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# MODEL LICENCE EXCLUSIVE LICENCE NO. YYYY/XX FOR EXPLORATION FOR AND EXPLOITATION OF HYDROCARBONS IN AN [ONSHORE/OFFSHORE] AREA, GREENLAND



Government of Greenland  
Ministry of Industry and Energy  
[Month – Year]

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**EXCLUSIVE LICENCE FOR EXPLORATION FOR AND EXPLOITATION OF HYDROCARBONS**

Under sections 16 and 22 of Greenland Parliament Act No. 7 of 7 December 2009 on mineral resources and mineral resource activities, as amended by Greenland Parliament Act No. 26 of 18 December 2012, Greenland Parliament Act No. 6 of 8 June 2014, Greenland Parliament Act No. 16 of 3 June 2015 and Greenland Parliament Act No. 34 of 28 November 2016 ("Mineral Resources Act"), the Government of Greenland hereby grants the licensee stated below an exclusive Licence for exploration for and exploitation of hydrocarbons. The provisions of the Mineral Resources Act and the terms stated below shall apply to the Licence.

The licensee is composed of the following companies, jointly, which hold the percentage shares stated:

[Full name of licensee company],  
a company incorporated and existing under the laws of and registered in [state (country)],  
having a registered number of [...] and  
having its registered office at [full address]  
Percentage share: [...] %

[Full name of licensee company],  
a company incorporated and existing under the laws of and registered in [state (country)],  
having a registered number of [...] and  
having its registered office at [full address]  
Percentage share: [...] %

[Full name of licensee company],  
a company incorporated and existing under the laws of and registered in [state (country)],  
having a registered number of [...] and  
having its registered office at [full address]  
Percentage share: [...] %

NUNAOIL A/S  
a company incorporated and existing under Danish law applicable in Greenland and registered in Denmark,  
having a registered number of A/S 68.116 and  
having its registered office at P.O. Box 579, DK-3900, Nuuk, Greenland  
Percentage share: 6.25%.

[Full name of licensee company] is the Operator.

## Article 1 Definitions

1.01 For the purpose of the Licence and the attached Appendices, the following terms shall have the meanings stated below, unless otherwise apparent from the context:

- (a) "Accumulated Surplus Royalty Turn-over Amount" has the meaning stated in section 12.20.
- (b) "Accumulated Tier 1 Surplus Royalty Gross Profit Amount" has the meaning stated in section 12.20.
- (c) "Accumulated Tier 2 Surplus Royalty Gross Profit Amount" has the meaning stated in section 12.20.
- (d) "Accumulated Tier 3 Surplus Royalty Gross Profit Amount" has the meaning stated in section 12.21.
- (e) "Annual Profit Calculation Basis" has the meaning stated in section 12.19.
- (f) "Annual Royalty Report" has the meaning stated in section 12.25.
- (g) "Annual Surplus Royalty Turn-over Amount" has the meaning stated in section 12.19(a).
- (h) "DKK" means Danish kroner.
- (i) "Exploitation Licence" means an extension of the Exploration Licence for the purpose of exploitation in a specific, delimited area.
- (j) "Exploration Licence" means the Licence for exploration and exploitation granted by the Government of Greenland by its signing of this document.
- (k) "Exploratory Well" means a well which is drilled to investigate whether hydrocarbons are present in a formation or other unit within a geological structural or stratigraphic trap in which the presence of hydrocarbons has not previously been demonstrated. The reopening and redrilling of a well shall not be considered a new Exploratory Well unless this is approved by the MRA.
- (l) "Greenland" means the island of Greenland with surrounding islands, including the continental shelf, but not beyond a distance of 200 nautical miles from the baseline from which the territorial sea is calculated.
- (m) "Greenland Resident" means a person who fulfils one or more of the following conditions:
  - (1) The person was born in Greenland and had permanent residence in Greenland for the first 5 years of his or her life.
  - (2) The person has had permanent residence in Greenland in the last 2 years or in 7 years of the last 10 years.

- (3) The person is married to, or proves to have lived at least 1 year in a civil partnership with, a person who fulfils condition no. (1) or (2) above or is employed by a public or private employer (authority or business) in Greenland in accordance with Greenland law.
- (4) The person otherwise has a particular connection to Greenland, as may be decided by the MRA.

In condition no. (2) above, "permanent residence" includes residence outside Greenland for educational purposes if the person concerned fulfilled the conditions for obtaining public grants under the Greenland education grant and loan scheme when the education began.

- (n) "Greenland Residents" means more than one Greenland Resident, as defined in section 1.01(m).
- (o) "Greenland Worker" means a Greenland resident, as stated in section 1.01(m), unless otherwise provided in an addendum to the Licence.
- (p) "Greenland Workers" mean more than one Greenland Worker, as defined in section 1.01(o).
- (q) "Hydrocarbon Deposit" means a continuous accumulation of hydrocarbons in the subsoil.
- (r) "Hydrocarbon Discovery" means any indication of an accumulation of hydrocarbons penetrated by an Exploratory Well.
- (s) "Hydrocarbons" means oil/condensate and natural gas, where
  - "oil/condensate" means all hydrocarbons that are in a liquid state at standard atmospheric pressure (1.01325 bar) and temperature (15°C), and
  - "natural gas" means all hydrocarbons that are in a gaseous phase at standard atmospheric pressure (1.01325 bar) and temperature (15°C). Non-hydrocarbon gas combined with and produced together with such gaseous hydrocarbons shall also be treated as natural gas under the terms of this Licence for the purpose of calculating royalty.
- (t) "IBA" has the meaning stated in section 23.05.
- (u) "Impact Benefit Agreement" has the meaning stated in section 23.05.
- (v) "Joint Account" means the joint account defined as Joint Account under the JOA, see the definition thereof in the JOA.
- (w) "Joint Operating Agreement" or "JOA" means the agreement concluded between the companies holding shares in the Licence about the performance of the activities comprised by the Licence.
- (x) "Joint Operations" means joint operations performed under the JOA, see the definition thereof in the JOA.
- (y) "Licence" means the Exploration Licence and/or the Exploitation Licence.

- (z) "MRA" means the Mineral Resource Authority which is the overall administrative authority for mineral resources and which comprises the Government of Greenland, the ministry with responsibility for the mineral resources area, the Mineral Licence and Safety Authority and the Environment Agency for the Mineral Resources Area.
- (aa) "Payable Sales Royalty" has the meaning stated in section 12.14.
- (bb) "Payable Surplus Royalty" has the meaning stated in section 12.17.
- (cc) "Period 1" has the meaning stated in section 1 of Appendix 2.
- (dd) "Period 2" has the meaning stated in section 2 of Appendix 2.
- (ee) "Period 3" has the meaning stated in section 3 of Appendix 2.
- (ff) "Period 4" has the meaning stated in section 4 of Appendix 2.
- (gg) "Protected Area" has the meaning stated in section 9.06.
- (hh) "Ramsar Convention" has the meaning stated in section 9.01.
- (ii) "Ramsar Site" has the meaning stated in section 9.02.
- (jj) "Ramsar Sites" has the meaning stated in section 9.02.
- (kk) "Sales Royalty" has the meaning stated in section 12.01.
- (ll) "Sales Royalty Rate" has the meaning stated in section 12.13.
- (mm) "Supervisory Authority" means the MRA or the authority, persons or companies which the MRA appoints to carry out supervision of the licensee's activities under this licence, see Article 17.
- (nn) "Surplus Royalty" has the meaning stated in section 12.01.
- (oo) "Tier 1 Accumulated Percentage" has the meaning stated in section 12.20.
- (pp) "Tier 2 Accumulated Percentage" has the meaning stated in section 12.20.
- (qq) "Tier 3 Accumulated Percentage" has the meaning stated in section 12.21.
- (rr) "Total Value of Hydrocarbons" has the meaning stated in section 12.11.
- (ss) "USD" means United States dollar.

## **Article 2 Licence area**

- 2.01 The Exploration Licence covers an area delineated by the corner coordinates stated in Appendix 1. A map of the area is contained in the last part of Appendix 1.
- 2.02 If the exploration period is extended for the first time under section 3.02, the licensee shall, no later than the day when the extension of the exploration period is granted, relinquish at least 30 per cent (30%) of the total Licence area as it was at the day when the Exploration Licence was granted.

- 2.03 If the exploration period is extended for the second time under section 3.02, the licensee shall, no later than the day when the extension of the exploration period is granted, relinquish at least 30 per cent (30%) of the total Licence area as it was at the day when the Exploration Licence was granted.
- 2.04 If the exploration period is extended for the third time under section 3.02 or is extended in any other case in the exploration period, the MRA may set terms on relinquishment of part of the Licence area.
- 2.05 An area comprised by an Exploitation Licence, see section 8.05, will cease to be comprised by the Exploration Licence with effect from the granting of the Exploitation Licence, see section 8.03.
- 2.06 The licence covers one or more land areas only. The boundary between a land area and the adjoining sea area shall be the mean sea level. The Licence area does not cover any sea area, irrespective of whether one or more sea areas are covered by the area or areas delimited by the corner coordinates and delineation lines of the Licence area stated in Appendix 1 or by the map of the Licence area contained in the last part of Appendix 1.
- 2.07 If the Licence area or parts thereof cease to be under Danish sovereignty, the licensee shall respect such change in the status of the area and shall have no claim against the Greenland Self-Government or the Danish State as a result of or in connection with such change.

