

Dated *1 July* 2016

Resano Trading Ltd
and
Gastek LLC
and
Kubgas Holdings Limited

DEED OF AMENDMENT AND RESTATEMENT
in respect of the Shareholders' Agreement
dated 10 November 2009

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THIS DEED OF AMENDMENT AND RESTATEMENT (this "**Deed**") is made as a deed on *1 July* 2016

BETWEEN

- (1) **RESANO TRADING LTD**, a private limited company registered in the British Virgin Islands (No. 1671114) whose registered office is at Craigmuir Chambers, Road Town Tortola, British Virgin Islands ("**Resano**");
- (2) **GASTEK LLC**, a limited liability company incorporated and registered in California, United States of America whose registered office is at 1,000 Fourth Street, Suite 785, San Rafael, CA 94901 ("**Gastek**"); and
- (3) **KUBGAS HOLDINGS LIMITED**, a private company limited by shares, incorporated and registered in Cyprus with company number 238218 whose registered office is at 12 Esperidon Street, 4th floor, 1087 Nicosia, Cyprus ("**KHL**").

WHEREAS

- (A) Serinus Holdings Limited (formerly, Kulczyk Oil Ventures Limited), Gastek LLC and KUBGAS Holdings Limited (formerly, Loon Ukraine Holding Limited) are parties to a Shareholders Agreement dated 10 November 2009, as amended by letter agreements July 27, 2010 and November 11, 2011, and incorporated into the Deed of Adherence dated February 5, 2016 (the "**Original Shareholders' Agreement**") in relation to Loon Ukraine Holding Limited.
- (B) On 23 December 2015 Serinus and Resano entered into a share sale and purchase agreement in respect of seventy per cent. (70%) of the issued share capital of KHL (the "**SPA**") and pursuant to a deed of adherence dated 5 February 2016, Resano became a party to the Original Shareholders' Agreement in the place of Serinus.
- (C) On 5 February 2016 and in accordance with a letter agreement between Resano, Gastek and Cub Energy Inc., dated 28 January 2016, Resano sold five per cent. (5%) of the issued share capital of KHL to Gastek, as a consequence of which Resano now holds sixty-five per cent. (65%) and Gastek thirty-five per cent. (35%) of the issued share capital of KHL.
- (D) The Parties now wish to amend certain terms of the Original Shareholders' Agreement.

IT IS AGREED as follows:

1. INTERPRETATION

The provisions in clauses 1.2 to 1.10 of the Original Shareholders' Agreement shall be incorporated into this Deed as if set out in full in this Deed and as if references in that clause to "this Agreement" are references to this Deed.

2. AMENDMENTS TO ORIGINAL SHAREHOLDERS' AGREEMENT

The Original Shareholders' Agreement shall be amended and restated such that from the date of this Deed, it shall be in the form set out in Schedule 1 to this Deed.

3. CONTINUED EFFECT

- 3.1 Nothing in this Deed shall be deemed to require the relevant Party to perform obligations under the Original Shareholders' Agreement which have been fully performed prior to the date of this Deed.
- 3.2 Nothing in this Deed shall prejudice or adversely affect any right or remedy arising under the Original Shareholders' Agreement before the date of this Deed or discharge or release any party from any liability or obligation arising under the Original Shareholders' Agreement before the date of this Deed.

4. WARRANTIES

Each of the Parties warrants as follows as of the date hereof:

- (a) it has the corporate power to enter into and perform its obligations under this Deed
- (b) this Deed has been duly authorised and executed by it and constitutes, when executed and delivered, valid and legally binding obligations of it, enforceable in accordance with their terms;
- (c) the making of this Deed and the compliance with the terms hereof will not:
- (i) result in violation of its constitutional documents or any provision contained in any law applicable to it;
 - (ii) conflict with or result in the breach of any provision of, or require any consent under, any agreement or instrument to which it is a party or by which it or any of its assets is bound; or
 - (iii) constitute a default or an event which, with the giving of notice, the passage of time or the making of any determination, or any combination thereof, would constitute a default under any such agreement or instrument.

5. MISCELLANEOUS

- 5.1 The provisions of clauses 28, 31-34 of the Original Shareholders' Agreement shall be incorporated into this Deed as if set out in full in this Deed and as if references in those sections to "this Agreement" are references to this Deed.
- 5.2 This Deed and the amended shareholders' agreement scheduled to it constitute the whole agreement between the parties and supersede any arrangements, understanding or previous agreement between them relating to the subject matter they cover, including the letter agreement between Resano, Gastek and Cub Energy Inc. dated 28 January 2016, as amended from time to time.

6. GOVERNING LAW

This Deed (and any dispute, controversy, proceedings or claim of whatever nature arising out of or in any way relating to this Deed or its formation) shall be governed

by, and shall be construed in accordance with, English law. This reference to English law shall be construed to exclude the application of the English conflict-of-laws rules.

7. ARBITRATION AND JURISDICTION

- 7.1 Any dispute, controversy or claim arising out of or relating to (i) this Deed, (ii) the breach, termination or invalidity hereof or (iii) any non-contractual obligations arising out of or in connection with this Deed ("**Disputes**") shall be submitted to final and binding arbitration under the LCIA Arbitration Rules, which are deemed to be incorporated by reference into this clause. For these purposes, each party irrevocably submits to the jurisdiction of the LCIA, including the jurisdiction to grant any appropriate interim relief. The number of arbitrators shall be three, appointed in accordance with LCIA Arbitration Rules. The seat of arbitration shall be London without any obligation on the arbitrators to hold the hearings or deliberations in the specified seat. The language to be used in the arbitral proceedings shall be English.
- 7.2 Each party irrevocably waives any objection which it might at any time have to the LCIA being nominated as the forum to hear and decide any Disputes and to settle any Disputes and agrees not to claim that the LCIA is not a convenient or appropriate forum for resolution of any such Disputes and further irrevocably agrees that a judgment in any Dispute brought before the LCIA shall be conclusive and binding upon the parties and may be enforced in the courts of any other jurisdiction. In particular, parties waive their right to apply to the courts pursuant to s. 45 and s. 69 of the English Arbitration Act 1996.
- 7.3 At the request of either party the arbitral tribunal may include in any proceeding, decision or award any dispute arising out of this Deed or any other agreement contemplated hereby; but subject to the foregoing, no other parties or other disputes shall be included in, or consolidated with, the arbitral proceedings.

IN WITNESS WHEREOF this Deed has been executed and delivered as a deed on the date first written above.

SCHEDULE 1
Amended and Restated Shareholders' Agreement

Executed and delivered as a deed on behalf of)
Resano Trading LTD)
a company incorporated under the laws of the)
British Virgin Islands,)
by *Katerina Leonidou*)
.....)
being a person who, in accordance with the laws)
of that jurisdiction, is acting under the authority)
of the company)



Executed and delivered as a deed on behalf of)
Gastek LLC)
a company incorporated under the laws of)
California, by)
.....)
being a person who, in accordance with the laws)
of that jurisdiction, is acting under the authority)
of the company)



Executed and delivered as a deed on behalf of)
Kubgas Holdings Limited)
a company incorporated under the laws of the)
Republic of Cyprus, by *Tasos Panteli and*)
Anna Maria Georgallides)
.....)
being a person who, in accordance with the laws)
of that jurisdiction, is acting under the authority)
of the company)



Executed and delivered as a deed on behalf of)
Resano Trading LTD)
a company incorporated under the laws of the)
British Virgin Islands,)
by)
.....)
being a person who, in accordance with the laws)
of that jurisdiction, is acting under the authority)
of the company)

.....

Executed and delivered as a deed on behalf of)
Gastek LLC)
a company incorporated under the laws of)
California, by)
MIKHAIL AFENDIKOV)
.....)
being a person who, in accordance with the laws)
of that jurisdiction, is acting under the authority)
of the company)



Executed and delivered as a deed on behalf of)
Kubgas Holdings Limited)
a company incorporated under the laws of the)
Republic of Cyprus, by)
.....)
being a person who, in accordance with the laws)
of that jurisdiction, is acting under the authority)
of the company)

.....

Amended Shareholders' Agreement

Resano Trading Ltd.

and

Gastek LLC

and

Kubgas Holdings Limited

in respect of Kubgas Holdings Limited

Amended and Restated on 1 July 2016

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THIS AGREEMENT is made on

BETWEEN:

- (1) **RESANO TRADING LTD**, a private limited company registered in the British Virgin Islands (No. 1671114) whose registered office is at Craigmuir Chambers, Road Town Tortola, British Virgin Islands ("**Resano**");
- (2) **GASTEK LLC** incorporated and registered in California, United States of America whose registered office is at 1,000 Fourth Street, Suite 785, San Rafael, CA 94901 ("**Gastek**");
- (3) **KUBGAS HOLDINGS LIMITED** incorporated and registered in Cyprus with company number 238218 whose registered office is at 155 Arch. Makarios III Ave, Proteas House, 3026 Limassol, Cyprus ("**KHL**" or the "**Company**").

RECITALS:

- (A) Resano and Gastek have agreed to own KHL jointly in the following proportions: Resano - 65%, Gastek 35%, as may be amended from time to time in accordance with this Agreement.
- (B) KHL will carry on business on the terms and conditions of this Agreement.
- (C) Resano and Gastek will exercise their rights in relation to KHL on the terms and conditions of this Agreement.

THE PARTIES AGREE AS FOLLOWS:

1. INTERPRETATION

- 1.1 In this Agreement the following words and expressions and abbreviations have the following meanings, unless the context otherwise requires:

"**2.5% Shares**" has the meaning given to that term in clause 4.1.

"**2P Reserves**" means the proven plus probable Petroleum reserves of the Company and the Ukrainian Subsidiaries as stated in the Reserves Report.

"**Accounting Principles**" means IAS and GAAP provided that to the extent of any inconsistency between a requirement of the IAS and a requirement of GAAP, the requirement of GAAP prevails.

"**Affiliate**" means a legal entity which Controls, or is Controlled by, or which is Controlled by an entity which Controls, a party.

"**Agreement**" means this agreement, including its Schedules.

"**AMC**" means the Anti-Monopoly Committee of Ukraine.

"**Anti-Corruption Laws**" means the UK Bribery Act of 2010 and the US Foreign Corrupt Practices Act, the Canadian Corruption of Foreign Public Officials Act, the Criminal Code of Ukraine or any other applicable legislation, including but not limited to laws that prohibit bribery, payments to officials and money laundering, and laws requiring compliance with local tax laws, import/export regulations.

"**Applicable Law**" means the laws and regulations in force in Ukraine from time to time.

"**Appraisal Well**" means any well (other than an Exploration Well or a Development Well) whose purpose at the time of commencement of drilling such well is to appraise the extent or the volume of Petroleum reserves contained in an existing Discovery.

"Associated Gas" means Natural Gas, commonly known as gas-cap gas, which is in contact with significant quantities of Crude Oil in a natural underground reservoir or which is in solution in Crude Oil in a natural underground reservoir but shall exclude any Crude Oil extracted from such gas.

"Associated Person" means, in relation to a company, a person (including an employee, agent or subsidiary) who performs services for or on behalf of that company.

"Authority" means the Ministry of Protection of the Environment of Ukraine.

"Business" has the meaning given to that term in clause 2.1.

"Business Day" means a day (other than a Saturday or Sunday) when banks in Houston, TX USA, Kyiv, Ukraine and the Republic of Cyprus are open for business.

"Business Plan" has the meaning given in clause 9.

"Calendar Year" means a period of twelve (12) months commencing with January 1 and ending on the following December 31 according to the Gregorian Calendar.

"Called Shares" has the meaning given in clause 13.12.

"Called Shareholder" has the meaning given in clause 13.12.

"Commercial Discovery" means any Discovery that is sufficient to entitle the parties to apply for authorization from the Government to commence exploitation.

"Commercial Operations" means Petroleum Operations conducted in accordance with an approved Development Plan.

"Commercial Operations Date" means the date upon which Commercial Operations commence under an approved Development Plan.

"Competition Law" means the Law of Ukraine "On the Protection of Economic Competition" No. 2210-III, dated 11 January 2001, as amended, and any and all regulations, directives, decisions and recommendations; and statutes and subordinate legislation; judgments, notices, orders, directions, instructions of any competent authority which have as a purpose or effect the protection of economic competition in the territory of Ukraine.

"Completion Date" has the meaning given in clause 13.15.

"Confidential Information" has the meaning given in clause 20.

"Consenting party" means a Shareholder who agrees to participate in and pay its share of the cost of an Exclusive Operation.

"Consequential Loss" means any loss, damages, costs, expenses or liabilities caused (directly or indirectly) by any of the following arising out of, relating to, or connected with this Agreement or the operations carried out under this Agreement: (i) reservoir or formation damage; (ii) inability to produce, use or dispose of Petroleum; (iii) loss or deferment of income; (iv) punitive damages; or (v) other indirect damages or losses whether or not similar to the foregoing.

"Consultant Personnel" means employees of Resano or Gastek and their Affiliates.

"Control" in relation to a body corporate, means the power of a person to secure that the affairs of the body corporate are conducted in accordance with the wishes of that person, including:

- (a) by means of the holding of shares, or the possession of voting power, in or in relation to that or any other body corporate; or
- (b) by virtue of any powers conferred by the constitutional or corporate documents, or any other document, regulating that or any other body corporate.

"**Crude Oil**" means crude mineral oil, asphalt, ozokerite, and all kinds of Petroleum and bitumens, both in solid and in liquid form in their natural state or obtained from Natural Gas by condensation or extraction including propane and butane fractions, before the same has been refined or otherwise treated but excluding water and artificial substances as well as coal or bituminous shales or other stratified deposits from which Crude Oil can be extracted by destructive distillation. Crude Oil shall include any casing head petroleum spirit and condensate.

"**Day**" means a calendar day unless otherwise specifically provided.

"**Deadlock**" has the meaning given term in clause 12.1.

"**Deadlock Resolution Notice**" has the meaning given in clause 12.1.

"**Deepening**" means an operation whereby a well is drilled to an objective Zone below the deepest Zone in which the well was previously drilled. "**Deepen**" and other derivatives shall be construed accordingly.

"**Development Plan**" means a plan for the development of Petroleum from an Exploitation Area.

"**Development Well**" means any well drilled for the production of Petroleum pursuant to a Development Plan.

"**Discovery**" means the discovery of an accumulation of Petroleum whose existence until that moment was unproven by drilling.

"**Dispute**" means any dispute, controversy or claim (of any and every kind or type, whether based on contract, tort, statute, regulation, or otherwise) arising out of, relating to, or connected with this Agreement or the operations carried out under this Agreement, including any dispute as to the construction, validity, interpretation, enforceability or breach of this Agreement.

"**Encumbrance**" means all security interests, charges, prohibitions, pledges, liens, options, equities, claims, or other third party rights, including rights of pre-emption of any nature whatsoever.

"**Entitlement**" means a right of either Resano or Gastek to purchase that percentage of Petroleum (excluding all quantities lost or used in Petroleum Operations) produced by KGL that corresponds to the proportion of equity they hold in KHL at the applicable time.

