party (the "Receiving Party") receives information from the other Party (the "Disclosing Party") that is not in the public domain or already in the Receiving Party's free possession ("Confidential Information"), then unless and until such Confidential Information enters in the public domain (through no breach of the Receiving Party) or is obtained by the Receiving Party from a third party without binder of secrecy, the Receiving Party shall preserve the secrecy of such Confidential Information and shall not disclose the same to a third party without the prior written consent of the Disclosing Party. The Receiving Party shall return all Confidential Information (including copies) to the Disclosing Party within thirty (30) days of receipt of a written request to do so.

5.2 The Disclosing Party hereby represents and warrants that it has the right and authority to disclose the Confidential Information it will provide to the Receiving Party under this MOU. The Disclosing Party, however, makes no representations or warranties, express or implied, as to the quality, accuracy and completeness of such Confidential Information.

5.3 The Parties agree that the existence of this MOU and its terms and conditions constitute Confidential Information and that with respect to this Confidential Information each Party shall be deemed a Receiving Party.

5.4 The Receiving Party shall be entitled to disclose the Confidential Information without the Disclosing Party's prior written consent to the following persons:

- (a) employees, officers and directors of the Receiving Party who have a reasonable need to know in order to evaluate the Confidential Information, provided that such disclosure is made on a confidential basis;
- (b) employees, officers and directors of any Affiliates who have a reasonable need to know in order to evaluate the Confidential Information, provided that such disclosure is made on a confidential basis;

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- (c) any agent or consultant retained by the Receiving Party or any of its Affiliates for the purpose of evaluating the Confidential Information, subject to such agent's or consultant's written agreement to maintain the confidentiality of the Confidential Information;
- (d) any bank or other financial institution financing the Receiving Party's investment or participation in any Exploration Area, including any consultant retained by such bank or other financial institution for the purpose of evaluating the Confidential Information, subject to such bank's, financial institution's or consultant's written agreement to maintain the confidentiality of the Confidential Information;
- (e) any governmental authority or stock exchange authority provided disclosure is required under applicable law, stock exchange regulation or by a governmental order, decree, regulation or rule. The Receiving Party shall give written notice to the Disclosing Party prior to such disclosure.

5.5 The Parties agree that the obligations under this Article 5 will survive the expiration or termination of this MOU pursuant to Article 8 for a period of two (2) years from such expiration or termination.

**6 PUBLIC ANNOUNCEMENTS**

No public release or announcement (including any written or oral statement under circumstances where it could be reasonably expected that such statement would be published in any media) concerning this MOU, including its execution, shall be made by any Party without the other Party's prior written consent. The provisions of this Article 6 shall not apply to any such release or announcement that may be required by applicable law or the rules of any stock exchange, provided that the Party required making the release or announcement shall notify the other Party of, and to the extent this is practicable allow the other Party a reasonable opportunity to comment on, such release or announcement in advance of its issuance.

**7 LEGAL STATUS OF THIS MOU**

7.1 The Parties acknowledge and confirm that this MOU expresses the intentions of the Parties concerning its subject matter and acknowledge and confirm that there are substantive matters that need to be resolved before the Parties or any Affiliate of the Parties can enter into any Petroleum Licence or Definitive Agreement.

7.2 If the negotiations between the Parties pursuant to this MOU are discontinued (by whichever Party and for whatever reason) and no agreement on how to proceed is reached, this shall not give rise to any claim on the part of one Party or any of its respective Affiliates against the other Party or any of its respective Affiliates on any grounds whatsoever.

**8 DURATION, PHASING**

8.1 This MOU shall become effective on the date of its signature and shall remain in force for a period of two (2) years, unless an extension is granted according to Article 8.3 or the Parties agree otherwise in writing to extend the duration of this MOU.