### **Article 3 Licence period**

- 3.01 The Licence shall be valid for the exploration period stated in section 1 of Appendix 2 to be the exploration period ("Period 1").
- 3.02 The MRA may extend the exploration period for the purpose of further exploration in accordance with section 22(1) of the Mineral Resources Act. The exploration period stated in section 3.01 (Period 1) may be extended for Period 2, as defined in section 2 of Appendix 2. The exploration period may be further extended for Period 3, as defined in section 3 of Appendix 2. If a Period 4 is stated in section 4 of Appendix 2, the exploration period may be further extended for this Period 4, as defined in section 4 of Appendix 2. The MRA determines, freely and at its sole discretion, whether any such extension of the exploration period shall be granted and on which terms such an extension shall be granted, including any terms on relinquishment of parts of the Licence area as stated in sections 2.02-2.04. In determining whether to grant such an extension and on which terms such an extension shall be granted, the MRA may take into consideration any relevant matter, including, but not limited to, the matters mentioned in sections 3.03(a)-3.03(h). An extension of the exploration period under this section 3.02 may be granted no more than two (2) times in the aggregate if a Period 4 is not stated in section 4 of Appendix 2 and no more than three (3) times in the aggregate if a Period 4 is stated in section 4 of Appendix 2. The exploration period may not be extended beyond year ten (year 10) of the exploration period by one or more extensions of the exploration period under this section 3.02.
- 3.03 An application for an extension of the exploration period under section 3.02 or 3.05 shall include the following documents, materials and information:

- (a) Documents, materials and information establishing that the licensee has fulfilled the exploration commitments stated in Appendix 3 and in any addendum to the Exploration Licence.
- (b) Documents, materials and information stating and describing the proposed exploration commitments for the extended exploration period and any related activities under the Licence.
- (c) Documents, materials and information establishing the licensee's willingness and ability to explore thoroughly for Hydrocarbons in the Licence area as demonstrated by the quality and scope of the proposed exploration commitments for the extended exploration period.
- (d) Documents, materials and information establishing that the licensee comprises a licensee company which shall be the operator under the Licence and have been approved by the MRA as qualified to be the operator for the activities to be performed under the Exploration Licence to fulfil the exploration commitments proposed under section 3.03(b).
- (e) Documents, materials and information establishing that the licensee has sufficient technical capability to carry out the exploration commitments proposed under section 3.03(b).
- (f) Documents, materials and information establishing that the licensee has sufficient financial capability to carry out the exploration commitments proposed under section 3.03(b).
- (g) Documents, materials and information establishing that the licensee has sufficient systems, procedures, competences and experience in relation to health, safety and environment (HSE) to carry out the exploration commitments proposed under section 3.03(b).
- (h) Documents, materials and information establishing that the licensee has sufficient systems, procedures, competences and experience in relation to social sustainability to carry out the exploration commitments proposed under section 3.03(b).

At the request of the MRA, the licensee shall provide further documents, materials and information on the matters mention in sections 3.03(a)-3.03(h).

3.04 An application for an extension of the exploration period under section 3.02 shall be sent to and received by the MRA no later than six (6) months before the expiry of the exploration period (Period 1), as stated in section 1 of Appendix 2, or any extended exploration period (Period 2 or Period 3 (if a Period 4 is stated in section 4 of Appendix 2)), respectively. Any extension of the exploration period will be granted as an addendum to the Licence.

3.05 The MRA may extend the exploration period beyond year ten (year 10) of the exploration period for the purpose of further exploration by up to three (3) years at a time in accordance with section 22(1) of the Mineral Resources Act. The licensee is not entitled to be granted such an extension of the exploration period. The MRA determines freely and at its sole discretion whether such an extension of the exploration period shall be granted and on which terms such an extension shall be granted, including any terms on relinquishment of part of the Licence area. In determining whether to grant such an extension and on which terms such an extension shall be granted, the MRA may take into



consideration any relevant matter, including, but not limited to, the matters mentioned in sections 3.03(a)-3.03(h). An application for an extension of the exploration period under this section 3.05 shall be sent to and received by the MRA no later than six (6) months before the expiry of the exploration period. Any extension of the exploration period will be granted as an addendum to the Licence.

- 3.06 The licensee may surrender the Exploration Licence with effect from the end of any year of the exploration period, as stated in section 1 of Appendix 2, or any extended exploration period, respectively, provided that all exploration commitments for the exploration period and any extended exploration period(s) have been fulfilled. A surrender of the Exploration Licence is subject to the approval of the MRA and any terms set for such approval. If some exploration commitments for the exploration period and/or any extended exploration period(s) have not been fulfilled, see section 6.06, such surrender of the Exploration Licence is furthermore subject to the licensee's payment to the MRA of compensation for the exploration commitments which have not been fulfilled. Compensation shall be paid in accordance with sections 6.10 and 6.11. Notice of the surrender of the Exploration Licence shall be received by the MRA no later than 15 December in the year concerned.
- 3.07 As stated in sections 8.01–8.05, the MRA will extend the Exploration Licence for the purpose of exploitation for a period of 30 years (the exploitation period) for any part of the Exploration Licence area which shall be comprised by such exploitation pursuant to sections 8.01–8.05. The Licence may be extended for one or more areas.
- 3.08 The MRA may extend the exploitation period in accordance with section 22(3) of the Mineral Resources Act, but the exploitation period cannot exceed 50 years.
- 3.09 The licensee may surrender an Exploitation Licence to the MRA subject to 12 months' notice, provided that the abandonment activities have been performed in accordance with sections 18.01–18.07 and that all other obligations under the Licence also have been fulfilled before the Licence is surrendered. A surrender of an Exploitation Licence is subject to the approval of the MRA and any terms set for such approval.

#### **Article 4 Fees and rentals**

- 4.01 The licensee shall pay a fee of DKK [X] to the MRA for the granting of the Exploration Licence, see section 16(7) of the Mineral Resources Act.
- 4.02 The licensee shall pay a fee of DKK [X] to the MRA upon each extension of the Licence for the purpose of exploitation, see sections 8.01–8.05 of the Licence and section 16(7) of the Mineral Resources Act.
- 4.03 For each Exploitation Licence, the licensee shall pay an annual rental of DKK [X] to the MRA, see section 17(1) of the Mineral Resources Act. The rental shall be payable regardless of the size of the Exploitation Licence area. The rental shall be paid no later than 1 April every year. For the first year, the rental shall be paid no later than 30 days after the granting of the Exploitation Licence, and it shall

be calculated proportionately for any part of a calendar year during which the Exploitation Licence is in force.

- 4.04 The fees and rentals payable according to sections 4.01-4.03 shall be adjusted every calendar year with effect from 1 January in the year concerned on the basis of the change in the Greenland consumer price index from July in the calendar year preceding the previous calendar year to the July in the previous calendar year. The first of such adjustments shall be made in 2015 with effect from 1 January 2015 on the basis of the change in the Greenland consumer price index from July 2013 to July 2014. Amounts shall be adjusted to the nearest Danish krone. The adjustment in any subsequent year shall be made in the same manner.
- 4.05 The fees and rentals payable according to sections 4.01 and 4.03 shall be paid no later than 30 days after the granting of an Exploration Licence or an Exploitation Licence, respectively.

## **Article 5 Third-party activities in Licence area**

- 5.01 The licensee shall respect all existing rights, including such rights under any other licence granted in the Licence area. The Exploration Licence shall not entail any restrictions in lawful activities carried out by third parties in the Exploration Licence area, including the activities stated in section 5.02.
- 5.02 Within the Exploration Licence area, third parties may:
- (a) be granted non-exclusive hydrocarbon prospecting licences pursuant to Part 4 of the Mineral Resources Act, provided that a copy of the raw data (for example copies of seismic field tapes) acquired by such third parties within the Licence area is forwarded to the licensee free of charge,
  - (b) be granted licences for prospecting, exploration and exploitation of mineral resources other than Hydrocarbons pursuant to Parts 4 and 5 of the Mineral Resources Act,
  - (c) be granted approvals for the construction and operation of pipelines, installations, infrastructure etc. for the purpose of carrying out activities under the Mineral Resources Act, and
  - (d) carry out scientific and practical surveys of a general nature and for the purpose of producing maps and charts regarding mineral resources, see sections 2(3)-(4) and section 49 of the Mineral Resources Act.

In order to obtain approval of the activities referred to in sections 5.02(a)-(d), the relevant third parties will be requested to carry out such activities so as not to interfere unnecessarily with the activities of the licensee under this Exploration Licence. Likewise, the licensee shall ensure that its activities do not interfere unnecessarily with such third-party activities in the Exploration Licence area.