"**Environmental Loss**" means any loss, damages, costs, expenses or liabilities (other than Consequential Loss) caused by a discharge of Petroleum, pollutants or other contaminants into or onto any medium (such as land, surface water, ground water and/or air) arising out of, relating to, or connected with this Agreement or the Petroleum Operations or Exclusive Operations (as applicable), including any of the following: (i) injury or damage to, or destruction of, natural resources or real or personal property; (ii) cost of pollution control, clean-up and removal; (iii) cost of restoration of natural resources; and (iv) fines, penalties or other assessments.

"**Equity Interest**" as to any Shareholder, means the shareholding interest of that Shareholder in the issued ordinary equity of KHL expressed as a percentage of the total shareholding interest in KHL of all Shareholders.

"**Exclusive Operation**" means those operations and activities carried out pursuant to Schedule 2, the costs of which are chargeable to the account of the relevant EO party(ies).

"**Excluded Dividends**" has the meaning given to that term in clause 4.1.

"**Expert**" means a person appointed in accordance with clause 16 to resolve a matter under this Agreement.

"**Exploitation Area**" means that part of the Licence Areas which is established for development of a Commercial Discovery pursuant to the Licences or, if the Licences do not establish an exploitation area, then that part of the Licence Areas which is delineated as the exploitation area in a Development Plan.

"**Exploration Well**" means any well the purpose of which at the time of the commencement of drilling is to explore for an accumulation of Petroleum, which accumulation was at that time unproven by drilling.

"**Exploitation Area**" means that part of the Licence Area which is established for development of a Commercial Discovery pursuant to the Licence or, if the Licence does not establish an exploitation area, then that part of the Licence Area which is delineated as the exploitation area in a Development Plan approved as a Petroleum Operation or as an Exclusive Operation.

"**Financial Year**" means, in relation to KHL, a financial accounting period of 12 months ending on the date given in clause 3.12 but, in the first year in which KHL is formed, means the period starting with the day KHL is formed and ending on the date given in clause 3.12.

"**GAAP**" means generally accepted accounting principles as defined from time to time by the Accounting Standards Board of the Canadian Institute of Chartered Accountants in the Handbook of the Canadian Institute of Chartered Accountants.

"**G & G Data**" means only geological, geophysical and geochemical data and other similar information that is not obtained through a well bore.

"**Gastek Director**" means any director appointed to KHL by Gastek.

"**Gastek Class Share**" means a Share of EUR 1.00 in the capital of KHL held by Gastek and designated as an 'Gastek Class Share'.

"**Generated Intellectual Property**" means all Intellectual Property which is developed by Resano, Gastek and KHL or any of them (as appropriate) in performing their obligations under this Agreement.

"**Good Oilfield Practice**" means those practices, methods, standards and procedures generally accepted and followed internationally by prudent, diligent, skilled and experienced operators in petroleum exploration, development and production operations and which, at a particular time in question are legally permitted in Ukraine and, in the exercise of reasonable judgement and in light of facts then known at the time a decision was made, would be expected to accomplish the desired results and goals provided that "Good Oilfield Practice" is not intended to be limited to optimum practices or methods to the exclusion of all others, but rather to be a spectrum of reasonable and prudent practices, methods, standards and procedures.

"**Government**" means the government of Ukraine and any political subdivision, agency or instrumentality thereof (including the Authority).

"**Group**" means, in relation to a company, that company, any company of which it is a Subsidiary (its holding company) and any other Subsidiaries of any such holding company; and each company in a Group is a member of the Group. Unless the context otherwise requires, the application of the definition of Group to any company at any time shall apply to the company as it is at that time.

"**Intellectual Property**" means all patentable inventions, copyrights, trade marks, designs and circuit layouts.

"Interest Rate" means interest accruing daily, compounded monthly, at an annual rate equal to LIBOR plus 2 percent.

"International Accounting Standards or IAS" means the international accounting standards, within the meaning of EC Regulation No. 1606/2002 of the European Parliament and the Council of 19 July 2002 on the application of international accounting standards, adopted from time to time by the European Commission in accordance with that Regulation.

"KGB" means KUBGAS-Borova LLC incorporated and registered in Ukraine with company identification code 39428224 with its registered office at Budinok 25, Podlimanskaya Ul, Borova, Borovsky r-n, Kharkivskaya obl., Ukraine, 63801.

"KGL" means KUB-Gas LLC incorporated and registered in Ukraine with company identification code 30694895 with its registered office at Suite 604, 179-b Moskovskyy ave., Kharkiv, Ukraine, 61068.

"KHL's Banker" means the bank appointed pursuant to clause 3.11 or such other financial institution as the parties may agree from time to time.

"KHL Board" means the Board of Directors of KHL.

"KHL Loans" has the meaning given to it in clause 7.6.

"LCIA" means the London Court of International Arbitration.

"LIBOR" means the London Interbank Offered Rate for the USD for thirty (30) days as published by the British Bankers Association on the TELERATE screen at or about 11.00 a.m. (London time) on the relevant date.

"Licence Account" the relevant account maintained by KGL in relation to Petroleum Operations conducted in respect of the relevant Licence Area.

"Licence Area" means an area covered by a Licence.

"Licences" means any of the licences held by KGL for:

- (a) the Olgovskoye area;
- (b) the Makeevskoye area;
- (c) the Vergunskoye area;
- (d) the Krutogorovskoye area;
- (e) the North Makeevskoye area; and
- (f) the license of KUBGas-Borova LLC for the West Olgovskoye area.

"Licence Documents" means, in respect of each Licence, the Licence, the Operating Agreement and the ancillary documents relating to that Licence or Operating Agreement.

"Management Committee" means the committee established by the KHL Board to manage and direct the Petroleum Operations pursuant to clause 5.20.

"Management Protocol" means the procedures by which the Management Committee and the parties will direct and procure KGL to conduct the Petroleum Operations appended as Schedule 1 to this Agreement.

"Material" means machinery, equipment and supplies acquired and held for use in Petroleum Operations.

"Minimum Work Obligations" means those work and/or expenditure obligations specified in the Licences that must be performed in order to satisfy the obligations of the Licences.

"Month" means a Gregorian calendar month.

"Net EO Proceeds" has the meaning given to that term in Schedule 2.

"Natural Gas" means a mixture of Petroleum and varying quantities of non-Petroleum mainly composed of methane that exist either in a gaseous state or in solution with Crude Oil in a natural underground reservoir. Natural Gas may be classified as either Associated Gas or Non-Associated Gas.

"Non-Associated Gas" means Natural Gas that is found in a natural underground reservoir that does not contain significant quantities of Crude Oil.

"Non-Consenting party" means each Shareholder who elects not to participate in an Exclusive Operation.

"Obligatory Transfer Event" means in relation to a party, any event specified as such in clause 14 of this Agreement.

"Option Notice" has the meaning given to that term in clause 4.3.

"Option Price" has the meaning given to that term in clause 4.3.

"Option Shares" has the meaning given to that term in clause 4.3.

"Other Shareholder" has the meaning given in clause 13.5.

"Participating Interest" has the meaning given to that term in paragraph 1.2(E)(2) of Schedule 2.

"Petroleum" means all substances which are subject to and covered by the Licences, including Crude Oil and Natural Gas.

"Petroleum Operations" means the Petroleum operations required to be conducted by KGL and pursuant to the terms of this Agreement in respect of the relevant Licence Area pursuant to the Licence Documents.

"Plugging Back" means a single operation whereby a deeper Zone is abandoned in order to attempt a Well Completion in a shallower Zone. **"Plug Back"** and other derivatives shall be construed accordingly.

"Proposed Buyer" has the meaning given to that term in clause 13.12.

"Recompletion" means an operation whereby a Well Completion in one Zone is abandoned in order to attempt a Well Completion in a different Zone within the existing wellbore. **"Recomplete"** and other derivatives shall be construed accordingly.

"Resano Director" means any director appointed to KHL by Resano.

"Resano Class Share" means a Share of EUR 1.00 in the capital of KHL held by Resano and designated as a 'Resano Class Share'.

"Reserves Report" means the annual report prepared pursuant to clause 6.8 into the reserves of Petroleum, rights to which are held by the Company and its Ukrainian Subsidiaries.

"Reworking" means an operation conducted in the wellbore of a well after it has achieved Well Completion in order to secure, restore, or improve production in a Zone which is

currently open to production in the wellbore. Such operations include well stimulation operations, but exclude any routine repair or maintenance work, or drilling, Sidetracking, Deepening, Well Completing, Recompleting, or Plugging Back of a well. **"Rework"** and other derivatives shall be construed accordingly.

"Seller's Shares" has the meaning given in clause 13.12.

"Schedule" means a schedule to this Agreement.

"Seconded" means an employee of KHL or its Affiliates selected to take up a secondment with KGL in accordance with the Management Protocol.

"Share" means an ordinary issued share in the capital of KHL.

"Shareholder" means any person who holds shares in KHL.

"Short Term Consultancy" means a short term consulting arrangement agreed between the parties in accordance with the Management Protocol.

"Short Term Consultant" means an employee of Resano, Gastek or their Affiliates appointed to provide certain services to KGL pursuant to a Short Term Consultancy.

"Sidetracking" means the directional control and intentional deviation of a well from vertical so as to change the bottom hole location unless done to straighten the hole or to drill around junk in the hole or to overcome other mechanical difficulties. "Sidetrack" and other derivatives shall be construed accordingly.

"Subsidiary" in relation to a company (the holding company), any other company in which the holding company (or a person acting on its behalf) directly or indirectly holds or controls either:

- (a) a majority of the voting rights exercisable at general meetings of the company; or
- (b) the right to appoint or remove directors having a majority of the voting rights exercisable at meetings of the board of directors of the company,

and any company which is a Subsidiary of another company is also a Subsidiary of that company's holding company. Unless the context otherwise requires, the application of the definition of Subsidiary to any company at any time shall apply to that company as it is at that time.

"Tag Notice" has the meaning given to that term in clause 13.16.

"Tag Offer" has the meaning given to that term in clause 3.16.

"Tag Shares" has the meaning given to that term in clause 13.16.

"Territory" means the Ukrainian oblasts of Kharkiv, Luhansk and Donetsk.

"Third party" means a person which is neither a party to this Agreement nor an Affiliate of such party. For the avoidance of doubt, KGL is not a Third party.

"Testing" means an operation intended to evaluate the capacity of a Zone to produce Petroleum. **"Test"** and other derivatives shall be construed accordingly.

"Transfer Notice" has the meaning given to that term in clause 13.5.

"UAH" means Hryvnia, the lawful currency of Ukraine.

"Ukrainian Subsidiary" means KGL and KGB.

"**Urgent Operational Matters**" means such operational matters reasonably considered by the Management Committee to require by their nature urgent determination.

"**USD**" "\$" or "**US Dollar**" means United States Dollars, the lawful currency of the United States of America.

"**\$25m Dividend**" has the meaning given to that term in clause 4.1.

"**Well Completion**" means an operation intended to complete a well through the Christmas tree as a producer of Petroleum in one or more Zones, including the setting of production casing, perforating, stimulating the well and production Testing conducted in such operation. "**Well Complete**" and other derivatives shall be construed accordingly.

"**Work Program and Budget**" means a work program for Petroleum Operations and budget therefor as described and approved in accordance with the Management Protocol.

"**Year**" means a calendar year.

"**Zone**" means a stratum of earth containing or thought to contain an accumulation of Petroleum separately producible from any other accumulation of Petroleum.

- 1.2 clause and schedule headings do not affect the interpretation of this Agreement.
- 1.3 A person includes a corporate or unincorporated body.
- 1.4 Words in the singular include the plural and in the plural include the singular.
- 1.5 A reference to one gender includes a reference to the other gender.
- 1.6 All warranties, representations, agreements and obligations expressed to be given or entered into by more than one person are given or entered into jointly and severally by the persons concerned.
- 1.7 A reference to a law is a reference to it as it is in force for the time being, taking account of any amendment, extension, application or re-enactment and includes any subordinate legislation for the time being in force made under it.
- 1.8 Writing or written includes faxes but not e-mail.
- 1.9 Documents in agreed form are documents in the form agreed by the parties and initialled by them for identification.
- 1.10 A reference to a document is a reference to the document whether in paper or electronic form.

2. THE BUSINESS OF KUBGAS HOLDINGS

- 2.1 The business of KHL, as directed by the KHL Board, shall be:
 - (a) to oversee and, through the delegation of authority as appropriate to the Management Committee, to conduct the Petroleum Operations and, if applicable, Exclusive Operations, through KHL's Ukrainian Subsidiaries, pursuant to the Licence Documents, in respect of the Licence Areas; and
 - (b) exploring opportunities for the acquisition, exploration, development and production of other Petroleum assets within the Territory (the "**New Projects**"),
in accordance with the terms of this Agreement, the Management Protocol and Schedule 2 (together, the "**Business**").

- 2.2 Each party shall use its reasonable endeavours to promote and develop the Business of KHL to the best advantage of KHL.
- 2.3 The Business shall be managed in the manner prescribed by this Agreement.
- 2.4 Each party shall, to the extent that it is able to do so, exercise all voting rights and other powers in relation to its Subsidiaries to procure that the Subsidiaries comply with the terms of this Agreement, including by taking any action, directly or indirectly, to procure the compliance of the Ukrainian Subsidiaries with this Agreement.

3. CHARACTERISTICS OF KUBGAS HOLDINGS

- 3.1 As at the date of this Agreement, KHL shall have the characteristics set out in this clause.
- 3.2 The share capital of KHL shall be 100,000 shares of EUR 1.00 each divided into 35,000 Gastek Class Shares and 65,000 Resano Class Shares. All but the nominal amount of the consideration for the issue of the Shares shall be regarded as share premium and shall be credited to KHL's share premium account.
- 3.3 The shareholdings of KHL shall be as follows:

| CLASS OF SHARE | SHAREHOLDER | NUMBER OF SHARES | PERCENTAGE INTEREST |
|--------------------|-------------|------------------|---------------------|
| GASTEK CLASS SHARE | GASTEK | 35,000 | 35% |
| RESANO CLASS SHARE | RESANO | 65,000 | 65% |

- 3.4 KHL's constitutional and corporate documents shall be amended no later than thirty (30) days after execution of this Agreement as agreed by the parties to take account of the requirements and provisions of this Agreement.
- 3.5 The secretary shall be Proteas Management Ltd represented by Anna Korelidou, appointed by Resano and resident in Cyprus.
- 3.6 The registered office shall be at 12 Esperidon Street, 4th floor, 1087 Nicosia, Cyprus. 155 Arch. Makarios III Ave, Proteas House, 3026 Limassol, Cyprus.
- 3.7 The auditors shall be KPMG Cyprus, Nicosia, Cyprus.
- 3.8 The Financial Year shall end on 31 December in each year.