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- 8.2 Notwithstanding Article 8.1, Shell may, after twelve (12) months following the Effective Date, for any reason whatsoever, terminate this MOU by giving the Government one (1) month's prior written notice to this effect. Such termination will not affect Shell's obligation to provide the Government with the deliverables described in Article 1.1.
- 8.3 If Shell has exercised its option under Article 1.2 and in the course of its conduct of the play based evaluation contemplated by Article 1.2 finds that under the laws of the Federation of Bosnia and Herzegovina the Government cannot award a Petroleum Licence or Definitive Agreement in accordance with the process described in Article 1.3, Shell may terminate this MOU by giving the Government one (1) month's prior written notice to this effect. In case of such termination, Shell will not be obliged to provide the Government with the report referred to in Article 1.2.
- 8.4 If Shell has exercised its option under Article 1.2 and has completed the play based evaluation contemplated by Article 1.2, and after twenty-four (24) months following the Effective Date, the Parties are in the process of establishing the Exploration Area and negotiating the Petroleum Licence(s) or Definitive Agreement(s) but have not yet finally agreed such Petroleum Licence(s) or Definitive Agreement(s), Shell may ask for a one (1) year extension of the term of this MOU and the Government will grant such extension.
- 8.5 In the event of the expiry or termination of this MOU in accordance with its terms, neither Party nor any of its Affiliates, shall have any obligation or liability to the other Party, or any of its Affiliates, except for any direct damages that arise as a result of a material breach by a Party of any of its binding obligations under this MOU.

9 **ASSIGNMENT**

With the exception of any assignment to an Affiliate of a Party, which shall require prior written notice to, but not the consent of, the other Party, neither Party shall be entitled to assign either in whole or in part any right or obligation under this MOU to any third party without the prior written consent of the other Party.

10 **GOVERNING LAW AND DISPUTES**

- 10.1 This MOU shall be governed by and interpreted in accordance with the laws of England and Wales.
- 10.2 Any dispute, controversy or claim arising out of or in connection with this MOU whether in tort, contract, under statute or otherwise, including any question regarding its existence, validity, interpretation, breach or termination (a "Dispute"), which is not settled by amicable agreement within ninety (90) days from the day one Party notifies the other Party in writing of such Dispute, shall be finally and exclusively resolved by arbitration in accordance with the Arbitration Rules of the International Chamber of Commerce (the "ICC Rules") as in force at the time of the Dispute. The arbitration shall be conducted by three (3) arbitrators who shall be appointed in accordance with the ICC Rules. The arbitration shall be held in London, England in the English language. Judgement upon the award rendered by the arbitrators may be entered in any court having jurisdiction thereof. A Dispute shall be deemed to have arisen when either Party notifies the other Party in writing to that effect. Each Party waives any right of sovereign immunity from suit for itself that it may have now or at any time hereafter.

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11 **FORCE MAJEURE**

No Party shall be liable to the other Party for any failure or delay in performance of its respective obligations under the MOU insofar as such performance is prevented or delayed by an event of Force Majeure.

"Force Majeure" means an event beyond the reasonable control of the Party claiming Force Majeure that would directly affect that Party's performance of this MOU, including, but not limited to, civil disobedience, fire, explosion, earthquake, hurricane and storm, extraordinary rain, flood, war, blockade, embargo, acts of terrorism, labour dispute, strike, epidemic disease, bankruptcy, discord between the Federation of Bosnia and Herzegovina and any other state concerning territorial claims, borders or other issues which influence or interfere with the performance of the obligations under this MOU, any applicable law, proclamation, regulation ordinances or decree enacted by governmental authorities and any other unforeseeable events or actions beyond the reasonable control of the Party affected that would directly disrupt, obstruct or prevent the conduct of the performance of the obligations under this MOU.