**Article 6 Exploration commitments**

- 6.01 The licensee shall carry out the exploration commitments stated in section 1 of Appendix 3 in Period 1, as defined in section 1 of Appendix 2.
- 6.02 If the exploration period of the Licence is extended in accordance with sections 3.02-3.04 for Period 2, as defined in section 2 of Appendix 2, the licensee shall carry out the exploration commitments stated in section 2 of Appendix 3 in Period 2.
- 6.03 If the exploration period of the Licence is extended in accordance with sections 3.02-3.04 for Period 3, as defined in section 3 of Appendix 2, the licensee shall carry out the exploration commitments stated in section 3 of Appendix 3 in Period 3.
- 6.04 If a Period 4, as defined in section 4 of Appendix 2, is stated in section 4 of Appendix 2 and the exploration period of the Licence is extended in accordance with sections 3.02-3.04 for Period 4, the licensee shall carry out the exploration commitments stated in section 4 of Appendix 3 in Period 4.
- 6.05 If the exploration period of the Licence is extended in accordance with section 3.05 beyond year ten (year 10) of the exploration period, exploration commitments and other types of work commitments for the extended exploration period shall be stated in the addendum to the Licence.
- 6.06 The exploration commitments for Period 1 shall be deemed to be fulfilled when the licensee has completed the exploration activities specified in section 1 of Appendix 3 and the fulfilment has been approved by the MRA. The exploration commitments for Period 2 shall be deemed to be fulfilled when the licensee has completed the exploration activities specified in section 2 of Appendix 3 and the fulfilment has been approved by the MRA. The exploration commitments for Period 3 shall be deemed to be fulfilled when the licensee has completed the exploration activities specified in section 3 of Appendix 3 and the fulfilment has been approved by the MRA. If a Period 4 is stated in section 4 of Appendix 2, the exploration commitments for Period 4 shall be deemed to be fulfilled when the licensee has completed the exploration activities specified in section 4 of Appendix 3 and the fulfilment has been approved by the MRA. If the exploration period is extended beyond year ten (year 10) of the exploration period, the exploration commitments shall be deemed to be fulfilled when the licensee has completed the exploration activities specified in the addendum to the Exploration Licence on the extension of the exploration period beyond year ten (year 10) and the fulfilment has been approved by the MRA.
- 6.07 If a Hydrocarbon Discovery is made, the licensee shall:
- (a) promptly notify the MRA thereof,
  - (b) submit a report to the MRA evaluating the discovery within six months after the completion of the discovery well, and
  - (c) if the discovery requires further evaluation, submit a programme to the MRA for the further work necessary according to good international oilfield practice under similar circumstances,

to assess whether a commercially exploitable Hydrocarbon Deposit exists (an appraisal programme).

The appraisal programme shall include a time schedule for the work to be performed in order to provide a sufficient basis for submitting a declaration of commerciality for the relevant Hydrocarbon Deposit prior to the expiry of the exploration period. The appraisal programme shall be revised continuously on the basis of the results obtained. The appraisal programme and any amendments thereto shall be approved by the MRA. The appraisal programme shall not qualify as fulfilment of the exploration commitments stated in Appendix 3.

- 6.08 During and after the planning and implementation of an appraisal programme in accordance with section 6.07, the licensee is entitled to delineate a reasonably sized contiguous area around the discovery well comprising the anticipated Hydrocarbon Deposit (the appraisal area). The delineation of such appraisal area is subject to approval by the MRA.
- 6.09 A commitment to drill an Exploratory Well cannot be replaced by other activities without the prior approval of the MRA. Other types of exploration activity, including seismic surveys, appraisal wells, delineation wells, production wells and other non-exploratory wells, do not qualify to fulfil such exploration commitment. The same applies to studies, including those mentioned in sections 7.02-7.03, preparing for the construction of development and production facilities, installations etc., unless otherwise approved by the MRA. However, further drilling from an appraisal well may count as an Exploratory Well, where this is approved by the MRA in advance.
- 6.10 If the licensee has not fulfilled the exploration commitments for Period 1 or any extended exploration period, see section 6.06, the licensee shall pay compensation to the MRA for the exploration commitments which have not been fulfilled. The MRA determines the amount of compensation to be paid by the licensee to the MRA for the exploration commitments which have not been fulfilled. In determining the amount of compensation, the MRA shall take into consideration the cost of fulfilling the unfulfilled exploration commitments and allow for expenses that would be incurred by having third parties perform the work for the MRA. Payment of such compensation shall be made no later than 30 days after the MRA has made a request for payment. When the compensation has been paid, the licensee shall have no other obligations with respect to the unfulfilled exploration commitments.
- 6.11 The licensee may apply to the MRA for an approval to the effect that the licensee shall not pay compensation to the MRA under section 6.10 for unfulfilled exploration commitments for the exploration period or an extended exploration period if the MRA grants an extension or another extension, respectively, of the exploration period and the licensee in the extended exploration period or the latter extended exploration period, respectively, fulfils the said unfulfilled exploration commitments in addition to the other exploration commitments for the extended exploration period or the latter extended exploration period, respectively. In case the MRA grants the said approval, the licensee shall pay compensation to MRA for the unfulfilled exploration commitments for the exploration period or the former extended exploration period, respectively, if the licensee in the extended exploration period or the latter extended exploration period, respectively, does not fulfil the

said unfulfilled exploration commitments in addition to the other exploration commitments for the extended exploration period or the latter extended exploration period, respectively.

- 6.12 This Article 6 and any right to perform exploration activities under this Licence are subject to Article 9.

#### **Article 7 Technical, environmental and socio-economic studies regarding exploration and exploitation**

- 7.01 During drilling and production operations, including the transportation of Hydrocarbons produced in the Licence area, the licensee shall have prepared a contingency plan for oil spills from the operations, based on physical and biological data for the areas that may be affected.
- 7.02 In connection with carrying out an appraisal programme under section 6.07, the licensee shall initiate technical, environmental and socio-economic studies as a basis for evaluating the possible exploitation of the deposit concerned.
- 7.03 If the results of the exploration, including appraisal programmes, cause the licensee to initiate prefeasibility or feasibility studies regarding production, storage and transportation of Hydrocarbons from the Licence area, the licensee shall conduct such technical, environmental and socio-economic studies as are necessary for the evaluations to be made by the licensee and the MRA in connection with their respective tasks, see sections 8.02(b) and 8.07(b).
- 7.04 Prior to initiating the studies referred to in sections 7.01-7.03, a programme for such studies shall be discussed with the MRA with respect to objectives, contents, planning, execution, timetable etc. The MRA may demand that the licensee shall conduct such supplementary technical, environmental and socio-economic studies as are considered necessary by the MRA, see section 7.03. The MRA is entitled to monitor such studies, and the licensee shall submit periodic reports on results etc. to the MRA.

#### **Article 8 Extension of Licence for exploitation**

- 8.01 Subject to compliance with section 16(3) of the Mineral Resources Act, the licensee shall be entitled to an extension of the Exploration Licence for the purpose of exploitation in accordance with section 22(2) of the Mineral Resources Act if the following three cumulative conditions all are met: (1) The licensee has discovered and prepared a proposal for the delineation of one or more commercially exploitable Hydrocarbon Deposits which the licensee intends to exploit. (2) The terms of the Exploration Licence have been complied with. (3) The licensee comprises a licensee company which shall be the operator under the Exploitation Licence and has been approved by the MRA as qualified to be the operator for the activities to be performed under the Exploitation Licence, see section 24.03. A request for an extension of the Exploration Licence for the purpose of exploitation shall be

submitted by the licensee to the MRA before the end of the exploration period, see Article 3. The Exploration Licence will be extended for the purpose of exploitation as stated in sections 8.02-8.05.

8.02 The licensee's request for an extension of the Exploration Licence for the exploitation of one or more Hydrocarbon Deposits shall be based on the results of one or more appraisal programmes and shall be accompanied by all the following:

- (a) A declaration to the effect that the deposit or deposits are commercially exploitable and that the licensee intends to exploit the deposit(s).
- (b) A feasibility study of the deposit(s) comprised by the declaration. The feasibility study shall contain a description and an evaluation of the deposits with respect to geology and reservoir technology, as well as a specification of the technical, financial, environmental, socio-economic and other conditions underlying the licensee's declaration.
- (c) The licensee's proposal for the delineation of the Exploitation Licence area based on the deposit or deposits concerned, see section 8.05(a)-8.05(d).

8.03 The extension of the Exploration Licence for the purpose of exploitation will be granted as an Exploitation Licence, stating the name of the licensee, the exploitation period and the Exploitation Licence area, see sections 8.04-8.05, and stipulating that the terms of the Exploration Licence shall also apply to the Exploitation Licence.

8.04 The Exploitation Licence will be granted to a licensee appointed by the holder of the Exploration Licence, provided that such licensee fulfils the conditions stated in section 16(3) of the Mineral Resources Act, see also section 88(1) of the Mineral Resources Act.

8.05 The Exploitation Licence area will be delineated by the MRA by geographical corner coordinates according to the following principles:

- (a) The Exploitation Licence area will comprise the area in which commercially exploitable deposits have been demonstrated and delineated, according to the available seismic data and drilling data.
- (b) The basis for the delineation mentioned in section (a) will be the deposits concerned and their extent, as documented by the licensee to the satisfaction of the MRA in the feasibility study mentioned in section 8.02(b), with due regard being paid to the licensee's proposal under section 8.02(c).
- (c) The Exploitation Licence area may consist of several subareas, each delineated as stated above.
- (d) Areas situated outside the Exploration Licence area cannot be included in the Exploitation Licence area, unless an Exploitation Licence for such areas is granted in pursuance of section 16 of the Mineral Resources Act.

8.06 Based on the feasibility study submitted in accordance with section 8.02, the MRA will set a reasonable time limit for the submission of a development plan etc. (see section 8.07) when issuing an Exploitation Licence. An extension of the Exploration Licence for the purpose of exploitation, see

section 8.01, is subject to the conditions that, within the above-mentioned time limit, the licensee shall submit a development plan and an abandonment plan for approval by the MRA in accordance with sections 19 and 43 of the Mineral Resources Act, and that the licensee shall initiate exploitation by the date stated in the approval of such development plan.