4. GASTEK SHARE PURCHASE RIGHTS

- 4.1 The parties agree that immediately following the receipt by Resano of a total of twenty-five million US Dollars (US\$25,000,000) in dividends from KHL declared after 5 February 2016 excluding any Excluded Dividends, (the "**\$25m Dividend**"), Resano shall transfer to Gastek 2.5% of the then issued share capital of KHL (the "**2.5% Shares**") for their nominal value. Resano shall give notice to Gastek of receipt of the \$25m Dividend and completion of the transfer of the 2.5% Shares shall take place within 10 Business Days of the date of such notice.
- 4.2 "**Excluded Dividends**" means any dividends declared and paid by the Company after 5 February 2016 which are referable to and arise from the distribution by KGL to KHL of up to a maximum of UAH 650,000,000 (net of applicable withholding tax) of retained profits of KGL for the financial years ending 31 December 2015 (the "**Retained Profits**"). Excluded Dividends shall include any Retained Profits which have first been provided to the Shareholders under any financial arrangement agreed between the Shareholders and which are subsequently repaid by the Shareholders before being distributed as dividends

by KGL to KHL. Furthermore, the parties shall mutually agree to any proposed extension of the repayment dates for any financial arrangements so that dividends can be declared and distributed as soon as reasonably practicable after repayment. With regard to the Excluded Dividends, Resano and Gastek shall:

- (a) procure (through their direct and indirect control of KGL) that KGL declares and pays dividends totalling UAH 650,000,000 (net of applicable withholding tax) in aggregate out of retained profits of KGL for the financial years ending 31 December 2015 to the Company;
 - (b) procure that the Company declares and pays the Excluded Dividends to Resano and Gastek in the following proportions:
 - (i) Resano: 70%
 - (ii) Gastek: 30%; and
 - (c) waive their entitlements to be paid dividends in proportion to their shareholdings in the Company at the time the Excluded Dividends are paid.
- 4.3 During the period of one year following completion of the transfer of the 2.5% Shares to Gastek, Gastek shall have the option to acquire a further 2.5% of the then issued share capital of KHL (the "**Option Shares**") at a price equal to 2.5% of the net present value of the 2P Reserves discounted by 10% (the "**Option Price**"). In order to exercise the option, Gastek shall give a notice of exercise to Resano (the "**Option Notice**") and:
- (a) if the Option Notice is given before 31 July in any year, then the Option Price shall be calculated using the 2P Reserves stated in the then current Reserves Report and completion of the transfer of the Option Shares shall take place within 10 Business Days of the date of the Option Notice;
 - (b) if the Option Notice is after 31 July in any year, then the Option Price shall be calculated from the 2P Reserves stated in the Reserves Report prepared for the Company before the end of the calendar year in accordance with clause 6.9 and completion of the transfer of the Option Shares shall take place within 10 Business Days of the date of the new Reserves Report.
- 4.4 The sale and purchase of the 2.5% Shares and the Option Shares shall be carried out in accordance with the provisions of clause 18.3, other than clause 18.3(b).
- 4.5 All Shares sold by Resano to Gastek in accordance with this clause shall cease to be designated as Resano Class Shares and instead will be designated as Gastek Class Shares.
- 4.6 Upon making the reclassification of any Shares pursuant to this clause, the parties shall duly and promptly act so as to inform the Registrar of Companies and Official Receiver in the Republic of Cyprus of the said changes by submitting all appropriate forms and / or documents, and undertaking all necessary and pertinent procedures.

5. DIRECTORS AND MANAGEMENT

- 5.1 The KHL Board has responsibility for the supervision and management of KHL and its business.
- 5.2 There shall be 5 directors on the KHL Board made up:
- (a) if Gastek and its Affiliates (if applicable) hold less than 50% of the issued equity of KHL, of 2 Gastek Directors and 3 Resano Directors provided that 2 of the Resano Directors and 1 of the Gastek Directors must be residents of the Republic of Cyprus; or

- (b) if Gastek and its Affiliates (if applicable) hold more than 50% of the issued equity of KHL, 3 Gastek Directors and 2 Resano Directors provided that 1 of the Resano Directors and 2 of the Gastek Directors must be residents of the Republic of Cyprus.
- 5.3 The chairman shall have a casting vote. The post of chairman shall be held:
 - (a) if Gastek and its Affiliates (if applicable) hold less than 50% of the issued equity of KHL, by a Resano Director; or
 - (b) if Gastek and its Affiliates (if applicable) hold more than 50% of the issued equity of KHL, by a Gastek Director.
- 5.4 A party may nominate a director, and remove a director whom it nominated, by giving notice to KHL, the said director and the other party. The appointment of a director takes effect on the date on which the notice is received by KHL or, if a later date is given in the notice, on that date.
- 5.5 Once a notice for removal of a director is received by KHL, the KHL Board will be obliged to convene, by special notice, a General Meeting of KHL's shareholders, who will then, in turn, proceed with the passing of an ordinary resolution effecting the removal of the said director, as and in the manner provided for under ss. 136 and 178 of the Cypriot Companies' Law, Cap. 113, as amended, and Article 98 of the Articles of Association of KHL.
- 5.6 The party removing a director shall indemnify and keep indemnified KHL against any claim connected with the director's removal from office.
- 5.7 The parties intend there to be a meeting of directors at least once a quarter. Meetings of directors may take place in person or by telephone or video conference, or any other means of simultaneous communication, provided that all directors participating in the meeting can hear each other for the duration of the meeting.
- 5.8 A director may, and at the request of a director the secretary shall, call a meeting of directors.
- 5.9 The parties shall ensure that at least seven days' notice of a meeting of directors is given to all directors entitled to receive notice accompanied by:
 - (a) an agenda specifying in reasonable detail the matters to be raised at the meeting; and
 - (b) copies of any papers to be discussed at the meeting.
- 5.10 A shorter period of notice of a meeting of directors may be given if at least one Resano Director and one Gastek Director agree in writing.
- 5.11 Matters not on the agenda may not be raised at a meeting of directors, or business conducted in relation to those matters, unless at least one Resano Director and one Gastek Director agree in writing.
- 5.12 The quorum at any meeting of directors (including adjourned meetings) is one Gastek Director and one Resano Director, provided that if a meeting of directors is adjourned more than twice for a lack of quorum, the quorum shall be any one director.
- 5.13 No business shall be conducted at any meeting of directors unless a quorum is present at the beginning of the meeting and at the time when there is to be voting on any business.
- 5.14 If a quorum is not present within 45 minutes after the time specified for a directors' meeting in the notice of the meeting then it will be adjourned for 5 Business Days.

- 5.15 A meeting of directors shall be adjourned to another time or date at the request of all the Gastek Directors or all the Resano Directors present at the meeting. No business may be conducted at a meeting after such a request has been made.
- 5.16 Meetings of directors shall make decisions by passing resolutions. A resolution is passed if more votes are cast for it than against it. A decision may be approved by the circulation of a written resolution which shall be effective when signed by all directors.
- 5.17 At a meeting of directors, each director has one vote with the exception of the Chairman who has a casting vote pursuant to clause 5.3.
- 5.18 A Gastek Director or a Resano Director who is absent from a meeting may appoint any person to act as his alternate at the meeting. For the purposes of the meeting the alternate director:
 - (a) shall be the Gastek Director or Resano Director by whom he is appointed and may, in particular, vote in place of the Gastek Director or Resano Director; and
 - (b) where the person appointed as an alternate is already a director of KHL in his own right, shall also be a director (and may vote) in his own right.
- 5.19 The KHL Board will review, and when it deems appropriate and in a timely manner, approve and thereby consent:
 - (a) to any Work Program and Budget, Development Plan or other matter brought before it pursuant to paragraph 4 of the Management Protocol, with particular attention to ensuring that all Petroleum Operations are conducted in a manner consistent with Good Oilfield Practice and Applicable Law; and
 - (b) may recommend amendments to any Work Program and Budget, Development Plan or other matter brought before it pursuant to paragraph 4 of the Management Protocol if it believes, acting reasonably, making such amendment is required in order to make such Work Program and Budget, Development Plan or other matter consistent with Good Oilfield Practice.

MANAGEMENT COMMITTEE

- 5.20 The KHL Board will jointly appoint a committee of 4 persons (the "**Management Committee**") which shall provide advice and recommendations to the KHL Board, and shall have the power to act for and on behalf of KHL with respect to all matters described in the Management Protocol, and the Management Committee shall be bestowed with and have:
 - (a) the authority and power to implement and undertake the Management Protocol; and
 - (b) such other powers and authority as the KHL Board may decide from time to time, and

the Management Committee shall provide quarterly reports to the KHL Board, the General Director, and such other reports as the KHL Board may reasonably request from time to time; provided that all actions and decisions of the Management Committee must be ratified by the KHL Board on a quarterly basis.
- 5.21 The Management Committee will comprise:
 - (a) two representatives of the holder of the Resano Class Shares, one of which must be designated by the holder of the Resano Class Shares as the chairman of the Management Committee (the "**MC Chairman**"); and
 - (b) two representatives of the holder of the Gastek Class Shares.

- 5.22 Chairman shall have a casting vote in any resolution put to the Management Committee. If the MC Chairman is not present to vote upon such resolution, the other representative of the Resano Class Shares shall have a casting vote.
- 5.23 The Management Committee shall establish a Technical Committee comprising of 6 individuals, three of whom shall be as nominated by the holder of the Resano Class Shares and three of whom shall be as nominated by the holder of the Gastek Class Shares. The Technical Committee shall:
- (a) determine the proposals for the annual and quarterly capital expenditure programme and report the same to the KHL Board;
 - (b) have the power to consider and make recommendations to the Management Committee in respect of technical aspects of conducting Petroleum Operations and Work Programs and Budgets; and
 - (c) otherwise be entitled to delegate specific responsibilities to sub-committees or individual representatives as the Management Committee may determine from time to time, which shall report to the Management Committee.
- 5.24 Management Committee meetings may take place directly or by telephone conference. Unless otherwise agreed by each member of the Management Committee, the Management Committee meetings may not be held unless all members of the Management Committee have been given at least 4 Business Days' notice of such meeting (including the time and location of the meeting unless waived by a particular member) accompanied by:
- (a) an agenda specifying in reasonable detail the matters to be raised at the meeting; and
 - (b) copies of any papers to be discussed at the meeting.
- 5.25 Unless otherwise determined by the KHL Board, the Management Committee shall have the power and responsibilities to undertake those responsibilities expressly required of it pursuant to the Management Protocol.
- 5.26 The quorum of any meeting of the Management Committee (including adjourned meetings) shall be two members of the Management Committee, one of which must be a representative of the holder of the Resano Class Shares and the other a representative of the holder of the Gastek Class Shares, provided that if a meeting of the Management Committee is adjourned more than twice for a lack of quorum, the quorum shall be any one member of the Management Committee.

OTHER MANAGEMENT

- 5.27 The parties agree to maintain technical and management services agreements between KHL and its Ukrainian Subsidiaries and for KHL to enter into a technical and management services agreements with suitable Affiliates of each of Gastek and Resano, on terms satisfactory to all parties. The parties agree that Gastek (with assistance of experts provided by Cub Energy, Inc.) shall be responsible for leading and coordinating technical operations (including, but not limited to, determining drilling locations, downhole supervisory operations, drilling operations, annual reserve reports and financial reporting) provided that at all times any decisions in relation to technical operations shall be made by resolutions of the KHL Board.
- 5.28 All marketing of Petroleum shall be done in Ukraine on a transparent and arms' length basis. The prices negotiated shall be shown to the KHL Board in order to demonstrate that the gas is being sold to highest bidder.
- 5.29 In the event that a proposal is made to sell gas or gas condensate to an Affiliate of either Shareholder after 31 July 2016, the Parties agree that such volume of gas and gas condensate shall be divided *pro rata* to the Shareholders' shareholding in KHL and sold on materially the same terms (at least as to price, delivery, payment and liability for default)

to designated Affiliates of each Shareholder. Each Shareholder shall be liable under this Agreement for any failure by its respective Affiliate to fulfil the terms of such a gas and/or gas condensate sales agreement.

6. UKRAINIAN SUBSIDIARIES

- 6.1 KGL shall have three directors on its management board, consisting of a General Director, a Financial Director and a Technical Director. The General Director and Financial Director shall be nominated by Resano and the Technical Director by Gastek.
- 6.2 Subject to clause 6.3, decisions made by the management board of KGL shall be made by unanimous vote (not to be unreasonably withheld), taken with all three directors present at the same time. If no unanimous vote is achieved, the Management Committee shall make the decision.
- 6.3 A decision in connection with a transaction, contract or other obligation (whether a single contract or a series of related contracts or supplemental/amended contracts) the aggregate value of which:
- (a) does not exceed USD 200,000 and involves a non-budgeted item, shall be made solely by the General Director of KGL subject to review of said transaction, contract or other obligation by the Technical Director prior to execution of same, (which review shall be deemed completed within three (3) Business Days from the date on which the Technical Director receives information about the proposed decision);
 - (b) exceeds USD 200,000 but is less than USD 500,000 and is budgeted, shall be made by the unanimous vote of the directors on the management board of KGL; and
 - (c) equals or exceeds USD 500,000, shall be made by the Management Committee.
- For purposes of this clause, "budgeted" means that the general expenditure has been approved by the Management Committee in its annual budget as per clause 6.7 below and "related contracts" means a contract or a series of contracts among the same or related parties with similar terms and conditions, including but not limited to subject of such contracts, concluded for the same or similar purpose with the exception of contracts for the sale of gas and gas condensate to Shareholders (or their Affiliates) as described in clause 5.29.
- 6.4 Any payments to be made by KGL shall require joint signature of the General Director and the Technical Director. If one of them fails to sign, the decision shall be made by the Management Committee.
- 6.5 KGB shall have one director on its management board, being the General Director. The General Director shall not be authorised to take decisions other than with prior approval of KGL in accordance with clause 6.3.
- 6.6 The Parties agree to hold a tender process where the cost of procurement of goods or services exceeds USD 200,000. For these purposes, the Parties shall establish a tender committee for KGL and KGB, jointly. The tender committee shall make recommendations for the preferred contractor following completion of the tender process and the selection decision shall be made in accordance with clause 6.3.
- 6.7 KHL Board shall approve the annual budgets of the Ukrainian Subsidiaries and the parties shall procure that the Ukrainian Subsidiaries strictly follow the annual budgets so approved. Any proposed expenditures in excess of USD 200,000 per line item of an approved budget shall be subject to prior approval by the Management Committee.
- 6.8 The accounts of the Ukrainian Subsidiaries shall be audited annually by the same big four accounting firm which audits KHL at cost to the Ukrainian Subsidiaries.

- 6.9 The Ukrainian Subsidiaries shall, once a year, obtain a petroleum reserves and engineering report (which shall include a statement of the 2P Reserves) from a reputable, independent, firm of petroleum reservoir engineers, as agreed by the Parties and appointed at the cost of the Ukrainian Subsidiaries.
- 6.10 The provisions of this clause 6 shall apply to KGL or KGB, as relevant, and the parties shall procure that their charters are amended as required to implement the provisions of this clause 6 as soon as practicable after the date of this Agreement but in no event later than thirty (30) days after the date of this Agreement.