12 **LIABILITIES**

- 12.1 Neither Party nor its employees, officers, directors, agents or consultants shall be liable to the other Party in any action for special, indirect or consequential damages resulting from or arising out of this MOU, including (but not limited to) loss of income, profit or business opportunity, howsoever caused.
- 12.2 Shell shall be responsible for and shall save, indemnify, defend and hold harmless the Government from and against any claims, losses, damages, costs (including legal costs) expenses and liabilities in respect of personal injury including death or disease to any person employed by Shell or any Affiliate of Shell arising from or relating to or in connection with the performance or non-performance of this MOU.
- 12.3 The Government shall be responsible for and shall save, indemnify, defend and hold harmless Shell and its Affiliates from and against all claims, losses, damages, costs (including legal costs), expenses and liabilities in respect of personal injury including death or disease to any person employed by the Government arising from, relating to or in connection with the performance or non-performance of this MOU.
- 12.4 It is acknowledged that Shell's ability to provided the deliverables and report referred to in Articles 1.1 and 1.2 within the specified timeframe is dependent on the Government timely providing Shell with the data referred to in Article 1.1 or 1.2, and neither Shell nor any of its Affiliates shall incur any liability in contract or at law for failing to meet or timely meet the obligations under Article 1.1 or 1.2 if such failure is attributable to the Government not timely providing Shell with the said data.
- 12.5 Shell and its Affiliates, and their respective employees, officers, directors, agents and consultants shall have no liability whatsoever with respect to the Government's or any third party's use of or reliance upon the deliverables referred to in Article 1.1, the report referred to in Article 1.2 and any recommendations given to the Government or its representatives pursuant to Article 1, and the Government shall save, indemnify, defend and hold harmless Shell and its Affiliates from and against all claims, losses, damages, costs (including legal costs), expenses and liabilities arising from, relating to or in connection with such use or reliance.

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**13 ENTIRE AGREEMENT**

This MOU constitutes the entire agreement between the Parties relating to its subject matter and supersedes and extinguishes any other agreement, document or pre-contractual statement relating to the same subject matter.

**14 GOVERNMENT APPROVALS**

The Government undertakes to secure all approvals required for the effectiveness and implementation of this MOU.

**15 THIRD PARTY RIGHTS**

- (a) The undertakings and obligations in this MOU are undertaken by each of the Parties for their own benefit and for the benefit of any Affiliates designated by Shell pursuant to this MOU.
- (b) Subject to Article 15 (a) a legal or natural person who is not a party to this MOU has no right under the Contracts (Rights of Third Parties) Act 1999 to enforce or enjoy the benefit of any term hereunder.

**16 AGREEMENT LANGUAGE**

This MOU is written and executed in both the Bosnian and English languages. Both texts have the same legal effect. In case of any conflict between the Bosnian and English version, the English version shall prevail if no agreement on the construction or interpretation of this MOU can be reached between the Parties.

IN WITNESS WHEREOF, the Parties have caused this MOU to be executed in two originals in the Bosnian and English languages by their respective duly authorised representatives in Sarajevo on 3 November 2011.

For and on behalf of  
**THE GOVERNMENT OF THE FEDERATION OF BOSNIA AND HERZEGOVINA**



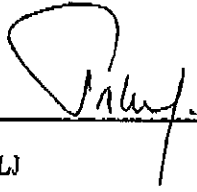
Nermin NIKŠIĆ

Prime Minister of the Government of the Federation of Bosnia and Herzegovina





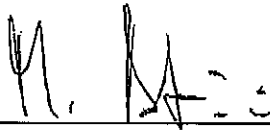
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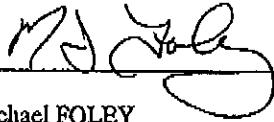
Federal Minister of Energy, Mining and Industry

For and on behalf of  
**SHELL EXPLORATION COMPANY B.V.**



Marcus ANTONINI

Vice President Exploration Portfolio and Strategy



Michael FOLEY

New Venture Opportunity Delivery Manager



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**Attachment 1: contents of the report on the play based evaluation conducted pursuant to Article 1.2 of the MOU**

The report referred to in Article 1.2 of this MOU will contain the following elements:

Introduction

Summary

Exploration History

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Summary of Recommendations

Appendices

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