- 8.07 Following the granting of an Exploitation Licence, the licensee shall submit a development plan etc. to the MRA, comprising the following material:
- (a) A development plan describing all necessary activities, including development, production, storage and transportation activities, as provided by section 19 of the Mineral Resources Act, including a time schedule for the licensee's development activities.
  - (b) An environmental impact assessment and a social impact assessment, prepared in cooperation with the MRA, of the development plan mentioned in section 8.07(a). The MRA may demand that the assessments shall be amended or made more comprehensive if they are considered inadequate by the MRA.
  - (c) An abandonment plan as provided by section 43 of the Mineral Resources Act. The plan shall include cost estimates for the abandonment activities, see section 18.03.
- 8.08 Prior to the start-up of development and production, the plans mentioned in section 8.07 shall have been approved in accordance with sections 19 and 43 of the Mineral Resources Act.
- 8.09 The licensee shall use its best endeavours to carry out the activities in the development plan in accordance with the approved time schedule, and shall initiate exploitation by the date stated in the approval of the plan, unless a postponement is approved by the MRA in response to an application.
- 8.10 This Article 8 and any right to right to an extension of the Exploration Licence for the purpose of exploitation are subject to Article 9.

## **Article 9 Ramsar Sites and Protected Area**

### *Ramsar Sites*

- 9.01 The Convention on Wetlands of International Importance especially as Waterfowl Habitat of 2 February 1971, including amendments thereto, ("Ramsar Convention") applies in Greenland. The Ramsar Convention contains, among others, rules on designation and conservation of wetlands of international importance.
- 9.02 One or more parts of the Licence area have been designated for inclusion in the list of wetlands of international importance ("Ramsar Sites" and each a "Ramsar Site"). Each Ramsar Site is delineated by the corner coordinates stated in section 1 of Appendix 4. The location of each Ramsar Site is shown on the map contained in the last part of Appendix 4.
- 9.03 The licensee may not perform any exploration or other activity under this Licence in a Ramsar Site to the extent this is not in accordance with the Ramsar Convention, any legislation relating to the

Ramsar Convention or any rule, term or decision made or set by the MRA relating to the Ramsar Convention.

- 9.04 The licensee is not entitled to be granted a licence for exploitation of Hydrocarbons in a Ramsar Site. This section 9.04 applies even though the licensee would otherwise be entitled to be granted an exploitation licence in the Ramsar Site under sections 16 and 22(2) of the Mineral Resources Act and Article 8 of this Licence.
- 9.05 Subject to section 9.04, the licensee may apply for an extension of the Exploration Licence for the purpose of exploitation (a licence for exploitation of Hydrocarbons) for an area in a Ramsar Site. If the licensee applies for a licence for exploitation of Hydrocarbons in a Ramsar Site, the MRA may freely and at its sole discretion decide to reject the application if the MRA finds that exploitation of Hydrocarbons in the Ramsar Site is not in accordance with the Ramsar Convention, any legislation relating to the Ramsar Convention or any rule, term or decision made or set by the MRA relating to the Ramsar Convention. If the MRA rejects such an application, the licensee shall respect the rejection and the licensee shall have no claim against the Greenland Self-Government, the Greenland Government or the MRA as a result of or in connection with the rejection of the application. A rejection of such an application shall not create or otherwise cause or result in any obligation or any liability, including any liability in damages, on the Greenland Self-Government, the Greenland Government or the MRA.

#### *Protected Area*

- 9.06 A part of the Licence area has been designated as a protected area under the Greenland Parliament Act no. 11 of 12 November 1980 on nature conservation in Greenland ("Protected Area"). The Protected Area is delineated as stated in section 2 of Appendix 4.
- 9.07 The licensee may not perform any exploration or other activity under this Licence in the Protected Area to the extent this is not in accordance with any legislation relating to environment and/or nature or any rule, term or decision made or set by the MRA relating to environment and/or nature. Such rules shall include, but not be limited to, section 3.04 of the Rules for field work and reporting regarding mineral resources (excluding hydrocarbons) in Greenland, November 2000, and any subsequent amendment thereto.

### **Article 10 Coordination**

- 10.01 If a Hydrocarbon Deposit extends into the licence areas of several licences, the licensees shall coordinate their activities in accordance with section 27(1) of the Mineral Resources Act.
- 10.02 If two or more Hydrocarbon Deposits are covered by different exploitation licences and the licensees wish to coordinate the exploitation of the deposits, agreements to this effect are subject to approval by the MRA.



**Article 11 Processing, storing and transporting Hydrocarbons in Greenland**

11.01 Whenever Hydrocarbons present in Greenland are extracted from the Licence area, the following activities, whether performed by the licensee or on its behalf, shall be deemed to form part of the activities encompassed by the Licence:

- (a) any processing of such Hydrocarbons for the purpose of transportation, including the liquefaction of natural gas, and
- (b) the storage and transportation of such Hydrocarbons, including liquefied natural gas.

11.02 The licensee shall ensure that, when sailing, anchoring and/or lightering in the Greenland territorial sea or Greenland continental shelf area, ships used for:

- transporting Hydrocarbons in connection with activities performed under the Licence, or
- transporting Hydrocarbons produced under the Licence

comply with, and are used in accordance with and not in contravention of,

- all applicable national, regional and international rules and regulations for ships of a gross tonnage exceeding 500 engaged in international trade,
- Regulation (EU) No. 530/2012 on the accelerated phasing-in of double-hull or equivalent design requirements for single hull oil tankers,
- EC Directive 2005/35/EC on ship-source pollution and on the introduction of penalties for infringements, as amended by EC Directive 2009/123/EC, and the supplementing Council Framework Decision 2005/667/JHA to strengthen the criminal-law framework for the enforcement of the law against ship-source pollution,
- applicable rules and guidelines for ships operating in Arctic ice-covered waters or polar waters approved or adopted by the International Maritime Organization (IMO), including IMO Guidelines for ships operating in polar waters of 2 December 2009 (IMO Resolution A.1024(26)),
- one or more applicable industry standards, codes and guidelines for lightering operations, bunkering etc. which are relevant under arctic conditions and are acceptable to the MRA, acting reasonably.

The licensee shall ensure that the said ships are classified with a classification company approved by the EU and, as a minimum, meet the requirements applying to Polar Class 4 (as defined in the IMO Guidelines for ships operating in polar waters of 2 December 2009 (IMO Resolution A.1024(26)) or similar classification unless otherwise accepted by the MRA.

The licensee shall also ensure that the said ships are double hull ships (with double bottom and double sides) and that the age of the said ships do not exceed 15 years from the original year of construction.

## **Article 12 Royalty**

### *Sales Royalty and Surplus Royalty*

- 12.01 The licensee shall pay royalty to the Government of Greenland, represented by the MRA, pursuant to this Article 12. The royalty to be paid under this Article 12 comprises sales royalty based on the value of Hydrocarbons exploited and sold under this Licence ("Sales Royalty"), see sections 12.02-12.15 and 12.25-12.32, and surplus royalty based on the income derived from Hydrocarbons exploited and sold under this Licence ("Surplus Royalty"), see sections 12.02-12.11 and 12.16-12.32.

### *Accounting principles*

- 12.02 Appendix 7 contains accounting principles for the determination of items included and not included in the determination of the value (the calculation basis) on which Sales Royalty and Surplus Royalty are to be calculated under this Article 12.
- 12.03 The accounting principles in Appendix 7 shall apply in addition to the terms and calculation principles of this Article 12. In case of any inconsistency between this Article 12 and Appendix 7, this Article 12 shall take precedence over Appendix 7.

### *Extracted Hydrocarbons*

- 12.04 For the purpose of calculating Sales Royalty and Surplus Royalty to be paid under this Article 12, Hydrocarbons shall be considered extracted when they have been exported from the production facility onto a tanker or into an export pipeline for shipping and/or export (that is have passed the metering point), see section 12.28(b). Hydrocarbons shall also be considered extracted if they have been consumed in the production activities, see section 12.28(b).

### *Value of extracted Hydrocarbons*

- 12.05 The value of extracted Hydrocarbons shall be determined as the sales price obtainable in a sale in the free market in Europe at the time of delivery of the extracted Hydrocarbons to a purchaser which is independent of the seller (that is the time of transfer of risk to a purchaser which is independent of the seller).
- 12.06 If the MRA finds that a sales price obtained in a sale does not correspond to the value determined under the principles in section 12.05, the MRA shall, after consulting the licensee, determine the value of the Hydrocarbons concerned under the said principles.
- 12.07 If the sales price obtained in a sale in the free market in Europe cannot be regarded as representative of the sales price generally obtainable in sales in the free market in Europe, another quotation or pricing reference shall be applied. The application of another quotation or pricing reference is subject to the approval of the MRA and any terms set for such approval.
- 12.08 Extracted Hydrocarbons which have been delivered to a purchaser which is independent of the seller subsequent to year end shall be included in the calculation basis for the year at their value as at 31 December. The calculation basis for subsequent years shall include the difference between the value

determined as at 31 December and the value determined at the subsequent time of delivery of the Hydrocarbons to an independent purchaser.

- 12.09 If the sale has taken place in a foreign currency, the value shall be determined on the basis of the exchange rate applicable at the time of delivery of the Hydrocarbons to a purchaser which is independent of the seller. However, the valuation shall be based on the exchange rate as at 31 December if the Hydrocarbons have been delivered to an independent purchaser subsequent to year end. The calculation basis for subsequent years shall include the difference between the value calculated at the exchange rate as at 31 December and the value calculated at the exchange rate at the subsequent time of delivery of the Hydrocarbons to an independent purchaser.

#### *Other costs*

- 12.10 In the determination of the value of extracted Hydrocarbons, no deduction shall be made for any cost, expense or other amount, including any sales commission, fee or other cost, any cash rebate or other rebate, any freight or other transport cost, any insurance cost or any financial cost.

#### *Total Value of Hydrocarbons*

- 12.11 For the purpose of calculating the Sales Royalty and the Surplus Royalty to be paid under this Article 12, the total value of all Hydrocarbons extracted in a calendar year ("Total Value of Hydrocarbons") shall be calculated as the total (aggregate) sum of all values of all Hydrocarbons extracted in the said calendar year. The extracted Hydrocarbons shall be determined in accordance with section 12.04. The values of the extracted Hydrocarbons shall be determined in accordance with sections 12.05-12.10.