7. FINANCE FOR KUBGAS HOLDINGS

- 7.1 In respect of each Licence, until such time as the relevant Licence Area has commenced Commercial Operations, funding of Petroleum Operations in respect of such Licence shall be met in accordance with the requirements of this clause 6.
- 7.2 In respect of its own corporate affairs, the parties envisage that KHL shall be self-financed from the cash flow of the Business and any cash contributions made by Gastek and Resano as agreed between them from time to time.
- 7.3 If KHL, KGL or KGB directly needs any additional finance, KHL shall seek a loan from its principal bankers.
- 7.4 If Resano and Gastek need to provide any further finance to KHL, such funds shall be provided to KHL, KGL or KGB (if so agreed) by Resano and Gastek pro rata to the proportions of their respective shareholdings in KHL at the relevant time unless Resano and Gastek otherwise mutually agree in writing prior to such time.
- 7.5 Any capital increase in KHL or any action that could lead to dilution of a minority Shareholder requires consent of each Shareholder, such consent not to be unreasonably withheld. If the parties agree to increase the share capital of KHL, the additional issued capital will be issued to Resano and Gastek pro rata to the proportions of their respective shareholdings in KHL at the relevant time unless Resano and Gastek otherwise mutually agree in writing prior to such time.
- 7.6 By mutual agreement between the parties, Gastek or Resano may make an additional loan to KHL (a "**KHL Loan**") provided that such KHL Loan shall be on, or consistent with, the following terms:
- (a) the proceeds of any KHL Loan may only be used to pay any Business or internal corporate costs and shall not be used to repay any obligations to any shareholder of KHL; and
 - (b) a KHL Loan shall bear interest at a rate per annum not to exceed the Interest Rate.
- 7.7 KHL will provide funding for 100% of the costs of Petroleum Operations, if not otherwise self-financed by the Ukrainian Subsidiaries through loans and advances made directly to KGL or KGB pursuant to the Management Protocol (except for any agreed loans made directly to KGL or KGB), the terms and conditions of this Agreement and in accordance with the requirements of the Accounting Principles.

8. COVENANTS

- 8.1 Resano, Gastek and KHL shall not unless required otherwise pursuant to this Agreement:
- (a) amend or propose to amend the memorandum and/or articles of association of KHL;
 - (b) split, combine or reclassify any outstanding shares of KHL's registered share capital, or declare or pay any dividends or make any other distribution to the holders thereof;

- (c) issue or sell any options, warrants, convertible securities or other rights (contingent or otherwise) of any character to purchase, subscribe to, or otherwise acquire shares in, or in any way reclassify any of the shares of KHL;
 - (d) merge or consolidate with or into any other corporation or change in any manner the rights of KHL's capital stock or the character of its business;
 - (e) acquire through KHL (by merger, consolidation or acquisition of stock or assets) any corporation, partnership or other business organisation or division thereof or make any equity investments therein through KHL;
 - (f) other than in the ordinary course of business of KHL enter into or modify any contract, lease or agreement or create any encumbrance of KHL's assets; or
 - (g) conduct the business of KHL other than in the ordinary course of business and in compliance with all applicable laws and regulations.
- 8.2 Each of Resano, Gastek, and KHL covenant that KGL and KGB shall operate and be managed in accordance with the terms of this Agreement and that they shall procure that KGL and KGB perform any obligations that they have under this Agreement in accordance with its terms and, upon receiving notice that either KGL or KGB is in breach of any of its obligations under this Agreement, shall procure that KGL or KGB acts to remedy such breach as soon as possible.

9. THE BUSINESS PLAN

- 9.1 The Business Plan is an annual business plan for KHL prepared by the Management Committee, and approved by the KHL Board based upon KGL's approved Work Program and Budget developed pursuant to the Management Protocol together with all other work programmes and budgets prepared by KGL or similar or analogous documents, programmes and budgets for the relevant year and it shall include, in particular, in relation to the Financial Year to which it relates:
- (a) a cash flow statement giving:
 - (i) an estimate of the working capital requirements; and
 - (ii) an indication of the amount (if any) that it is considered prudent to retain, for the purpose of meeting those requirements, out of those profits of the previous Financial Year that are available under the law of Cyprus for distribution to shareholders;
 - (b) a monthly projected profit and loss account;
 - (c) an operating budget and balance sheet forecast;
 - (d) a management report giving business objectives for the Financial Year;
 - (e) a financial report which shall include an analysis of the results of KHL for the previous Financial Year compared with the Business Plan for that year, identifying variations in sales revenues, costs and other material items; and
 - (f) copies of KGL's approved Work Program and Budget developed pursuant to the Management Protocol together with all other work programmes and budgets prepared by KGL or similar or analogous documents, programmes and budgets.
- 9.2 The Business Plan for the Financial Year in which KHL is formed shall be in agreed form and adopted by the shareholders of KHL.
- 9.3 The Business Plan for every other Financial Year:

- (a) shall be prepared within 45 days of the end of the preceding Financial Year (the first day being the first day of the Financial Year to which the plan relates); and
- (b) shall be adopted and approved by the KHL Board and the KGL Board as soon as possible after it has been prepared.

10. ACCOUNTING

- 10.1 The KHL Board is responsible for ensuring that at all times KHL maintains accurate and complete accounting and other financial records in accordance with the requirements of all applicable laws, the Accounting Principles (to the extent applicable) and generally accepted accounting principles applicable in the Republic of Cyprus.
- 10.2 Each of Gastek and Resano and its authorised representatives shall be allowed access at all reasonable times to examine the books and records of KHL.
- 10.3 KHL shall supply each of Gastek and Resano with the financial information necessary to keep the party informed about how effectively the business of KHL is performing and in particular will supply each party with:
 - (a) a copy of each year's Business Plan;
 - (b) a copy of the audited accounts of KHL prepared in accordance with the laws applicable in, and the accounting standards, principles and practices generally accepted in, Cyprus, within 3 months of the end of the year to which the audited accounts relate; and
 - (c) monthly management accounts of KHL to be supplied within 60 days of the end of the month to which they relate (the first day being the first day of the following month) and the accounts shall include, in particular, a profit and loss account, a balance sheet and a cash flow statement.

11. DIVIDEND POLICY

KHL, on a semi-annual basis but only to the extent permitted by law and subject to the funding requirements for KHL's cash and operational requirements as set out in the Business Plan for each succeeding Financial Year prepared and approved in accordance with clause 9 and subject to a resolution of the KHL Board and any Net EO Proceeds payable by KHL to Consenting parties in respect of Exclusive Operations, shall distribute the maximum amount available for distribution to the Shareholders in proportion to their respective Shareholdings or otherwise as specified in this Agreement by way of dividend. The parties shall consider and agree a more frequent distribution of profits, if they consider it prudent to do so.

12. DEADLOCK

- 12.1 If at any time Resano and Gastek are unable to reach a decision in accordance with this Agreement on any matter which requires to be so determined by them (a "**Deadlock**") then, if such matter remains unresolved for a period of at least 10 Business Days, the matter may be referred by either of Resano or Gastek to the chief executives (or equivalent) of each of Resano and Gastek for resolution by them (or such other persons as Resano and Gastek may nominate in writing from time to time) (the "**Deadlock Representatives**") jointly and acting in good faith in such a manner that is not likely to render:
 - (a) KGL or KGB in breach of its obligations under the Licences or Licence Interest Documents; or
 - (b) any party in breach of their obligations under this Agreement.
- 12.2 The Deadlock Representatives shall notify any such resolution of the matter jointly in writing to Resano, Gastek and KHL within seven days from the date on which it was

referred to them and such resolution shall be given effect by Resano and Gastek without any further delay, including by voting at a General Meeting or procuring that their respective Directors vote at a Board meeting (or Management Committee Meeting as may be appropriate) to implement such mutual agreement.

- 12.3 If the Deadlock Representatives have not notified the parties of a resolution of the matter in accordance with clause 12.2, either of Resano or Gastek may serve a notice on the other (the "**Deadlock Resolution Notice**"), in which the party serving the notice shall offer to sell all of its Shares to the recipient of the Deadlock Resolution Notice or buy all of the Shares of the recipient of the Deadlock Resolution Notice, in each case at the same, specified price per Share, in cash, which shall be denominated in USD. The offer made in the Deadlock Resolution Notice shall be irrevocable for twenty (20) Business Days.
- 12.4 The recipient of a Deadlock Resolution Notice shall, by serving a counter-notice within twenty (20) Business Days from the date of receipt of the Deadlock Resolution Notice, either:
- (a) agree to buy all the Shares of the party that served the Deadlock Resolution Notice at the price per Share specified in the Deadlock Resolution Notice; or
 - (b) agree to sell all of its Shares to the party that served the Deadlock Resolution Notice at the price per Share specified in the Deadlock Resolution Notice.
- 12.5 If no counter-notice is served within the period specified in clause 12.4 above, the recipient of the Deadlock Resolution Notice shall be deemed to have accepted the offer to buy its Shares contained in the Deadlock Resolution Notice,
- 12.6 The service of a counter-notice pursuant to clause 12.4, or deemed acceptance of the Deadlock Resolution Notice pursuant to clause 12.5, shall bind the parties to buy or sell the Shares (as the case may be) on the terms set out in the Deadlock Resolution Notice in accordance with clause 18.
- 12.7 If both parties serve a Deadlock Resolution Notice, the Deadlock Resolution Notice which is received first in accordance with the provisions of this Agreement shall prevail.

13. TRANSFER OF SHARES AND TAG ALONG RIGHTS

- 13.1 No Shareholder shall transfer, grant any security interest over, or otherwise dispose of or give any person any rights in or over any share or interest in any share in KHL unless it is permitted to do so under this Agreement.
- 13.2 A Shareholder may do anything prohibited in this clause 13 if the other Shareholder(s) has/have consented to it in writing.
- 13.3 A Shareholder may transfer all of its shares in KHL to a member of its Group without following the steps in this clause 13 if, at the time of the transfer and in relation to the shares being transferred, the transferring party:
- (a) procures that the transferee enters into a shareholders' agreement with the remaining party to this Agreement on the same terms as apply to the transferring party in relation to those shares immediately before the transfer; and
 - (b) guarantees all the obligations and any liability of the transferee under the agreement referred to in (a).
- 13.4 A Shareholder may transfer all its shares in KHL to any person for cash and not on deferred terms if that Shareholder follows the steps in this clause 13.
- 13.5 The Shareholder wishing to transfer its shares (in this clause, a "**Seller**") must give an irrevocable notice (a "**Transfer Notice**") to the other party (the "**Other Shareholder**") of the details of the proposed transfer including, in particular, the identity of the proposed

buyer (the "**Proposed Buyer**"), and the price of the shares and other material terms of the proposed sale.

- 13.6 If the Other Shareholder gives notice to the Seller within 20 Business Days of receiving the Transfer Notice (the first day being the day after it receives the Transfer Notice) (the "**Acceptance Period**") that it wishes to buy all the Seller's shares in KHL (the "**ROFR Notice**"), the Other Shareholder shall have the right to do so at the price and on the other terms specified in the Transfer Notice, provided that the Other Shareholder provides documentation to demonstrate to the Seller's reasonable satisfaction that it has sufficient funds to purchase the Seller's shares on the terms and at the price set out in the Transfer Notice. In the event that the Other Shareholder is unable to do so, the ROFR Notice shall have no effect and the Seller shall be entitled to proceed with the sale to the Proposed Buyer.
- 13.7 The Other Shareholder is bound to buy all the Seller's shares when it gives a ROFR Notice to the Seller and the sale and purchase of shares shall take place in accordance with the provisions of clause 18.
- 13.8 If, at the expiry of the period specified in clause 13.6, the Other Shareholder has not notified the Seller that it wants to buy the shares the Seller may transfer all its shares in KHL to the Proposed Buyer at a price not less than the price specified in the Transfer Notice, provided that the sale is completed within 3 months of the expiry of the period specified in clause 13.6.
- 13.9 If the proposed sale of Shares pursuant to a Transfer Notice would result in the sale of more than 50% of the issued share capital of KHL, the Other Shareholder shall have the right to require that the Seller does not complete the sale unless it shall have procured that the Proposed Buyer shall have first offered, by written notice to the Other Shareholder issued at the same time as the Transfer Notice (the "**Tag Notice**"), to buy all the Other Shareholder's Shares (the "**Tag Shares**") on the same terms set out in the Transfer Notice (the "**Tag Offer**").
- 13.10 The Tag Notice shall be irrevocable for the duration of the Acceptance Period and shall include a statement that it is a Tag Notice and full details of the terms and conditions (including terms relating to the consideration, the price per Share for the Tag Shares, date and time of completion and conditions precedent) which shall be no less favourable to the Other Shareholder than the terms and conditions set out in the Transfer Notice.
- 13.11 The Other Shareholder may within the Acceptance Period, either
- (a) serve a ROFR Notice in accordance with clause 13.6;
 - (b) serve a counter-notice on the Proposed Buyer accepting the Tag Offer ("**Acceptance Notice**"); or
 - (c) serve a counter-notice on the Proposed Buyer declining the Tag Offer.
- 13.12 If the Other Shareholder declines the Tag Offer or does not serve a ROFR Notice or Acceptance Notice within the Acceptance Period (in which case the Other Shareholder shall be deemed to have declined the Tag Offer), the Seller may transfer all its shares in KHL to the Proposed Buyer at a price not less than the price specified in the Transfer Notice, provided that the sale is completed within 3 months of the expiry of the period specified in clause 13.6.
- 13.13 If the Other Shareholder accepts the Tag Offer, the Other Shareholder shall transfer the Tag Shares to the Proposed Buyer at the same time and upon the same terms (as set out in the Tag Notice) as the sale of the Seller's Shares to the Proposed Buyer, provided that the sale of the Seller's Shares and the Tag Shares is completed within 3 months of the expiry of the period specified in clause 13.6.

- 13.14 If the sale of the Seller's Shares and Tag Shares is not completed within 3 months of the expiry of the period specified in clause 13.6, the Seller may not serve any further Transfer Notice (or Tag Notice) for a period of six months following the expiry of that period.
- 13.15 Each Shareholder undertakes (in respect of the shares that it holds) to give, and to use its reasonable efforts to procure that shareholders in its Group give, the approvals required for the transfer of shares under this clause 13.
- 13.16 The Seller shall procure that, in relation to the shares being sold in KHL, any Proposed Buyer of the shares who is not a party to this Agreement at closing enters into this Agreement by a deed of adherence in a form acceptable to the Other Shareholder or, at the Other Shareholder's choice, a shareholders' agreement with the Other Shareholder on the same terms as apply to the Seller in relation to those shares before closing.
- 13.17 References in this clause 13 to all the shares held by a party in KHL are to all the shares in KHL held by that party and any members of its Group, and not some only of those shares.

14. INSOLVENCY AND PAYMENT DEFAULT

- 14.1 If anything mentioned in this clause 14 happens to a party (other than KHL) it shall constitute an "**Obligatory Transfer Event**" in respect of that party.
- 14.2 If the party is insolvent or unable to pay its debts within the meaning of the insolvency legislation applicable to that party and has stopped paying its debts as they fall due.
- 14.3 If a step has been taken to initiate any process by or under which:
- (a) the ability of the creditors of the party to take any action to enforce their debts is suspended, restricted or prevented; or
 - (b) some or all of the creditors of the party accept, by agreement or in pursuance of a court order, an amount of less than the sums owing to them in satisfaction of those sums with a view to preventing the dissolution of the party; or
 - (c) a person is appointed to manage the affairs, business and assets of the party on behalf of the party's creditors; or
 - (d) the holder of a charge over assets of the party is appointed to control the business and assets of the party.
- 14.4 If a process has been instituted that could lead to the party being dissolved and its assets being distributed among the party's creditors, shareholders or other contributors.
- 14.5 If there is a change of Control of the party.
- 14.6 If either Resano or Gastek:
- (a) fails to advance funds to KHL:
 - (i) contrary to a resolution of the KHL Board requiring that such funds are advanced; or
 - (ii) after that party had indicated in writing that it will advance such further funds to KHL; or
 - (b) fails to pay the amount of any subscription for additional capital in KHL agreed as payable between Resano and Gastek pursuant to clause 7.5; or
 - (c) fails to make a payment required of it in respect of a KHL Loan,
(a "**Payment Default**").