#### *Sales Royalty*

- 12.12 The licensee shall pay Sales Royalty as stated in this Article 12 to the MRA for Hydrocarbons which are exploited under an Exploitation Licence and extracted, including considered extracted, under section 12.04. The Sales Royalty shall be calculated, determined and paid separately for each individual Exploitation Licence, see section 8.03.
- 12.13 The Sales Royalty shall be paid annually at the rate of [X] per cent ("Sales Royalty Rate") on the basis of the value of extracted Hydrocarbons in the year concerned, see sections 12.04-12.11 and Appendix 7.
- 12.14 The Sales Royalty to be paid by the licensee to the MRA for a calendar year ("Payable Sales Royalty") shall be calculated by applying the Sales Royalty Rate, as stated in section 12.13, to the Total Value of Hydrocarbons, as stated in section 12.11, for the calendar year concerned.
- 12.15 The Payable Sales Royalty shall be calculated and paid annually for each calendar year.

#### *Surplus Royalty*

- 12.16 The licensee shall pay Surplus Royalty as stated in this Article 12 to the MRA for Hydrocarbons which are exploited under an Exploitation Licence and extracted, including considered extracted, under section 12.04. The Surplus Royalty shall be calculated, determined and paid separately for each individual Exploitation Licence, see section 8.03.

- 12.17 The Surplus Royalty to be paid by the licensee to the MRA for a calendar year ("Payable Surplus Royalty") shall be calculated as the total (aggregate) sum of all of the following:
- (a) A Surplus Royalty of [X] per cent of the Annual Profit Calculation Basis determined according to section 12.19 shall be paid if the Tier 1 Accumulated Percentage determined according to section 12.20 is equal to or higher than [Y] per cent.
  - (b) In addition to the Surplus Royalty payable according to section 12.17(a), a Surplus Royalty of [X] per cent of the Annual Profit Calculation Basis determined according to section 12.19 shall be paid if the Tier 2 Accumulated Percentage determined according to section 12.20 is equal to or higher than [Y] per cent.
  - (c) In addition to the Surplus Royalty payable according to sections 12.17(a) and 12.17(b), a Surplus Royalty of [X] per cent of the Annual Profit Calculation Basis determined according to section 12.19 shall be paid if the Tier 3 Accumulated Percentage determined according to section 12.21 is equal to or higher than [Y] per cent.
- 12.18 The Payable Surplus Royalty shall be calculated and paid annually for each calendar year.
- 12.19 An annual profit calculation basis ("Annual Profit Calculation Basis") to be used for the calculation of the Payable Surplus Royalty, see section 12.17, for a calendar year shall be calculated as follows for each of the calculations of surplus royalty to be made under sections 12.17(a), 12.17(b) and 12.17(c), respectively:
- (a) the Total Value of Hydrocarbons, see section 12.11, with addition of the other income specified in Appendix 7 for the calendar year concerned recorded in accordance with the accounting principles stated in Appendix 7, ("Annual Surplus Royalty Turn-over Amount"),
  - (b) less the investment and operating costs specified in Appendix 7 for the calendar year concerned recorded in accordance with the accounting principles stated in Appendix 7. Any surplus royalty payable according to section 12.17(a) may be deducted from the annual profit calculation basis for surplus royalty according to section 12.17(b), and any surplus royalty payable according to sections 12.17(a) and 12.17(b) may be deducted from the annual profit calculation basis for surplus royalty according to section 12.17(c). Any Sales Royalty paid or to be paid may not be deducted from the annual profit calculation basis for surplus royalty according to section 12.17(a), section 12.17(b) or section 12.17(c).

The Annual Profit Calculation Basis shall be determined separately for each individual Exploitation Licence, see section 8.03, and for each calendar year. The Annual Profit Calculation Basis shall be determined for the first time in the calendar year in which the licensee is granted an extension of the Licence for the purpose of exploitation, see sections 8.02 and 8.03, and shall include all income and expenses recorded for that calendar year for the period beginning at the day at which the said extension of the Licence for the purpose of exploitation is granted and ending at 31 December in that calendar year. In a calendar year where production under an Exploitation Licence is discontinued and in subsequent years, any costs in connection with implementation of the abandonment plan approved

by the MRA, see section 8.07, which exceed the income for the year concerned, determined under section 12.19(a), may be transferred to the cost statement stated in section 12.24.

- 12.20 An accumulated tier 1 surplus royalty gross profit amount ("Accumulated Tier 1 Surplus Royalty Gross Profit Amount") shall be calculated for an Exploitation Licence as the sum of (1) an amount for the year corresponding to the Annual Profit Calculation Basis determined according to section 12.19 for the surplus royalty payable under the Exploitation Licence according to section 12.17(a) and (2) the accumulated balance at the beginning of the year of equivalent amounts for the preceding years. Furthermore, an accumulated surplus royalty turn-over amount ("Accumulated Surplus Royalty Turn-over Amount") shall be calculated for an Exploitation Licence as the sum of (1) an amount for the year corresponding to the Annual Surplus Royalty Turn-over Amount determined according to section 12.19(a) for the Exploitation Licence and (2) the accumulated balance of equivalent amounts for the preceding years. A percentage rate ("Tier 1 Accumulated Percentage") shall be calculated as the Accumulated Tier 1 Surplus Royalty Gross Profit Amount multiplied by [X] and divided by the Accumulated Surplus Royalty Turn-over Amount, both as defined in this section 12.20. The Tier 1 Accumulated Percentage rate is the accumulated percentage rate stated and to be used in the calculation in section 12.17(a).
- 12.21 An accumulated tier 2 surplus royalty gross profit amount ("Accumulated Tier 2 Surplus Royalty Gross Profit Amount") shall be calculated for an Exploitation Licence as the sum of (1) an amount for the year corresponding to the Annual Profit Calculation Basis determined according to section 12.19 for the surplus royalty payable under the Exploitation Licence according to section 12.17(b) and (2) the accumulated balance at the beginning of the year of equivalent amounts for the preceding years. A percentage rate ("Tier 2 Accumulated Percentage") shall be calculated as the Accumulated Tier 2 Surplus Royalty Gross Profit Amount, as defined in this section 12.20 multiplied by [X] and divided by the Accumulated Surplus Royalty Turn-over Amount, as defined in section 12.20. The Tier 2 Accumulated Percentage rate is the accumulated percentage rate stated and to be used in the calculation in section 12.17(b).
- 12.22 An accumulated tier 3 surplus royalty gross profit amount ("Accumulated Tier 3 Surplus Royalty Gross Profit Amount") shall be calculated for an Exploitation Licence as the sum of (1) an amount for the year corresponding to the Annual Profit Calculation Basis determined according to section 12.19 for the surplus royalty payable under the Exploitation Licence according to section 12.17(c) and (2) the accumulated balance at the beginning of the year of equivalent amounts for the preceding years. A percentage rate ("Tier 3 Accumulated Percentage") shall be calculated as the Accumulated Tier 3 Surplus Royalty Gross Profit Amount, as defined in this section 12.21 multiplied by [X] and divided by the Accumulated Surplus Royalty Turn-over Amount, as defined in section 12.20. The Tier 3 Accumulated Percentage rate is the accumulated percentage rate stated and to be used in the calculation in section 12.17(c).
- 12.23 Payable Surplus Royalty under section 12.17(a) shall only be calculated for an Exploitation Licence for a calendar year if the Annual Profit Calculation Basis, determined according to section 12.19, for

the calculations of Surplus Royalty to be made under section 12.17(a) for that calendar year is a positive amount (number). Payable Surplus Royalty under section 12.17(b) shall only be calculated for an Exploitation Licence for a calendar year if the Annual Profit Calculation Basis, determined according to section 12.19, for the calculations of Surplus Royalty to be made under section 12.17(b) for that calendar year is a positive amount (number). Payable Surplus Royalty under section 12.17(c) shall only be calculated for an Exploitation Licence for a calendar year if the Annual Profit Calculation Basis, determined according to section 12.19, for the calculations of Surplus Royalty to be made under section 12.17(c) for that calendar year is a positive amount (number).

12.24 If Surplus Royalty has been paid for an Exploitation Licence according to the terms of this Article 12, including the terms on Payable Surplus Royalty in sections 12.17(a), 12.17(b) and 12.17(c), the licensee may submit to the MRA a final statement of the below-mentioned costs of implementation of the abandonment plan approved by the MRA, see section 8.07. This cost statement shall be received by the MRA within six months after the end of the year in which all parts of the abandonment plan, except the monitoring programme, have been implemented, and shall include any costs determined in accordance with the accounting principles described in Appendix 7 which have not previously been deducted under section 12.19(b). The MRA's approval and the terms set for such approval shall be sent to the licensee no later than six months after the MRA's receipt of the cost statement and all relevant information and documentation. No later than 30 days after approving the cost statement, the MRA shall pay an amount to the licensee to be determined as follows:

- (a) [X] per cent of the costs, however not exceeding the amount of surplus royalty for the relevant Exploitation Licence which has been paid according to section 12.17(a), plus
- (b) [X] per cent of the costs after deducting the amount calculated according to section 12.24(a) above, however not exceeding the amount of surplus royalty for the relevant Exploitation Licence which has been paid according to section 12.17(b), plus
- (c) [X] per cent of the costs after deducting the amounts calculated according to sections 12.24(a) and 12.24(b) above, however not exceeding the amount of surplus royalty for the relevant Exploitation Licence which has been paid according to section 12.17(c).

No interest shall be payable on the above amount.

#### *Annual Royalty Report*

12.25 The licensee shall prepare an annual royalty report ("Annual Royalty Report") on all matters relating to Sales Royalty and Surplus Royalty, including their calculation, payment, reporting and auditing. Such matters include, but are not limited to, the matters mentioned in Appendix 7 and Appendix 8. The Annual Royalty Report shall also include specifications describing how the royalties were calculated, accompanied by all relevant information and documentation, including information regarding income, investments and expenses recorded in accordance with the accounting principles stated in Appendix 7. The Annual Royalty Report shall be submitted by the licensee to the MRA no later than 120 days after the end of the calendar year concerned. The Annual Royalty Report shall be

submitted by the licensee even though the calculation basis is nil or negative for the calendar year concerned.

- 12.26 If the Annual Royalty Report has not been filed by the licensee within the time limit stated in section 12.25 or if information or documentation relating to the Annual Royalty Report is not submitted by the licensee within the time limit fixed by the MRA, the MRA shall determine the Payable Sales Royalty and the Payable Surplus Royalty for the calendar year concerned. If the Annual Royalty Report is not prepared in accordance with the applicable rules and terms and the matter is not rectified within the time limit fixed by the MRA, the MRA shall determine the Payable Sales Royalty and the Payable Surplus Royalty for the calendar year concerned.
- 12.27 If the Payable Sales Royalty and the Payable Surplus Royalty have been determined by the MRA under section 12.26, the said Payable Sales Royalty and Payable Surplus Royalty shall be paid no later than 7 (seven) days after the licensee has received the MRA's notification of the amounts of royalty payable.
- 12.28 For the purpose of the MRA's control and supervision of the licensee's calculation, reporting and payment of royalty under this Article 12, the licensee shall submit relevant information and documentation, including the following information and documentation, to the MRA and shall also include such information and documentation in the Annual Royalty Report:
- (a) Information and documentation on volumes and qualities of oil/condensate and natural gas which have been produced (extracted). The volumes and qualities of oil/condensate and natural gas shall be determined using the methods and equipment generally accepted in the petroleum industry. Such methods and equipment are subject to the MRA's approval and any terms of the approval and to the MRA's control and supervision. Hydrocarbons are considered produced and extracted when they have been exported from the production facility, that is when they have passed the metering point on the production facility. If it is ascertained that the methods or equipment used has resulted in a metering that leads to underpayment of royalty, see section 12.02 of the Licence and Appendix 7, section 1.1, this situation will be deemed to have existed since the last control, unless (1) the licensee demonstrates and the MRA approves that the licensee has demonstrated that the situation has lasted for a shorter or longer period of time or (2) the MRA otherwise determines that the situation has lasted for a shorter or longer period of time.
  - (b) Information on the volumes and qualities of oil/condensate and natural gas that have passed the metering point, see section 12.28(a), in any one month shall be submitted to the MRA monthly no later than 15 days after the end of the month and shall also be included in the Annual Royalty Report. In determining the volume of Hydrocarbons on which royalty is payable, the licensee shall include all Hydrocarbons produced, including Hydrocarbons consumed in the production activities, regardless of whether their energy content was utilized. Hydrocarbons which are reinjected or lost before passing the metering point (and are not

consumed in the production activities) shall not be included, but the Annual Royalty Report shall contain information on the types and volumes of such Hydrocarbons.

- (c) Any other relevant information and documentation relating to the calculation, reporting or payment of royalty or to the MRA's control and supervision thereof.

All submitted information and documentation relating to the calculation, reporting or payment of royalty shall be kept confidential by the MRA in accordance with existing legislation thereon.

The licensee shall have a state authorised public accountant perform an annual audit of the Annual Royalty Report and the accounting records which form the basis for the calculation and reporting of the royalty and for the Annual Royalty Report. The MRA shall be entitled to perform an independent audit.

The audit for any calendar year shall be completed no later than 120 days after the end of the calendar year concerned. The auditor's report on the audit of the Annual Royalty Report and the licensee's calculation and reporting of the royalty shall be issued no later than 120 days after the end of the calendar year concerned.

The costs of auditors shall be paid by the licensee.

- 12.29 The MRA may set more specific terms on the matters stated in sections 12.25-12.28, including the licensee's preparation and submission of the Annual Royalty Report, the contents of the Annual Royalty Report and documentation thereto and the annual audit of the Annual Royalty Report. At the request of the MRA, the licensee shall submit to the MRA any information and documentation relating to the matters stated in sections 12.25-12.28.

#### *Currency and currency conversion*

- 12.30 As regards currency and currency conversion, the Payable Sales Royalty, the Payable Surplus Royalty and any other amount stated in the Annual Royalty Report shall be calculated and stated in accordance with Greenland tax law relating to currency and currency conversion and shall be in the currency used to calculate and stated in the final approved tax assessment for the same calendar year.

#### *Payment of royalty*

- 12.31 The Payable Sales Royalty and Payable Surplus Royalty for a calendar year shall be paid by the licensee to the MRA in Danish Kroner (DKK) no later than 120 days after the end of the calendar year concerned.
- 12.32 The licensee shall transfer (by electronic funds transfer) the Payable Sales Royalty and the Payable Surplus Royalty in full (without any cost, fee, charge or other amount to be paid or borne by the MRA or its bank(s)) in Danish Kroner (DKK) to one or more bank accounts designated by the MRA.



**Article 13 NUNAOIL A/S's participation in exploration and exploitation activities**

- 13.01 NUNAOIL A/S shall participate in the Licence, as specified in section 17(2) of the Mineral Resources Act and in sections 13.02-13.04. The size of NUNAOIL A/S's percentage share may be changed in accordance with the terms of the Joint Operating Agreement and section 25.01.
- 13.02 NUNAOIL A/S shall have the rights and obligations under the Exploration Licence in proportion to its percentage share, but NUNAOIL A/S's share of costs, expenses, obligations and liability in damages regarding activities performed under the Exploration Licence, including expenses for the fulfilment of obligations and terms stated in the Exploration Licence or pursuant to the Exploration Licence, shall be borne solely by the other parties participating in the Exploration Licence ("a carried interest") unless NUNAOIL A/S is not carried under the Joint Operating Agreement.
- However, the carried interest of NUNAOIL A/S shall cease 120 days after the MRA's receipt of an adequate request for an extension of the Licence for the purpose of exploitation, as described in section 8.02, or upon the granting of such Exploitation Licence, whichever date is the earlier, in respect of activities in the area covered by the request or Exploitation Licence.
- 13.03 NUNAOIL A/S shall participate on equal terms with the other parties holding shares in the Exploitation Licence, with the rights and obligations pertaining to its percentage share.
- 13.04 Notwithstanding the provisions of sections 13.02-13.03, NUNAOIL A/S shall not bear its share of costs, expenses, obligations and liability in damages regarding wells drilled for the purpose of evaluating or delineating the Hydrocarbon Deposit concerned after the cessation of NUNAOIL A/S's carried interest according to section 13.02 (last sentence), provided that such wells have been spudded before approval of the development plan etc. in accordance with section 8.08, regardless of whether such wells are later used for production. Such costs, expenses, obligations and liability in damages shall be borne by the other parties holding shares in the Licence.
- 13.05 The percentage share of NUNAOIL A/S in a Licence may be transferred to other parties in accordance with the Joint Operating Agreement and section 25.01.
- 13.06 The licensee shall cooperate with NUNAOIL A/S in order to develop the know-how and expertise of NUNAOIL A/S, see Appendix 5.

**Article 14 Obligation to buy NUNAOIL A/S's share of production**

- 14.01 At the request of NUNAOIL A/S, the other companies holding shares in an Exploitation Licence shall buy all or part of NUNAOIL A/S's share of the Hydrocarbons produced under the Exploitation Licence. Such request shall be made at least six months in advance, in respect of a specific period of at least 90 days. Each of the other companies shall have an obligation to buy such Hydrocarbons in proportion to their percentage shares of the Exploitation Licence, and they shall buy the Hydrocarbons at a fair market price and on usual terms of delivery.

**Article 15 Agreement on further training**

- 15.01 During the period of exploration, the licensee shall be obliged to reimburse the MRA for annual expenses of up to DKK [X] for the further training etc. of the MRA's employees in accordance with the terms stated in Appendix 6. In connection with any extension of the Exploration Licence for the purpose of exploitation, see section 8.03, an agreement shall be made regulating the licensee's obligations with respect to the further training etc. of MRA employees during the period of exploitation.

**Article 16 Plans for activities etc. and approvals of plans etc.**

- 16.01 The licensee shall submit plans for its activities, including the following plans:
- (a) An exploration plan.
  - (b) Health, safety, contingency and environmental plans.
  - (c) Plans for socio-economic studies and for socially sustainable exploration and exploitation, including plans according to Article 23.
  - (d) A development plan.
  - (e) A production, storage, waste disposal and transportation plan.
  - (f) A plan for abandonment activities.
  - (g) The plans mentioned in section 8.07.
- All plans are subject to the approval of the MRA and any terms set for such approval. All plans shall include an oil spill contingency plan and a pollution contingency plan. An activity may not be initiated unless the MRA has approved the relevant plan or plans regarding the activity. In its approval, the MRA may determine that specific equipment and material etc. may not be used or that the activities may not be carried out in specific areas and/or periods. Likewise, the MRA may order the licensee to monitor biological, environmental and physical conditions in areas affected by the activities.
- 16.02 All the plans mentioned in section 16.01 shall be regularly updated and shall furthermore be changed to reflect substantial changes in the exploration activities or exploitation activities, respectively, or other matters relating to the plans. Amendments to a plan are subject to the approval of the MRA and any terms set for such approval, see also sections 19, 43(4) and 86(1) of the Mineral Resources Act. The MRA may request the licensee at 6 months' notice to submit an updated or changed plan to the MRA for its approval.
- 16.03 The licensee may establish buildings, production facilities, installations, pipelines, storage and transportation facilities etc. within and outside the Licence area, provided that they are approved by the MRA, see sections 19 and 86(1) of the Mineral Resources Act. However, in addition to the MRA's approval, the establishment of such buildings, production facilities, installations, pipelines, storage

and transportation facilities onshore requires a permit under other legislation applicable in Greenland, including legislation on land use.