15. TRANSFER FOLLOWING AN OBLIGATORY TRANSFER EVENT

15.1 Where an Obligatory Transfer Event happens to a party, it shall notify the other party of it as soon as possible and, if it does not, is deemed to have given notice of it on the date on which the other party becomes aware of the Obligatory Transfer Event.

15.2 The party receiving notice of an Obligatory Transfer Event (in this clause "**Buyer**") has the right, within 14 days of receiving the notice (the first day being the day after it received or was deemed to have received notice), to offer to buy all the shares of the other party (in this clause "**Seller**") in KHL at a price specified in the offer for cash and not on deferred terms, which price will be determined as follows (subject to clause 15.3):

$$\text{Price} = 90\% \text{NPV} \times \text{NSS} \div \text{TS}$$

Where:

- (a) "**90%NPV**" means the amount in US Dollars equal to 90% of the net present value of the 2P Reserves shown in the latest Reserves Report, as determined by the Expert within 30 Days of such Payment Default (unless the Payment Default is after 31 July, upon which the Expert shall use the Reserves Report prepared for the Company at the end of the calendar year in accordance with clause 6.10);
- (b) "**NSS**" means the number of shares in KHL held by the Seller at the time of the Payment Default; and
- (c) "**TS**" means the total number of shares in KHL.

15.3 If the relevant Obligatory Transfer Event is also a Payment Default (notwithstanding any other provision of this Agreement), the price will be determined as follows:

$$\text{Price} = (90\% \text{NPV} \times \text{NSS} \div \text{TS}) - \text{PD}$$

Where:

- (a) "**90%NPV**" means the amount in US Dollars equal to 90% of the net present value of the 2P Reserves shown in the latest Reserves Report, as determined by the Expert within 30 Days of such Payment Default (unless the Payment Default is after 31 July, upon which the Expert shall use the Reserves Report prepared for the Company at the end of the calendar year in accordance with clause 6.10);
- (b) "**PD**" means the amount equal to the relevant Payment Default (provided that if such Payment Default and the value of the KHL Shares are denominated in different currencies the value of the relevant Payment Default will be converted to the same currency in respect of the value of the KHL Shares are denominated using the standard interbank conversion rate used by KHL's Banker on the date of the relevant Payment Default); and
- (c) "**NSS**" means the number of shares in KHL held by the Seller at the time of the Payment Default; and
- (d) "**TS**" means the total number of shares in KHL.

If using the above equation, the price per share is a negative number, the Seller shall be required to:

- (i) transfer its shares to the Buyer; and
- (ii) pay the Buyer an amount equal to the absolute value of the price per share calculated in accordance with the above equation,

in consideration for a complete release by the Buyer of the obligation to make the payment subject of the Payment Default.

15.4 The Seller has a period of 5 days (in this clause the "**Share Pricing Period**") of receiving the offer (the first day being the day after the day of the offer) within which to:

- (a) accept the price offered for the shares by the Buyer; or
- (b) request that price for the shares is determined by the Expert,

and the Seller is deemed to have accepted the price offered for the shares if it does not expressly accept or request a price determination by the end of the Share Pricing Period.

15.5 The price for the shares shall be:

- (a) the price offered by the Buyer if, at the expiry of the Share Pricing Period, the Seller:
 - (i) has accepted that price; or
 - (ii) has neither accepted that price nor requested the determination of a price by the Expert; or
- (b) the price determined by the Expert if the Seller requests such a determination before the expiry of the Share Pricing Period.

15.6 Where the price is referred to the Expert, to exercise its right to buy, the Buyer shall give notice to the Seller within 5 days of receiving notification of the price as determined by the Expert (the first day being the day after the Buyer receives the notification from the Expert).

15.7 Acceptance or deemed acceptance under clause 15.4 or the service of a notice to buy under clause 15.5 shall bind the parties to buy and sell the shares in accordance with clause 18.

15.8 In this clause, the price of the shares to be sold in KHL shall be the value that the Expert certifies to be the price for the shares determined in his absolute discretion on the basis of the applicable formula set out in clause 15.2 or 15.3.

16. EXPERT

16.1 An Expert is a person appointed in accordance with this clause 16 to resolve those matters arising under clause 15 of this Agreement, which call for the opinion of the Expert.

16.2 The parties shall endeavour to agree on the appointment of an independent Expert, from amongst the "Big 4" accounting firms present in Kyiv (being PriceWaterhouseCoopers, Deloitte, Ernst&Young and KPMG) or such other internationally recognised accounting firm as the parties may agree.

16.3 If the parties are unable to agree on the appointment of an Expert within seven days of either party serving details of a suggested expert on the other or if the Expert selected thereafter declines to act, the parties may endeavour to agree on an alternative Expert from those indicated in clause 16.2 within an additional seven day period. If no Expert is agreed at the expiry of such period or if the selected Expert also declines to act, either party shall then be entitled to request the President for the time being of the Institute of Chartered Accountants of England and Wales to appoint an Expert of repute with international experience in the valuation of oil and gas exploration, development and production companies.

16.4 The Expert is required to prepare a written decision and give notice (including a copy) of the decision to the parties within:

- (a) In the case of a decision pursuant to clause 15.2, the period required pursuant to that clause; or

- (b) a maximum of three months of the matter being referred to the Expert.
- 16.5 If the Expert dies or becomes unwilling or incapable of acting, or does not deliver the decision within the time required by this clause 16:
 - (a) either party may apply to the President of the Institute of Chartered Accountants of England and Wales to discharge the Expert and appoint a replacement Expert with the required expertise; and
 - (b) this clause 16.5 applies in relation to the new Expert as if he were the first Expert appointed.
- 16.6 All matters under this clause 16 shall be conducted, and the Expert's decision shall be written, in the English language.
- 16.7 The parties are entitled to make submissions to the Expert and shall provide (or procure that others including KHL provide) the Expert with such assistance and documents as the Expert reasonably requires for the purpose of reaching a decision.
- 16.8 Each party shall, with reasonable promptness, supply (and procure that others including KHL supply) each other with all information and give each other access to all documentation and personnel as the other party reasonably requires to make a submission under this clause 16.
- 16.9 The Expert shall act as an expert and not as an arbitrator. The Expert's written decision on the matters referred to him shall be final and binding in the absence of manifest error or fraud.
- 16.10 Each party shall bear its own costs in relation to the reference to the Expert. The Expert shall be appointed by the Company and the Expert's fees and any costs properly incurred by him in arriving at his determination (including any fees and costs of any advisers appointed by the Expert) shall be borne by the Company.

17. TERMINATION AND LIQUIDATION

- 17.1 Except for the provisions listed in clause 17.2 below which shall continue in full force after termination, this Agreement shall terminate:
 - (a) when either Gastek or Resano ceases to hold any shares in KHL; or
 - (b) when a resolution is passed by shareholders or creditors, or an order is made by a court or other competent body or person instituting a process that will lead to KHL being dissolved and its assets being distributed among KHL's creditors, shareholders or other contributors.
- 17.2 The following provisions of this Agreement remain in full force after termination:
 - (a) clause 1;
 - (b) this clause 17;
 - (c) clause 20;
 - (d) clause 22 ;
 - (e) clause 24;
 - (f) clause 25;
 - (g) clause 29;

- (h) clause 31;
 - (i) clause 32; and
 - (j) clause 35.
- 17.3 Termination of this Agreement shall not affect any rights or liabilities that the parties have accrued under it.
- 17.4 If this Agreement terminates (other than by reason of a transfer of shares pursuant to clause 13.3) each party shall, if requested by the other, procure that the name of KHL is changed to avoid confusion with the name of the party making the request.
- 17.5 Where KHL is to be dissolved and its assets distributed, the parties shall agree on a suitable basis for dealing with the interests and assets of KHL and shall endeavour to ensure that:
- (a) all existing contracts of KHL are performed to the extent that there are sufficient resources;
 - (b) KHL does not enter into any new contractual obligations;
 - (c) KHL is dissolved and its assets are distributed as soon as practicable; and
 - (d) any proprietary information or intellectual property rights belonging to or originating from a party are returned to it by the other party or KHL.

18. CLOSING THE SALE AND PURCHASE OF SHARES IN KUBGAS HOLDINGS

- 18.1 This clause 18 applies only to transfers between the parties pursuant to clauses 4, 12, 13 and 15. For the purposes of this clause, the "**Relevant Date**" means the date on which:
- (a) a Deadlock Resolution Notice is given under clause 12.3;
 - (b) the Other Shareholder (having received a Transfer Notice) serves a ROFR Notice under clause 13.6;
 - (c) acceptance or deemed acceptance of an offer to buy under clause 15.3 occurs, or service of a notice to buy under clause 15.5 occurs.
- 18.2 Subject to any regulatory approvals that may be required under law (including receipt of any approval from the AMC) (the "**Approvals**"), the sale of shares under this Agreement (other than the 2.5% Shares and the Option Shares) shall close at the offices of KHL on the later of the 10th Business Day after:
- (a) the Relevant Date; or
 - (b) the date on which all Approvals have been obtained.

The buying Shareholder shall be solely responsible for obtaining the Approvals. If any Approvals are not obtained before the expiration of three months after the Relevant Date for any reason but for bad faith or lack of cooperation by the selling Shareholder, the buying Shareholder's rights under clauses 12, 13 and 15 shall lapse and cease to have any further effect.

- 18.3 At closing the party selling the Shares shall:
- (a) transfer the Shares free from all Encumbrances (including any Encumbrances relating to security in respect of advances made to KHL) in such form and following due process as is necessary for the buyer to establish legal ownership in accordance with Cypriot law;

- (b) deliver the resignations of any directors appointed by the selling party to take effect at closing and acknowledging that they have no claims against KHL;
 - (c) warrant that it has no right to require KHL to issue any share capital or other securities and that no Encumbrance affects any unissued shares or other securities of KHL;
 - (d) warrant that no commitment has been given to create an Encumbrance affecting the Shares being sold (or any unissued shares or other securities of KHL) and that no person has claimed any rights in respect thereof subject to receipt of any waivers from principal bankers if so required; and
 - (e) undertake to do all it can, at its own cost, to give the buyer the full legal and beneficial title to the Shares.
- 18.4 At closing the party buying the shares shall pay the purchase price by electronic transfer in cleared and immediately available funds to the party selling the shares.
- 18.5 At or before closing, KHL shall repay any loans made by the selling party to KHL (together with any interest accrued thereon) and the parties shall use their best endeavours to procure that the selling party is released from any guarantees, security arrangements and other obligations that it has given in respect of KHL and its business.
- 18.6 The shares shall be sold with all rights that attach, or may in the future attach, to them (including, in particular, the right to receive all dividends and distributions declared, made or paid on or after the events referred to in clause 18.2(a) and clause 18.2(b)).
- 18.7 The party buying the shares is not obliged to complete the purchase of any of the shares being sold unless the purchase of all the shares is completed simultaneously.
- 18.8 If the party selling the shares fails to complete the transfer of shares as required under this clause 18:
- (a) KHL is irrevocably authorised to appoint any person to transfer the shares on the seller's behalf and to do anything else that the buyer may reasonably require to complete the sale; and
 - (b) KHL may receive the purchase price in trust for the party selling the shares, giving a receipt that shall discharge the party buying the shares.

19. STATUS OF AGREEMENT

- 19.1 Each party shall, to the extent that it is able to do so, exercise all its voting rights and other powers in relation to KHL to procure that the provisions of this Agreement are properly and promptly observed and given full force and effect according to the spirit and intention of this Agreement.
- 19.2 If any provision in the constitutional documents of KHL conflicts with any provision of this Agreement, this Agreement shall prevail.
- 19.3 The parties shall, when necessary, exercise their powers of voting and any other rights and powers they have to amend, waive or suspend a conflicting provision in the constitutional documents to the extent necessary to permit KHL and its business to be administered as set out in this Agreement.

20. CONFIDENTIALITY

- 20.1 In this clause Confidential Information means any information which:
- (a) either party may have or acquire (whether before or after the date of this Agreement) in relation to the customers, business, assets or affairs of KHL (including, without limitation, any information provided pursuant to clause 10); or

- (b) either party or any member of its Group may have or acquire (whether before or after the date of this Agreement) in relation to the customers, business, assets or affairs of the other party or any member of the other party's Group as a consequence of the negotiations relating to this Agreement or the performance of this Agreement; or
- (c) relates to the contents of this Agreement (or any agreement or arrangement entered into pursuant to this Agreement),

but excludes the information in clause 20.2.

20.2 Information is not Confidential Information if:

- (a) it is or becomes public knowledge other than as a direct or indirect result of the information being disclosed in breach of this Agreement; or
- (b) either party can establish to the reasonable satisfaction of the other party that it found out the information from a source not connected with the other party or its Group and that the source is not under any obligation of confidence in respect of the information; or
- (c) either party can establish to the reasonable satisfaction of the other party that the information was known to the first party before the date of this Agreement and that it was not under any obligation of confidence in respect of the information; or
- (d) the parties agree in writing that it is not confidential.

20.3 Each party shall at all times use all reasonable endeavours to keep confidential (and to ensure that its employees, agents, Subsidiaries and the employees and agents of such Subsidiaries (including KGL), and KHL (in respect of information specified in clause 20.1(b) and clause 20.1(c)) keep confidential any Confidential Information and shall not use or disclose any Confidential Information except:

- (a) to another member of the Gastek Group or Resano Group, as the case may be, or to a party's professional advisers where such disclosure is for a purpose related to the operation of this Agreement; or
- (b) with the written consent of either KHL or the party or any member of its Group that the information relates to; or
- (c) as may be required by law or by the rules of any recognised stock exchange, or governmental or other regulatory body or court order, when the party concerned shall, if practicable, supply a copy of the required disclosure to the other before it is disclosed and incorporate any amendments or additions reasonably required by the other; or
- (d) to any tax authority to the extent reasonably required for the purposes of the tax affairs of the party concerned or any member of its Group but only if so required by law or written order of the tax authority; or
- (e) if the information comes within the public domain (otherwise than as a result of the breach of this clause 20.3).

20.4 Each party shall inform (and shall use all reasonable endeavours to procure that any Subsidiary (including KGL) and KHL shall inform) any officer, employee or agent or any professional adviser advising it in relation to the matters referred to in this Agreement, or to whom it provides Confidential Information, that such information is confidential and shall require them:

- (a) to keep it confidential; and

- (b) not to disclose it to any third party (other than those persons to whom it has already been disclosed in accordance with the terms of this Agreement).
 - 20.5 On termination of this Agreement, either party may demand from the other and KHL and KGL the return of any documents containing Confidential Information in relation to the first party by notice in writing, whereupon the other party shall (and shall use all reasonable endeavours to ensure that its Subsidiaries (including KGL), and its officers and employees and those of its Subsidiaries and KHL) shall:
 - (a) return such documents; and
 - (b) destroy any copies of such documents and any other document or other record reproducing, containing or made from or with reference to the Confidential Information,
- save, in each case, for any submission to or filings with governmental, tax or regulatory authorities or courts. Such return or destruction shall take place as soon as practicable after the receipt of any such notice.
- 20.6 The obligations of each of the parties in this clause 20 shall continue without limit in time and notwithstanding termination of this Agreement for any reason.
 - 20.7 Each Shareholder undertakes to each of the other parties that he will not at any time make any adverse comment or make any disclosure concerning any party or any company in that party's group or its business or affairs, or any comment or disclosure that may have a potential adverse impact on such business or affairs and will obtain prior clearance from the Board before making any formal written or verbal public statement or disclosure unless such comment or disclosure is required to be made by law or by the rules of any recognised stock exchange, or governmental or other regulatory body or court order, or the subject matter of such disclosure or comment is already in the public domain.