- 16.04 The licensee shall take all necessary measures to ensure that the activities do not endanger persons or third-party property. Likewise, the licensee shall take measures to minimize the risk of pollution and the risk of harmful effects on health and the environment, both in and outside the Licence area.
- 16.05 If the licensee's activities endanger persons or third-party property or if the risk of pollution or harmful effects on health or the environment exceeds a level acceptable to the MRA, the MRA may order the licensee to make any necessary changes to such activities and take any other preventive or remedial measures within a time limit set by the MRA. If considered necessary, the MRA may further order the licensee to suspend the activities, in whole or in part, until the licensee has carried out the necessary changes and taken the preventive or remedial measures. The MRA may also order the licensee to remedy any health and environmental damage falling within the scope of the licensee's liability under section 28.01, within a time limit set by the MRA. If the licensee does not comply with an order within the set time limit, the MRA may implement it and take any necessary preventive or remedial measures for the account and at the risk of the licensee.
- 16.06 If the licensee fails to comply with an order issued according to section 16.05, the licensee shall compensate any damage, loss and cost incurred as a result thereof, irrespective of whether such damage, loss or cost is incurred by the Greenland Self-Government, the Danish State and/or any third party, including a private individual or a private enterprise.
- 16.07 The licensee shall continuously carry out clean-up and rectify damage caused to terrain, vegetation and the environment as a result of the licensee's activities.

## **Article 17 Supervision**

- 17.01 The MRA will supervise the licensee's activities under the Licence and may appoint other parties to carry out such supervision, see section 86(2) of the Mineral Resources Act. The supervision personnel shall be entitled to supervise all the licensee's activities in every way and to demand all information relating to the licensee's activities under the Licence. The supervision personnel shall have access at all times to any part of the activities, without a prior court order, to the extent required for them to carry out the supervision.
- 17.02 The supervision personnel may take samples from geological material that has been obtained as part of the licensee's activities.
- 17.03 The supervision personnel may call attention to any infringement of legislation or other provisions applicable to the licensee's activities and may issue such orders, as they deem necessary.
- 17.04 In connection with inspections by supervision personnel, the licensee shall provide transport of the supervision personnel between the place of inspection and the nearest airport or heliport in Greenland with scheduled flights and shall arrange for such transport to be provided in accordance with any

reasonable requirements of the supervision personnel. The same applies to accommodation for supervision personnel at the inspection site and transport within the Licence area, if necessary.

- 17.05 Any costs and expenses of the MRA and its supervision personnel, including personnel from other authorities and external consultants, in connection with supervision and inspection of activities under the Licence shall be reimbursed by the licensee in accordance with the provisions of Article 21. The reimbursement under Article 21 shall include, but not be limited to, any costs and expenses in connection with any supervision, investigation, consultancy and inspection and, in relation to such activities, with any transport of supervision personnel and their equipment etc. and accommodation of supervision personnel.

## **Article 18 Obligations upon termination of activities**

- 18.01 Upon the termination of the activities under the Exploration Licence or the Exploitation Licence, the licensee shall:

- (a) remove all buildings, production facilities, installations, pipelines, storage and transportation facilities etc. in and outside the Licence area that have been established for the activities comprised by the Licence, unless the non-removal of such buildings, facilities etc., has been approved by the MRA in the abandonment plan or otherwise, and
- (b) carry out final clean-up and restoration in the affected areas, subject to the MRA's approval.

If installations etc. have served their purpose before the termination of an Exploration or Exploitation Licence, measures shall be taken for these installations and the affected areas according to sections 18.01(a) and 18.01(b) immediately upon termination of use. If an abandonment plan has been prepared according to section 8.07(c), the above measures shall be carried out in accordance with such plan.

If the licensee does not comply with orders to implement the measures stated above within the time limit set by the MRA, such measures may be carried out at the licensee's expense and risk, see section 42(3) of the Mineral Resources Act. If the implementation of such measures results in a third-party claim for compensation against the Government of Greenland or the Danish State, the licensee shall indemnify the Government of Greenland or the Danish State for any such claims.

- 18.02 The abandonment plan mentioned in section 8.07(c) shall be regularly updated and shall furthermore be revised to reflect any substantial changes in the exploitation activities. Amendments to the abandonment plan are subject to approval by the MRA. When changed circumstances so require, the MRA may request the licensee to submit a revised abandonment plan for the MRA's approval and to provide additional security for the implementation of the plan, see section 42(2) and 43(4) of the Mineral Resources Act.
- 18.03 The abandonment plan mentioned in section 8.07(c) shall include a plan for the financing of the abandonment activities, including:

- (a) the accounting principles to be used as a basis for calculating the annual provisions to be made for this purpose, and
  - (b) principles aimed at ensuring that the accumulated provisions are intact when the abandonment activities are initiated.
- 18.04 As part of the reporting required according to section 19.02, the licensee shall every year submit a statement showing the provisions made in respect of the abandonment plan. This statement is subject to the MRA's approval.
- 18.05 Any suspension of the exploitation activities for a period of time with a view to later resumption of the activities requires the approval of the MRA in accordance with section 44 of the Mineral Resources Act.
- 18.06 At any time prior to the start-up of abandonment activities, the licensee is entitled to sell or otherwise transfer the buildings, facilities, installations etc. established for the activities performed under the Licence to any other parties, including Greenland or Danish authorities. Any such sale or transfer is subject to the MRA's approval and subject to the condition that the transferees assume abandonment obligations corresponding to the licensee's obligations, unless the MRA approves any changes to such obligations. Buildings, facilities, installations etc. whose sale or transfer is approved shall be excluded from the licensee's abandonment plan.
- 18.07 The accumulated provisions shall belong to the licensee, but may only be used for abandonment purposes. If the cost of the abandonment activities is lower than the accumulated provisions, the remaining provisions shall be at the licensee's disposal when the abandonment activities have been carried out. If the cost of the abandonment activities exceeds the accumulated provisions, the licensee shall pay the excess cost.
- 18.08 In connection with approval of the abandonment plan or any amendment of the abandonment plan, see in particular sections 8.08, 17.01, 17.02 and 19.02, the MRA may set terms to the effect that the Licensee shall provide and maintain security or additional security for the Licensee's fulfilment of abandonment (closure) obligations and other related obligations under the Licence and the Mineral Resources Act, see also in particular section 42(2) of the Mineral Resources Act. Any security and any change relating to a security are subject to the approval of the MRA, see sections 17.02 and 19.02.

## **Article 19 Reporting etc.**

- 19.01 For all activities performed under the Exploration Licence, the licensee shall submit data, reports etc. to the MRA regarding all geological, geochemical, geophysical, technical, environmental, health, financial, including socio-economic, and other studies that are carried out in respect of the Licence

area, see section 86(4) of the Mineral Resources Act and section 19.04 of the Licence. At the MRA's request, the licensee shall submit geological samples to the MRA, including drill cores.

- 19.02 For all activities performed under an Exploitation Licence, the licensee shall submit reports to the MRA in accordance with section 19.04.
- 19.03 If the licensee discovers mineral resources other than those covered by the Licence, this shall be reported to the MRA.
- 19.04 The MRA may lay down rules and regulations concerning reporting on activities performed under an Exploration Licence, including reporting on financial matters, as well as the types of data, interpretations and other information to be included in the reports. The MRA may also define the form and media for submitting such data. The MRA may demand further information from the licensee concerning the activities performed under a Licence.
- 19.05 All expenses for the preparation and submission of reports and samples under a Licence shall be paid by the licensee.

#### **Article 20 Reporting on direct and indirect taxes etc.**

- 20.01 The Licence and any activity comprised by it are subject to the provisions on reporting on and payment of direct taxes and indirect taxes in this Article 20.
- 20.02 The licensee shall demonstrate to the MRA that the licensee has reported information relating to direct taxes and indirect taxes to the tax authorities in Greenland, as required under Greenland law. The licensee shall furthermore send copies to the MRA of the information relating to direct taxes and indirect taxes which the licensee has reported to the tax authorities in Greenland.
- 20.03 The provisions in this Article 20 on the licensee's contracting parties, including its contractors, suppliers and service providers, shall apply to the licensee's contracting parties who are to perform agreements relating to activities comprised by an approval under section 19, 43 or 86 of the Mineral Resources Act. The provisions in this Article 20 shall also apply to other contracting parties of the licensee, unless the licensee applies for and the MRA grants an exemption from this application for specific agreements or types of agreements with such contracting parties.
- 20.04 The licensee shall check and ensure that the licensee's contracting parties report information relating to direct taxes and indirect taxes to the tax authorities in Greenland.
- 20.05 In the licensee's agreements with its contracting parties, the licensee shall require that the contracting parties shall report information relating to direct taxes and indirect taxes to the tax authorities in Greenland, as required under Greenland law, and that the contracting parties send copies of the reported information to the MRA. The licensee shall, furthermore, ensure that the contracting parties report such information to the tax authorities in Greenland and to the MRA.