21. WARRANTY AND ANTI-CORRUPTION UNDERTAKING

- 21.1 Each party undertakes to the other party that:
 - (a) it will not, and will procure that KHL and the Ukrainian Subsidiaries will not engage in any activity, practice or conduct which would constitute an offence under any applicable Anti-Corruption Laws; and
 - (b) it has will maintain in place, and will procure that KHL has and will maintain in place, adequate procedures designed to prevent any Associated Person from undertaking any conduct that would give rise to an offence under any applicable Anti-Corruption Laws.

22. ENTIRE AGREEMENT

- 22.1 This Agreement, and any documents referred to in it or executed contemporaneously with it, constitute the whole agreement between the parties and supersede any arrangements, understanding or previous agreement between them relating to the subject matter they cover.
- 22.2 Each party acknowledges that, in entering into this Agreement and any documents referred to in it or executed contemporaneously with it, it does not rely on, and shall have no remedy in respect of, any statement, representation, assurance or warranty of any person other than as expressly set out in this Agreement or those documents.
- 22.3 Nothing in this clause 22 operates to limit or exclude any liability for fraud, wilful misconduct or gross negligence.

23. ASSIGNMENTS

- 23.1 This Agreement shall be binding on the parties and their respective successors, administrators, managers, receivers, liquidators and assigns.
- 23.2 Neither of the parties may assign, nor grant any security interest over, this Agreement or any of its rights and obligations under it, except as permitted in this Agreement.

24. VARIATION AND WAIVER

- 24.1 A variation of this Agreement shall be in writing and signed by or on behalf of all parties.
- 24.2 A waiver of any right under this Agreement is only effective if it is in writing and it applies only to the person to which the waiver is addressed and the circumstances for which it is given.
- 24.3 A person that waives a right in relation to one person, or takes or fails to take any action against that person, does not affect its rights against any other person.
- 24.4 Unless specifically provided otherwise, rights arising under this Agreement are cumulative and do not exclude rights provided by law.

25. COSTS

Unless otherwise provided, all costs in connection with the negotiation, preparation, execution and performance of this Agreement shall be borne by the party that incurred the costs.

26. NO PARTNERSHIP

The parties to this Agreement are not in partnership with each other and there is no relationship of principal and agent between them.

27. GOOD FAITH

- 27.1 All transactions entered into between either party or any company Controlled by it and KHL shall be conducted in good faith and on the basis set out or referred to in this Agreement or, if not provided for in this Agreement, as may be agreed by the parties and, in the absence of such agreement, on an arm's length basis.
- 27.2 Each party shall at all times act in good faith towards the other and shall use all reasonable endeavours to ensure that this Agreement is observed.
- 27.3 Each party shall do all things necessary and desirable to give effect to the spirit and intention of this Agreement.

28. THIRD PARTY RIGHTS

- 28.1 This Agreement is made for the benefit of the parties and their successors and permitted assigns and is not intended to benefit, or be enforceable by, anyone else.
- 28.2 The right of the parties to terminate, rescind or agree any amendment, variation, waiver or settlement under this Agreement is not subject to the consent of any person that is not a party to this Agreement.

29. NOTICES

- 29.1 A notice given under this Agreement:
 - (a) shall be in writing in the English language (or be accompanied by a properly prepared translation into English);

- (b) shall be sent for the attention of the person, and to the address, or fax number, given in this clause 29 (or such other address, fax number or person as the party may notify to the others, such notice to take effect five days from the notice being received); and
- (c) shall be:
 - (i) delivered personally; or
 - (ii) sent by fax; or
 - (iii) sent by pre-paid first-class post, recorded delivery or registered post; or
 - (iv) (if the notice is to be served by post outside the country from which it is sent) sent by registered airmail; or
 - (v) sent by email to the email addresses below (with the recipient bound to confirm receipt (if received) by reply email) to be followed promptly by hand delivery or internationally recognised commercial courier for next day delivery to the address indicated herein.

29.2 The addresses for service of notice are:

- (a) With respect to Resano:
 - (i) Address: Andreas M. Sofocleous & Co, LLC, 155 Arch. Makarios III Ave, Proteas House, 5th Floor, Limassol, Cyprus
 - (ii) Facsimile number: +357 25849100
 - (iii) Email address: aonoufriou@sofocleous.com.cy
 - (iv) Attention: Anna Onoufriou Georgallides
- (b) With respect to KHL:
 - (i) Address: Proteas Management Ltd, 155 Arch. Makarios III Ave, Proteas House, 5th Floor, Limassol, Cyprus
 - (ii) Facsimile number: +357 25849100
 - (iii) Email address: akorelidou@sofocleous.com.cy
 - (iv) Attention: Anna Korelidou
- (c) With respect to the Gastek:
 - (i) Address: Fourth Street, 1000, Suite 785, San Rafael, CA 94901, USA
 - (i) Email: mikhail.afendikov@cubenerginc.com
 - (ii) Attention: Mikhail Afendikov, CEO
 - (iii) With a copy to be sent by e-mail and post to: Rebecca Gottsegen, General Counsel, Corporate Secretary & Chief Compliance Officer, Cub Energy, Inc., 5120 Woodway Drive, Suite 10010, Houston, TX 77056 USA and at rebecca.gottsegen@cubenergyinc.com.

or such other address as such party may notify from time to time to the other parties.

- (d) A notice is deemed to have been duly given or made as follows:-
- (e) if personally delivered, upon delivery at the address of the relevant party;
- (f) if sent by first class post, five Business Days after the date of posting;
- (g) if sent by air mail, five Business Days after the date of posting;
- (h) if sent by fax, when received with confirmation of having been sent received on the sender's machine; and
- (i) if sent by email, when received (as confirmed by reply email),

provided that if, in accordance with the above provisions, any such notice, demand or other communication would otherwise be deemed to be given or made outside 9.00a.m. - 5.00p.m. of the time zone of the recipient on a Business Day such notice, demand or other communication shall be deemed to be given or made at 9.00 a.m. on the next Business Day. To prove service, it is sufficient to prove that the notice was transmitted by fax or email to the fax number or sent by email address (as applicable) of the party or, in the case of post, that the envelope containing the notice was properly addressed and posted.

- 29.3 Any notice given by fax or email shall be subsequently and promptly confirmed by letter sent by recorded delivery or registered post or delivered personally, but without prejudice to the validity of the original notice if received as provided in clause 29.1.
- 29.4 A party may notify the other party to this Agreement of a change to its name, relevant addressee, address, email address or fax number for the purposes of clause 29.1 provided that such notification shall only be effective on:-
 - (a) the date specified in the notification as the date on which the change is to take place; or
 - (b) if no date is specified or the date specified is less than five Business Days after the date on which notice is given, the date falling five Business Days after notice of any such change has been given.

30. INTEREST ON LATE PAYMENT

- 30.1 Where a sum is required to be paid under this Agreement, but is not paid on the date the parties agreed, the party due to pay the sum shall also pay an amount equal to interest on that sum for the period beginning with that date and ending with the date the sum is paid (and the period shall run after as well as before judgment).
- 30.2 The rate of interest shall be the Interest Rate, and shall accrue on a daily basis and be compounded at a maximum of two (2) times per annum and without any interest being charged upon interest.
- 30.3 This clause 30 is without prejudice to any claim for interest under the law.

31. LANGUAGE

If this Agreement is translated into any language other than English, the English language text shall prevail.

32. SEVERANCE

- 32.1 If any provision of this Agreement (or part of a provision) is found by any court or administrative body of competent jurisdiction to be invalid, unenforceable or illegal, the other provisions shall remain in force.

- 32.2 If any invalid, unenforceable or illegal provision would be valid, enforceable or legal if some part of it were deleted or modified, the provision shall apply with whatever modification is necessary to give effect to the commercial intention of the parties.

33. FURTHER ASSURANCE

Without prejudice to clause 4, each party shall promptly execute and deliver all such documents, and do all such things, as the other party may from time to time reasonably require for the purpose of giving full effect to the provisions of this Agreement.

34. COUNTERPARTS

This Agreement may be executed in any number of counterparts, each of which is an original and which together have the same effect as if each party had signed the same document.

35. GOVERNING LAW AND JURISDICTION

- 35.1 This Agreement (and any dispute, controversy, proceedings or claim of whatever nature arising out of or in any way relating to this Agreement or its formation) shall be governed by and construed in accordance with English law. This reference to English law shall be construed to exclude the application of the English conflict-of-laws rules.
- 35.2 Each of the parties to this Agreement irrevocably agrees that any dispute (including as to the validity of this clause 35) ("**Disputes**"), if not resolved within 30 Business Days of notice to the other party, shall be submitted to final and binding arbitration under the LCIA Arbitration Rules, which are deemed to be incorporated by reference into this clause. For these purposes, each party irrevocably submits to the jurisdiction of the LCIA, including the jurisdiction to grant any appropriate interim relief. The number of arbitrators shall be three, appointed in accordance with LCIA Arbitration Rules. The seat of arbitration shall be London without any obligation on the arbitrators to hold the hearings or deliberations in the specified seat. The language to be used in the arbitral proceedings shall be English.
- 35.3 Each party irrevocably waives any objection which it might at any time have to the LCIA being nominated as the forum to hear and decide any Disputes and to settle any Disputes and agrees not to claim that the LCIA is not a convenient or appropriate forum for resolution of any such Disputes and further irrevocably agrees that a judgment in any Dispute brought before the LCIA referred to in this clause 36 shall be conclusive and binding upon the parties and may be enforced in the courts of any other jurisdiction. In particular, parties waive their right to apply to the courts pursuant to s. 45 and s. 69 of the English Arbitration Act 1996.
- 35.4 At the request of either party the arbitral tribunal may include in any proceeding, decision or award any dispute arising out of this Agreement or any other agreement contemplated hereby; but subject to the foregoing, no other parties or other disputes shall be included in, or consolidated with, the arbitral proceedings.

IN WITNESS whereof this agreement has been duly executed on the date first above written

SCHEDULE 1

Management Protocol

1. GENERATED INTELLECTUAL PROPERTY

KHL shall have the complete ownership of all Generated Intellectual Property.

2. OPERATING THE LICENCES

- 2.1 Vis-à-vis the Authority and the Government, operatorship responsibilities shall be those prescribed by the Licences and otherwise as required by the Applicable Law. However, the parties will procure that KGL undertakes the Petroleum Operations in accordance with the directions of the Management Committee and pursuant to the terms and conditions of this Schedule.
- 2.2 Notwithstanding any provision in this Protocol, the Management Committee and its decisions and actions shall at all times be subject to the direction and control of the KHL Board, and to the extent of any inconsistency between the provisions of this Protocol and the provisions of the Shareholders' Agreement, the provisions of the Shareholders' Agreement shall prevail.
- 2.3 In undertaking the Petroleum Operations, the Management Committee shall have or otherwise be responsible for directing KGL in undertaking, the following responsibilities and obligations in respect of the Petroleum Operations (the "**Petroleum Obligations**"):
- (a) overall responsibility for directing KGL in conducting Petroleum Operations in accordance with Good Oilfield Practice;
 - (b) jointly with KGL and Gastek, maintaining good relations with all third party stakeholders in the Licences, potential business partners, the Authority and the Government;
 - (c) arranging for the provision of management and staff (either directly or by way of secondments or consultancy arrangements) to KGL as required for the proper conduct of its business and Petroleum Operations in accordance with the terms of this Schedule;
 - (d) arranging for the provision of technical support and services to KGL as required;
 - (e) exploration, development and production strategy planning and implementation (including developing and executing Work Programs and Budgets pursuant to the terms of this Schedule);
 - (f) production of oil/gas and management of reservoirs;
 - (g) evaluation of reservoir simulation results;
 - (h) production optimisation;
 - (i) drilling;
 - (j) procurement;
 - (k) engineering;
 - (l) information technology and systems;
 - (m) transportation;
 - (n) refining;

- (o) recovery optimization and life extension;
- (p) perform its obligations under the Licence Documents;
- (q) marketing and sales of Petroleum; and
- (r) administering the Accounts in accordance with the requirements of this Schedule and the Accounting Procedures and to the financial accounting and reporting requirements to which Resano and Gastek may otherwise be subject.

2.4 KHL will procure that KGL will:

- (a) follow all directions given to it by the Management Committee pursuant to paragraph 2.3 except to the extent that such direction is inconsistent with Applicable Law in which case the parties will procure that it shall promptly inform the Management Committee of such inconsistency;
- (b) not make any decision, or take any action unless at the direction of the Management Committee, in respect of the matters falling within the scope of paragraphs 2.3(a) to 2.3(q) with respect to Petroleum Operations;
- (c) not charge an operator fee to any of the parties;
- (d) with the assistance of KHL, to the extent required of it by the Applicable Law, acquire all permits, consents, approvals, and surface or other rights that may be required for or in connection with the conduct of Petroleum Operations or to allow it to perform its obligations under this Agreement;
- (e) maintain the Licences in full force and effect in accordance with the requirements of the Applicable Law;
- (f) where applicable at the direction and with the approval of the Management Committee, pay to the Government from the relevant Licence Account, within the periods and in the manner prescribed by the relevant Licence and the Applicable Law, all periodic payments, royalties, taxes, fees and other payments pertaining to Petroleum Operations but excluding any taxes measured by the incomes of the parties; and
- (g) with the assistance of the management committee or otherwise at the direction of the management committee, prepare and furnish reports, records and information as may be required to be prepared and furnished to the Government and/or the Authority pursuant to the Licences.

3. PROVISION OF PERSONNEL AND PERFORMANCE

- 3.1 The Management Committee shall ensure that KGL engages or retains such employees, contractors, consultants and agents as are reasonably necessary to perform the Petroleum Obligations. Subject to the Licences, the Management Committee shall determine the number of such employees, contractors, consultants and agents, the selection of such persons, their hours of work, and the compensation to be paid to all such persons in connection with Petroleum Operations.
- 3.2 Any Seconded to KGL under this Schedule shall be sourced from Resano or Gastek and/or their Affiliates unless Resano or Gastek are unable to provide such Seconded in which case the Management Committee may direct KGL to source such Seconded from a Third party.
- 3.3 The parties shall ensure that, subject to the terms of this Schedule, KGL performs all lawful directions provided to it by the Management Committee in respect of the Petroleum Obligations:
 - (a) in a manner consistent with KGL's obligations as operator under the Licences; and

- (b) so as to allow KGL to satisfy its obligations as operator under the Licences in respect of the Licence Areas.
- 3.4 Subject to the provisions of this Schedule, the Petroleum Obligations shall be performed, at the Management Committee's sole discretion, by any the following means:
- (a) directly by KGL itself (subject to a valid direction in respect of such Petroleum Operations being provided by the Management Committee to KGL;
 - (b) secondment to KGL of personnel of Resano and Gastek and their Affiliates, selected for their specialist skills in performing relevant Petroleum Obligations;
 - (c) provision of personnel of Resano and Gastek and their Affiliates on Short Term Consultancies to KGL; and
 - (d) preparation and submission of feasibility studies, designs, drawings and reports and provision of other specific consultancy, developmental, support and services work from time to time during the term of this Schedule,
 - (e) provided that any provision made by the Management Committee pursuant to this paragraph 3.4 shall be provided on a chargeable basis and shall be charged to the relevant KGL' Account (as the case may be).

4. WORK PROGRAMMES AND BUDGETS FOR PETROLEUM OPERATIONS

- 4.1 On or before the first Day of January of each Calendar Year, the Management Committee shall deliver to the KHL Board a Work Program and Budget detailing the Petroleum Operations to be performed for the following Calendar Year.
- 4.2 If a Discovery is made, the Management Committee shall deliver any notice of Discovery required under the relevant Licence and shall as soon as possible submit to the KHL Board a report containing available details concerning the Discovery and the Management Committee's recommendation as to whether the Discovery merits appraisal. If the KHL Board determines that the Discovery merits appraisal, the Management Committee within ninety (90) Days shall deliver to the KHL Board a proposed Work Program and Budget for the appraisal of the Discovery. Within thirty (30) Days of such delivery, or earlier if necessary to meet any applicable deadline under the Licences, the KHL Board shall meet to consider, modify and then either approve or reject the appraisal Work Program and Budget. If the appraisal Work Program and Budget is approved by the KHL Board, the Management Committee and KGL (acting at the direction of the Management Committee) shall take such steps as may be required under the relevant Licence to secure approval of the appraisal Work Program and Budget by the Government. In the event the Government requires changes in the appraisal Work Program and Budget, the matter shall be resubmitted to the KHL Board for further consideration.
- 4.3 Any approved Work Program and Budget may be revised by the KHL Board acting reasonably to ensure compliance of the relevant Work Program and Budget with Good Oilfield Practice. To the extent revisions are made by the KHL Board, the Work Program and Budget shall be amended accordingly. The Management Committee shall prepare and submit a corresponding Work Program and Budget amendment to the Government if required by the Licences.
- 4.4 Subject to paragraph 4.14, any Work Program and Budget which includes:
- (a) an Exploration Well, whether by drilling, Deepening or Sidetracking, shall include all expenditures necessary for drilling, Deepening or Sidetracking, as applicable, and Testing and Well Completing an Exploration Well.
 - (b) an Appraisal Well, whether by drilling, Deepening or Sidetracking, shall include all expenditures necessary for drilling, Deepening or Sidetracking, as applicable, and Testing and Well Completing such Appraisal Well.

- 4.5 If the Management Committee determines that a Discovery may be a Commercial Discovery, the Management Committee shall, as soon as practicable, deliver to the KHL Board a Development Plan together with the first annual Work Program and Budget (or a multi-year Work Program and Budget pursuant to paragraph 4.12) and provisional Work Programs and Budgets for the remainder of the development of the Discovery, which shall contain, inter alia:
- (a) details of the proposed work to be undertaken, personnel required and expenditures to be incurred, including the timing of same, on a Calendar Year basis;
 - (b) an estimated date for the commencement of production; and
 - (c) a delineation of the proposed Exploitation Area.
- 4.6 After receipt of the Development Plan and prior to any applicable deadline under the Licences, the KHL Board shall meet to consider, modify and then either approve or reject the Development Plan and the first annual Work Program and Budget for the development of a Discovery, as submitted by the Management Committee. If the Management Committee and the KHL Board determine that the Discovery is a Commercial Discovery and approve the corresponding Development Plan, KHL and KGL (acting at the direction of the Management Committee) shall, as soon as possible, deliver any notice of Commercial Discovery required under the Licences and take such other steps as may be required under the Licences to secure approval of the Development Plan by the Government. In the event the Government requires changes in the Development Plan, the matter shall be resubmitted the KHL Board with the Management Committee's recommendation for further consideration.
- 4.7 If the Development Plan is approved, such work shall be incorporated into and form part of annual Work Programs and Budgets, and the Management Committee shall, on or before the first Day of January of each Calendar Year submit a Work Program and Budget for the Exploitation Area to the KHL Board, for the following Calendar Year. Subject to paragraph 4.9, within thirty (30) Days after such submission, the KHL Board shall endeavour to agree such Work Program and Budget, including any necessary or appropriate revisions to the Work Program and Budget for the approved Development Plan.
- 4.8 On or before the first Day of January of each Calendar Year, the Management Committee shall deliver to the KHL Board and the parties a proposed production Work Program and Budget detailing the Petroleum Operations to be performed in the Exploitation Area and the projected production schedule for the following Calendar Year. Within thirty (30) Days of such delivery, the KHL Board shall agree upon a production Work Program and Budget.
- 4.9 During the preparation of the proposed Work Programs and Budgets and Development Plans contemplated in this paragraph 4, the Management Committee shall consult with the KHL Board regarding the contents of such Work Programs and Budgets and Development Plans.
- 4.10 Each Work Program and Budget and Development Plan submitted by the Management Committee shall contain an itemised estimate of the costs of Petroleum Operations and all other expenditures to be made for the relevant Licence Account during the Calendar Year in question and shall, inter alia:
- (a) identify each work category in sufficient detail to afford the ready identification of the nature, scope and duration of the activity in question;
 - (b) include such reasonable information regarding KGL's allocation procedures and estimated manpower costs; and
 - (c) comply with the requirements of the Licences.
- 4.11 The Work Program and Budget shall designate the portion or portions of the Licence Areas in which Petroleum Operations itemised in such Work Program and Budget are to be

conducted and shall specify the kind and extent of such operations in such detail as the Management Committee may deem suitable.

- 4.12 Any work that cannot be efficiently completed within a single Calendar Year may be proposed in a multi-year Work Program and Budget. Such multi-year Work Program and Budget shall, subject only to revisions approved by the KHL Board thereafter:
- (a) remain in effect through the completion of the work; and
 - (b) be reflected in each annual Work Program and Budget.
 - (c) If the relevant Licence requires that Work Programs and Budgets be submitted to the Government for approval, such multi-year Work Program and Budget shall be submitted to the Government either in a single request for a multi-year approval or as part of the annual approval process, according to the terms of the relevant Licence.
- 4.13 For expenditures on any line item of an approved Work Program and Budget, KHL or KGL (acting at the direction of the Management Committee) shall be entitled to incur such expenditure without further approval of the KHL Board.
- 4.14 At such time as the Management Committee reasonably anticipates the limits of any expenditure on any line item of an approved Work Program and Budget will be exceeded, the Management Committee shall furnish to the KHL Board, a supplemental report for the estimated expenditures for KHL Board's approval, and the Management Committee shall provide reasonable details of such over expenditures. The Work Program and Budget shall be revised accordingly and such over expenditures permitted shall be based on the revised Work Program and Budget. The Management Committee shall promptly give notice of the amounts of over expenditures when actually incurred.
- 4.15 Notwithstanding any other provision of this Schedule, the Management Committee may make any expenditure for such operational matters reasonably considered by the Management Committee to require by their nature urgent determination without the KHL Board's approval.

5. THE ACCOUNTS

- 5.1 All costs incurred in performing the Petroleum Obligations or otherwise by KGL in conducting the Petroleum Operations shall be charged to the relevant Licence Account in accordance with the requirements of the Accounting Procedure.
- 5.2 In the event that, KGL has insufficient financial resources to meet the costs applied to the relevant Licence Account in accordance with the requirements of this Schedule (a "**Balance Deficit**"), KHL will procure that KGL will forthwith request a further advance from KHL. The KHL Board will, within 5 Business Days of KHL receiving such notice, meet to decide on how KHL will fund KGL in accordance with the requirements of clause 6 of this Agreement.

6. DISPOSITION OF PRODUCTION

- 6.1 Both Resano and Gastek shall have the right to purchase their Entitlement from KGL at a fair market price. If both Resano and Gastek agree to purchase their Entitlement from KGL, Resano and Gastek shall, to the extent permitted by Applicable Law, use their reasonable endeavours to agree a price upon which to purchase such Entitlement.
- 6.2 All revenues derived or earned by KGL arising out of or in connection with Commercial Operations shall be paid into the Licence Account. The Licence Account will be in the name of, and controlled by, KGL.
- 6.3 KHL will procure that, monthly, the balance of the Licence Account shall be applied by KGL in the following order:

- (a) to satisfy KGL's corporate taxation payment obligations arising pursuant to the Applicable Laws provided that the computation of such taxes payable will be subject to the Management Committee's approval prior to any filing, application or payment being made to the relevant Government authority; and
- (b) to make any payments required to be paid to the Government pursuant to the Licences and Applicable Laws by way of rent or royalties;
- (c) to cover KGL's reasonable corporate expenses (as approved by the Management Committee);
- (d) to make and pay dividends or other distributions to KHL.

7. SURRENDER, EXTENSTIONS AND RENEWALS

- 7.1 If a Licence requires the parties to surrender any portion of the Licence Area, the Management Committee shall:
- (a) advise the KHL Board of such requirement at least one hundred and twenty (120) Days in advance of the earlier of the date for filing irrevocable notice of such surrender or the date of such surrender; and
 - (b) provide the KHL Board with its recommendation in relation to the size, shape and location of the area to be so surrendered.
- 7.2 Prior to the end of such period, the KHL Board shall determine the size and shape of the surrendered area, consistent with the requirements of the relevant Licence. In making such determination, the KHL Board shall follow the Management Committee's recommendation unless, acting reasonably, the KHL Board believes that following such recommendation would materially contravene the Applicable Law or provisions of the relevant Licence. The parties shall execute any and all documents and take such other actions as may be necessary to effect the surrender. Each party renounces all claims and causes of action against KGL, KHL and any other party on account of any area surrendered in accordance with the foregoing but against its recommendation if Petroleum is subsequently discovered under the surrendered area.
- 7.3 A surrender of all or any part of the Licence Area which is not required by the Licence shall require the unanimous consent of the parties.

8. ABANDONMENT

- 8.1 In performing the Petroleum Obligations, the Management Committee may, acting in its absolute discretion in accordance with Good Oilfield Practice, direct KGL to plug and abandon any well which has been drilled as a Joint Operation.
- 8.2 KHL will ensure that any well which it directs KGL to have plugged and abandoned under this Schedule shall be plugged and abandoned in accordance with Good Oilfield Practice and Applicable Law and the costs of doing so shall be charged to the relevant Licence Account.

9. SECONDMENTS

- 9.1 The Management Committee may arrange for KGL to be provided with Secondees from time to time pursuant to paragraph 3.4.
- 9.2 Unless otherwise directed by the Management Committee, the duration of each secondment arrangement entered into pursuant to this Schedule shall be one (1) year renewable annually at KHL's sole discretion.
- 9.3 Secondees (including any replacement Secondees required from time to time) shall be selected according to the procedure set out in this Schedule.

10. SHORT TERM CONSULTANCIES

- 10.1 The Management Committee may arrange for KGL to be provided with Short Term Consultants from time to time pursuant to paragraph 3.4.
- 10.2 Unless otherwise directed by the Management Committee, the duration of each Short Term Consultancy shall be three (3) months renewable at KHL's sole discretion.

11. SECONDMENTS AND SHORT TERM CONSULTANCIES - GENERAL PROVISIONS

- 11.1 All fees or charges payable to the Government in respect of Secondees or Short Term Consultants shall be chargeable to the Licence Account.
- 11.2 KHL will ensure that the appointment of each Secondee is exclusive and shall ensure that no Secondee during the term of his or her secondment performs work or services other than for KGL.
- 11.3 Provision of the following amenities for Secondees, Short Term Consultants and members of their immediate families shall be the responsibility of KHL on behalf of KGL:
 - (a) housing (including furnishings);
 - (b) shipment of belonging and personal effects of the Secondee or Short Term Consultant (as appropriate) from the usual place of residence of the Secondee or Short Term Consultant including the belongings of their immediate families, both at the beginning and end of the secondment or Short Term Consultancy (as appropriate);
 - (c) local transportation (including to and from the work site);
 - (d) travel expenses from the usual place of residence of the Secondee or Short Term Consultant (as appropriate);
 - (e) medical care;
 - (f) education expenses;
 - (g) shipment of remains in the event of death of a Secondee or a Short Term Consultant or any member of their immediate families during the term of the secondment or consultancy; and
 - (h) normal compensation, wages, etc.
- 11.4 KHL, with the assistance of the other parties, shall be responsible for obtaining all necessary visas, work permits and residence permits required by Secondees, Short Term Consultants and their families and shall procure that KGL provides all such assistance as may be required of it.
- 11.5 The terms and conditions of employment of Secondees while on secondment to KGL shall be:
 - (a) in compliance with Applicable Law; and
 - (b) unless otherwise agreed between the parties, no more onerous or less advantageous than their normal terms and conditions of employment with KGL.
- 11.6 KHL shall ensure that all Secondees are certified medically fit and that KGL has received proof of medical fitness of each Secondee.
- 11.7 If KHL receives notice that any Secondee is absent from work (other than as provided for in this Schedule) for a period greater than 10 days continuously or 10 days in any six (6)



month period or that any Short Term Consultant is absent from work (other than as provided for in this Schedule) for a period greater than 15 days, KHL shall immediately withdraw such Seconded or Short Term Consultant (as the case may be) and provide a replacement.

- 11.8 Where the termination of the appointment of a Seconded or Short Term Consultant is on account of the unsatisfactory behaviour or poor performance of such person, KHL shall promptly withdraw such Seconded or Short Term Consultant (as the case may be).
- 11.9 KGL shall ensure that each Seconded or Short Term Consultant is equipped with suitable office accommodation and facilities to enable effective performance of the relevant Petroleum Obligation.

12. INSURANCE

- 12.1 KHL shall ensure that all Secondeds, Short Term Consultants and other Consultant Personnel are covered by worker's compensation and employer's liability policies for the liabilities and the quantities required by:

- (a) Applicable Law;
- (b) the law of Cyprus (to the extent applicable); and
- (c) Good Oilfield Practice,

in respect of claims arising out of injury to, illness, disease or death of any such personnel however, whenever and wherever occurring.

- 12.2 KHL shall for the duration of this Agreement and for two (2) years thereafter effect and maintain insurance cover either directly or through KGL (as may be required by Applicable Law) in accordance with Good Oilfield Practice
- 12.3 All insurance policies shall state that the relevant insurers agree to waive in favour of KGL and its Affiliates and its and their agents, officers and employees any rights, remedies or relief to which they may become entitled by subrogation.]
- 12.4 Any insurance policy effected and maintained under clauses 12.1 and 12.2 shall:
- (a) name KGL and its Affiliates as additional insured (or KHL as additional insured if the insurance policy is directly in the name of KGL and is so permitted by Applicable Law);
 - (b) carry a right of contribution from other insurance which may be available to KGL (or KHL as the case may be and to the extent permitted) and its Affiliates; and
 - (c) in any case, be subject to shareholder approval in accordance with clause 5.1 of this Agreement.
- 12.5 KGL shall arrange reasonable automobile, bodily injury and property damage insurance covering any automobiles which may be provided by KGL to Consultant Personnel involved in the provision of Services in accordance with Applicable Law.
- 12.6 The costs of all insurance policies falling within the scope of this paragraph 12 shall be applied to the relevant Licence Account if so permitted by Applicable Law.

13. SETTLEMENT OF CLAIMS AND LAWSUITS

- 13.1 KHL will ensure that:
- (a) KGL promptly notifies the parties of any and all material claims or suits that relate in any way to Petroleum Operations;

- (b) KGL, acting at the direction of the Management Committee, shall represent the parties and defend or oppose the claim or suit;
 - (c) KGL, at the direction of the Management Committee, compromises or settles any such claim or suit or any related series of claims or suits for an amount not to exceed the equivalent of five hundred thousand U.S. dollars (USD 500,000) exclusive of legal fees;
 - (d) KGL obtains the approval and direction of the KHL Board on amounts in excess of the above-stated amount.
- 13.2 Without prejudice to the foregoing, each party shall have the right to be represented by its own counsel at its own expense in the settlement, compromise or defence of such claims or suits.
- 13.3 Any party shall promptly notify the other parties of any claim made against such party by a third party that arises out of or may affect the Petroleum Operations, and such party shall defend or settle the same in accordance with any directions given by the Management Committee. Those costs, expenses and damages incurred pursuant to such defence or settlement which is attributable to Petroleum Operations shall be for the relevant Licence Account.
- 13.4 Notwithstanding paragraph 13.1 and paragraph 13.3, each party shall have the right to participate in any such suit, prosecution, defence or settlement conducted in accordance with paragraph 13.1 and paragraph 13.3, at its sole cost and expense; provided always that no party may settle its share of any claim without first satisfying the Management Committee that it can do so without prejudicing the interests of the Petroleum Operations.

SCHEDULE 2

Exclusive Operations

1. LIMITATION ON APPLICABILITY

- 1.1 No Petroleum Operations may be conducted by a party to this Agreement except by KGL at the direction of the KHL Board in accordance with this Agreement OR by KUB GAS as an Exclusive Operation pursuant to this Schedule 2. No Exclusive Operation shall be conducted (other than the tie-in of Exclusive Operation facilities with existing production facilities pursuant to Paragraph 6) which conflicts with a previously approved Petroleum Operations or with a previously approved Exclusive Operation.
- 1.2 Petroleum Operations which are required to fulfil the Minimum Work Obligations must be proposed and conducted as Petroleum Operations to be conducted by KG at the direction of KHL in accordance with this Agreement, and may not be proposed or conducted as Exclusive Operations under this Schedule.
- 1.3 If a Petroleum Operation has been properly proposed to the Management Committee and the Management Committee has not approved such proposal in a timely manner, then any party whose nominees on that Management Committee that voted in favour of such proposal shall have the right for the 5 calendar days after the day upon which the Management Committee was required to consider such proposal, to propose and conduct an Exclusive Operation involving operations essentially the same as those proposed for such Petroleum Operation.
- 1.4 Any operation that may be proposed and conducted as a Petroleum Operations, other than operations pursuant to an approved Development Plan, may be proposed and conducted as an Exclusive Operation, subject to the terms of this Schedule 2.

2. PROCEDURE TO PROPOSE EXCLUSIVE OPERATIONS

- 2.1 Subject to Paragraph 1, if any Shareholder proposes to conduct an Exclusive Operation, such Shareholder shall give notice of the proposed operation to all parties. Such notice shall specify that such operation is proposed as an Exclusive Operation and include the work to be performed, the location, the objectives, and estimated cost of such operation.
- 2.2 Any Shareholder entitled to receive such notice shall have the right to participate in the proposed operation.
 - (a) For proposals to Deepen, Test, Complete, Sidetrack, Plug Back, Recomplete or Rework related to Urgent Operational Matters, any such Shareholder wishing to exercise such right must so notify the proposing party and KHL within twenty-four (24) hours after receipt of the notice proposing the Exclusive Operation.
 - (b) For proposals to develop a Discovery, any Shareholder wishing to exercise such right must so notify KHL and the Shareholder proposing to develop within sixty (60) Days after receipt of the notice proposing the Exclusive Operation.
 - (c) For all other proposals, any such Shareholder wishing to exercise such right must so notify the proposing Shareholder and KHL within ten (10) Days after receipt of the notice proposing the Exclusive Operation.
- 2.3 Failure of a Shareholder to whom a proposal notice is delivered to properly reply within the period specified above shall constitute an election by that party not to participate in the proposed operation.
- 2.4 If all Shareholders properly exercise their rights to participate, then the proposed operation shall be conducted as Petroleum Operations. KHL shall procure that KGL commences such Petroleum Operations as promptly as practicable and conduct it with due diligence.



- 2.5 If less than all parties entitled to receive such proposal notice properly exercise their rights to participate, then:
- (a) The Shareholder proposing the Exclusive Operation, together with any other Consenting parties, shall have the right exercisable for the applicable notice period set out in Paragraph 2.2, to instruct KHL to direct KGL to conduct the Exclusive Operation.
 - (b) If the Exclusive Operation is conducted, the Consenting parties shall bear a participating interest in such Exclusive Operation, the numerator of which is such Consenting party's Equity Interest as stated in clause 4.2 and the denominator of which is the aggregate of the Equity Interests of the Consenting parties as stated in clause 4.2, or as the Consenting parties may otherwise agree (the "**Participating Interests**").
 - (c) If such Exclusive Operation has not been commenced within 90 Days (excluding any extension specifically agreed by all parties) after the date of the instruction given to KHL under Paragraph 2.5(b), the right to conduct such Exclusive Operation shall terminate. If any Shareholder still desires to conduct such Exclusive Operation, notice proposing such operation must be resubmitted to the parties in accordance with the requirements of this Schedule 2, as if no proposal to conduct an Exclusive Operation had been previously made.

3. **RESPONSIBILITY FOR EXCLUSIVE OPERATIONS**

- 3.1 Until the Work-Out Date in respect of an Exclusive Operation:
- (a) the Consenting parties shall bear in accordance with the Participating Interests agreed under Paragraph 2.5(b), the entire cost and liability of conducting such Exclusive Operation and shall indemnify the Non-Consenting parties, KGL and KHL from any and all costs and liabilities incurred incident to such Exclusive Operation (including Consequential Loss and Environmental Loss) and shall keep the Licence Area free and clear of all liens and encumbrances of every kind created by or arising from such Exclusive Operation.
 - (b) the Consenting parties shall, in a timely manner, pay to KHL all moneys required by KHL and KGL to allow KGL to conduct such Exclusive Operation;
 - (c) subject to and upon the terms and conditions contained in this Agreement, KHL holds and stands possessed, and will continue to hold and stand possessed of the Beneficial Interest as bare trustee in trust for and on behalf of the Consenting parties in respect of the relevant Exclusive Operations.
- 3.2 From the Work-Out Date in respect of an Exclusive Operation, such Exclusive Operation will:
- (a) become part of KGL' Petroleum Operations;
 - (b) be conducted as Petroleum Operations by KGL at the direction of the Management Committee subject to the KHL Board in accordance with this Agreement; and
 - (c) all proceeds by KGL arising out of or in connection with undertaking such Exclusive Operation will be treated as if such proceeds arose out of or in connection with Petroleum Operations and all costs incurred by KGL in conducting such Exclusive Operation will be borne by KGL as Petroleum.
- 3.3 For the purposes of this Schedule 2:
- (a) "**Beneficial Interest**" means in connection with an Exclusive Operation, an economic interest in the Net EO Proceeds received by KHL which is equal to the amount of such Net EO Proceeds, but free from any Encumbrances.

- (b) **"Net EO Proceeds"** means an amount equal to 90 per cent. that component of all revenue received by KHL from KGL arising out of KGL conducting the relevant Exclusive Operations:
 - (i) including revenue generated by sales of Petroleum products; but
 - (ii) less all charges arising out of or in connection with the generation of such revenues, including, but not limited to royalties, taxes of any kind (including sales tax, value added tax, but excepting for taxes on corporate income), processing fees or charges, well operating expenses;
 - (c) **"Work-Out"** occurs, in respect of an Exclusive Operation, when the amount of Net EO Proceeds paid to the relevant Consenting parties pursuant to paragraph 3.1(c) equals 200% of the sum of the amounts paid and payable (calculated on a cash basis) by the Consenting parties pursuant to paragraphs 3.1(a) and (b);
 - (d) **"Work-Out Date"** means, in respect of an Exclusive Operation, the date upon which Work Out occurs.
- 3.4 Upon being notified of a Commercial Discovery being made in an Exclusive Operation, KHL shall direct KGL to give notice to the Government under the appropriate provision of the Licence requesting a meeting to advise the Government that the Consenting parties consider the Discovery to be a Commercial Discovery. Following such meeting, KHL will direct KGL to apply for an Exploitation Area (if applicable in the Licence).

4. ORDER OF PREFERENCE OF OPERATIONS

- 4.1 Except as otherwise specifically provided in this Agreement, if any party desires to propose the conduct of an operation that will conflict with an existing proposal for an Exclusive Operation, such party shall have the right exercisable for five (5) Days (or twenty-four (24) hours for Urgent Operational Matters) from receipt of the proposal for the Exclusive Operation, to deliver such party's alternative proposal to all parties entitled to participate in the proposed operation. Such alternative proposal shall contain the information required under Paragraph 2.1.
- 4.2 Each party receiving such proposals shall elect by delivery of notice to KHL and to the proposing parties within the appropriate response period set out in Paragraph 2.2 to participate in one of the competing proposals. Any party not notifying KHL and the proposing parties within the response period shall be deemed to have voted against the proposals.
- 4.3 The proposal receiving the largest aggregate Equity Interest vote shall have priority over all other competing proposals. In the case of a tie vote, KHL shall choose among the proposals receiving the largest aggregate Equity Interest vote. KHL shall deliver notice of such result to all parties entitled to participate in the operation within five (5) Days (or twenty-four (24) hours for Urgent Operational Matters).
- 4.4 Each party shall then have two (2) Days (or twenty-four (24) hours for Urgent Operational Matters) from receipt of such notice to elect by delivery of notice to KHL and the proposing parties whether such party will participate in such Exclusive Operation, or will relinquish its interest in such Exclusive Operation. Failure by a party to deliver such notice within such period shall be deemed an election not to participate in the prevailing proposal.

5. STAND-BY COSTS

- 5.1 When an operation has been performed, all tests have been conducted and the results of such tests furnished to the parties, stand by costs incurred pending response to any party's notice proposing an Exclusive Operation for Deepening, Testing, Sidetracking, Completing, Plugging Back, Recompleting, Reworking or other further operation in such well (including the period required under Paragraph 4 to resolve competing proposals) shall be charged and borne as part of the operation just completed. Stand by costs incurred subsequent to all parties responding, or expiration of the response time

permitted, whichever first occurs, shall be charged to and borne by the Shareholders proposing the Exclusive Operation in proportion to their Participating Interests, regardless of whether such Exclusive Operation is actually conducted.

- 5.2 If a further operation related to Urgent Operational Matters is proposed while the drilling rig to be utilised is on location, any party may request and receive up to five (5) additional Days after expiration of the applicable response period specified in Paragraph 2.2(a) within which to respond by notifying KHL that such party agrees to bear all stand by costs and other costs incurred during such extended response period. KHL may require such party to pay the estimated stand by costs in advance as a condition to extending the response period. If more than one party requests such additional time to respond to the notice, stand by costs shall be allocated between such parties on a Day-to-Day basis in proportion to their Equity Interests.

6. LOST PRODUCTION DURING TIE-IN OF EXCLUSIVE OPERATION FACILITIES

If, during the tie-in of Exclusive Operation facilities with the existing production facilities of another operation, the production of Petroleum from such other pre-existing operations is temporarily lessened as a result, then the Consenting parties shall compensate KHL to such existing operation for such loss of production in the following manner. KHL shall determine the amount by which each Day's production during the tie-in of Exclusive Operation facilities falls below the previous month's average daily production from the existing production facilities of such operation. The so-determined amount of lost production shall be recovered by KHL. Upon completion of the tie-in, such lost production shall be recovered in full by KHL deducting up to one hundred percent (100%) of the production from the Exclusive Operation, prior to the Consenting parties being entitled to receive any such production.

7. CONDUCT OF EXCLUSIVE OPERATIONS

- 7.1 Each Exclusive Operation shall be carried out by the Consenting parties, subject to the provisions of this Agreement applied mutatis mutandis to such Exclusive Operation and subject to the terms and conditions of the relevant Licence.
- 7.2 The computation of liabilities and expenses incurred in Exclusive Operations, including the liabilities and expenses of KGL for conducting such operations, shall be made in accordance with the Accounting Procedure.
- 7.3 KHL will procure that KGL shall maintain separate books, financial records and accounts for Exclusive Operations. All parties shall, at their own cost, be entitled to examine and audit such accounts. All production and profit generated by the Exclusive Operations shall be remitted by KHL to the Consenting parties in proportion to the Participating Interests.
- 7.4 KHL, shall, for itself and on behalf of KGL, be entitled to request cash advances from the Consenting parties and shall not be required to use its own funds to pay any cost and expense and shall not be obliged to commence or continue Exclusive Operations until cash advances requested have been made, and the Accounting Procedure shall apply to KGL in respect of any Exclusive Operations conducted by it.
- 7.5 Should the submission of a Development Plan be approved in accordance with this Agreement, or should any party propose (but not yet have the right to commence) a development in accordance with this Schedule 2 where neither the Development Plan nor the development proposal call for the conduct of additional appraisal drilling, and should any party wish to drill an additional Appraisal Well prior to development, then the Shareholder proposing the Appraisal Well as an Exclusive Operation shall be entitled to proceed first. If such an Appraisal Well is produced, any Consenting party shall own and have the right to take in kind and separately dispose of all of the Non-Consenting party's Entitlement from such Appraisal Well until the value received in sales to purchasers in arm-length transactions equals one hundred percent (100%) of such Non-Consenting party's Equity Interest shares of all liabilities and expenses that were incurred in any Exclusive Operations relating to the Appraisal Well. Following the completion of drilling such Appraisal Well as an Exclusive Operation, KHL may direct KGL to proceed with the

Development Plan approved pursuant to this Agreement, or (if applicable) the Shareholders may complete the procedures to propose an Exclusive Operation to develop a Discovery. If, as the result of drilling such Appraisal Well as an Exclusive Operation, the Shareholder or Shareholders proposing to develop the Discovery decide(s) not to do so, then each Non-Consenting party who voted in favour of such Development Plan prior to the drilling of such Appraisal Well shall pay to the Consenting party its Equity Interest share of such costs.



Signed by)

for and on behalf of)

RESANO TRADING LIMITED:)

Signed by)

for and on behalf of)

KUBGAS HOLDINGS LIMITED:)

Signed by)

for and on behalf of)

GASTEK LLC:)


M. AFENDIKOV

Signed by)
for and on behalf of)
RESANO TRADING LIMITED:)

Signed by)
for and on behalf of)
KUBGAS HOLDINGS LIMITED:)

Signed by)
for and on behalf of)
GASTEK LLC:)

Leonid


[Signature]