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- 20.06 At the MRA's request, the licensee shall submit accounting data and other information relating to activities carried out under the Licence, including accounting data on services provided by affiliate companies to the licensee companies.
- 20.07 If it is considered necessary by the MRA, the MRA may request further information from the licensee concerning the licensee's and the licensee's contracting parties' reporting of information relating to direct taxes and indirect taxes. The licensee shall ensure that the MRA receives the requested information.
- 20.08 The licensee shall demonstrate to the MRA that the licensee has paid direct taxes and indirect taxes to the tax authorities in Greenland, as required under Greenland law, and the amounts paid.
- 20.09 The licensee shall check and ensure that the licensee's contracting parties pay direct taxes and indirect taxes to the tax authorities in Greenland, as required under Greenland law. The licensee shall furthermore ensure that contracting parties demonstrates this and the amounts paid to the MRA.
- 20.10 In the licensee's agreements with its contracting parties the licensee shall require that the contracting parties pay direct taxes and indirect taxes to the tax authorities in Greenland, as required under Greenland law. The licensee shall also require that the contracting parties' documents payment and the amounts paid to the MRA.
- 20.11 If it is considered necessary by the MRA, the MRA may request further information from the licensee concerning the licensee's and the licensee's contracting parties payment of direct taxes and indirect taxes. The licensee must ensure that MRA receives the requested information.
- 20.12 If the licensee fails to fulfil the requirements under sections 20.01-20.11 or fails to pay direct taxes or indirect taxes to the tax authorities in Greenland, the MRA may order the licensee to take remedial action within a specified time limit. If the licensee has not remedied the failure before expiry of the time limit, the MRA may order the licensee either to take remedial action within 14 days or to discontinue activities under the Licence. If the licensee fails to take remedial action before expiry of the time limit and fails to discontinue activities under the Licence, the MRA may take and complete the actions which are necessary to make the licensee discontinue the activities under the Licence or otherwise cause the activities to be discontinued for the account and at the risk of the licensee. If such action gives rise to a claim for damages from any party against the Government of Greenland, the licensee shall defend the Government of Greenland against the claim for damages and indemnify the Government of Greenland against any liability for any damage or loss.
- 20.13 If a contracting party, including a contractor, a supplier or a service provider, of the licensee fails to fulfil the requirements under sections 20.01-20.11 or fails to pay direct taxes or indirect taxes to the tax authorities in Greenland, the MRA may order the licensee to ensure that the contracting party takes remedial action within a specified time limit. If no remedial action has been taken before expiry of the time limit, the MRA may order the licensee either to ensure that the contracting party takes remedial action within 14 days or to discontinue activities under the Licence. If the licensee's contracting party has failed to take remedial action before expiry of the time limit and the licensee

has failed to discontinue the activities under the Licence, the MRA may take and complete the actions which are necessary to make the licensee discontinue the activities under the Licence or otherwise cause the activities to be discontinued for the account and at the risk of the licensee. If such action gives rise to a claim for damages from any party against the Government of Greenland, the licensee shall defend the Government of Greenland against the claim for damages and indemnify the Government of Greenland against any liability for any damage or loss.

- 20.14 If a contracting party, including a contractor, a supplier or a service provider, of the licensee three or more times fails to fulfil the requirements under sections 20.01-20.11, the MRA may order the licensee to ensure that the contracting party immediately takes remedial action to ensure that any other such failure is not made. If the contracting party fails to take such remedial action immediately, the MRA may order the licensee to terminate the contracting party's performance of any agreement comprised by this Article 20. If such order or such termination gives rise to a claim for damages from any party against the Government of Greenland, the licensee shall defend the Government of Greenland against the claim for damages and indemnify the Government of Greenland against any liability for any damage or loss.
- 20.15 If the licensee or a contracting party, including a contractor, a supplier or a service provider, of the licensee fails to fulfil the requirements under this Article 20 or fails to pay direct taxes or indirect taxes to the tax authorities in Greenland, the MRA may also, and in addition to any measures and actions taken under this Article 20, take any measures and actions which may be taken under the Mineral Resources Act and the Licence.
- 20.16 The provisions in this Article 20 on the licensee's contracting parties, including its contractors, suppliers and service providers, shall apply correspondingly to the contracting parties' contracting parties, including their contractors, suppliers and service providers etc., and similarly to the employees of the licensee, its contracting parties and their contracting parties etc.
- 20.17 The MRA may lay down further provisions on the matters mentioned in this Article 20, including provisions on times or periods for reporting, demonstration of payment of taxes and sending of copies to the MRA.

## **Article 21 Licensee's payment of cost and expenses in connection with case processing and other administrative work**

- 21.01 The licensee shall pay all costs and expenses relating to case processing, supervision and other administrative work and administration in connection with the Licence and activities under the Licence, including costs and expenses for necessary translation and interpretation, see section 86(5) of the Mineral Resources Act. The licensee shall pay all such costs and expenses incurred by the Government of Greenland, the MRA and other authorities in Greenland.



- 21.02 The costs and expenses which shall be paid by the licensee under section 21.01 shall be calculated and administered on the basis of orders and rules laid down from time to time by the Greenland Government or the MRA, see section 86(5) of the Mineral Resources Act. The payments may be collected as fees or reimbursements of costs and expenses according to orders and rules thereon laid down from time to time by the Greenland Government or the MRA. These rules include the Greenland Government's executive order no. 24 of 30 December 2003 on the reimbursement of costs associated with authority administration in connection with mineral resource activities.

## **Article 22 Confidentiality**

- 22.01 All data and any reports submitted in accordance with sections 19.01-19.02 shall be treated as confidential by the MRA for a period of five years from the date when the relevant reports should have been received by the MRA. However, the period of confidentiality will terminate:
- (a) for areas not covered by an Exploitation Licence: upon termination of the Exploration Licence,
  - (b) for an Exploitation Licence: upon termination of the Licence.
- 22.02 Notwithstanding the provisions of section 22.01, the MRA shall be entitled to:
- (a) make general statements concerning the Licence area and the activities performed under the Licence, based on the material submitted by the licensee,
  - (b) use and publish, without any restrictions and conditions, data of an environmental, health, socio-economic, technical, navigational, meteorological and glaciological nature, including bathymetric maps, if this is considered to be in the general interest of the community in the MRA's opinion, but excluding any material in the process of being patented,
  - (c) use and publish material submitted by the licensee regarding general geological and geophysical conditions, including generalized interpretations.

Prior to publishing any material under sections 22.02(b) and (c), the MRA shall notify the licensee thereof. The licensee shall notify the MRA prior to publishing the contents of Appendix 1 to Appendix 6 to this Licence.

## **Article 23 Workers, contractors, suppliers and service providers and Impact Benefit Agreement etc.**

- 23.01 In carrying out activities under the Licence, the licensee shall use and employ Greenland Workers. However, to the extent necessary for its activities, the licensee may use and employ other workers if Greenland Workers with similar qualifications do not exist or are not available in Greenland.
- 23.02 In carrying out activities under the Licence, the licensee shall use Greenland enterprises, including contractors and subcontractors, suppliers and service providers. However, the licensee may use other enterprises for such contract work, supplies and services if Greenland enterprises are not technically

or commercially competitive. Greenland enterprises shall mean enterprises domiciled in Greenland which have genuine ties to the Greenland community through their commercial activity in Greenland.

- 23.03 At least once a year, the licensee shall submit plans for the implementation of measures and procedures ensuring that the licensee provides for the greatest possible use and employment of Greenland Workers and the greatest possible use of Greenland enterprises as contractors, subcontractors, suppliers and service providers, see sections 23.01 and 23.02. The plans are subject to the approval of the MRA and any terms set for such approval. The Impact Benefit Agreement (IBA) mentioned in section 23.05 shall include terms on cooperation in connection with the implementation of the plans for socio-economic studies and for socially sustainable exploitation, see section 16.01(c). The plans shall include programmes for the licensee's recruitment, employment and education of Greenland Workers and programmes for the licensee's invitations for tender for contracts, award of contracts and conclusion of contracts with Greenland enterprises, including contractors and subcontractors, suppliers and service providers.
- 23.04 The MRA may lay down rules and regulations and set terms in approvals of plans and activities regarding recruitment, employment and education of workers in accordance with sections 23.01 and 23.03, and may lay down rules and regulations and set terms in approvals of plans and activities regarding the licensee's invitations to tender for contracts, award of contracts and conclusion of contracts with Greenland enterprises, including contractors and subcontractors, suppliers and service providers, with a view to giving Greenland enterprises opportunities to tender for, be awarded and perform contracts and subcontracts for performance of work, provisions of supplies and delivery of services, see section 18 of the Mineral Resources Act and sections 23.02 and 23.03 above. If the licensee concludes contracts with foreign enterprises, the licensee shall ensure that the foreign enterprises are aware of and comply and act in accordance with the Mineral Resources Act, the Licence, approvals under the Licence and any other legislation, rules and guidelines applicable in Greenland from time to time. If the MRA lays down rules or regulations or sets terms in approvals of plans or activities under this section 23.04, the MRA shall act in accordance with Article 30 and take into consideration any Impact Benefit Agreement, see section 23.05.
- 23.05 The licensee shall negotiate and conclude an impact benefit agreement ("Impact Benefit Agreement" or "IBA") with the Government of Greenland, see section 78a of the Mineral Resources Act. The Government of Greenland may determine that the Impact Benefit Agreement also shall be negotiated and concluded with one or more municipalities in Greenland. The Government of Greenland determines when the Impact Benefit Agreement shall be concluded. The licensee shall perform its obligations under the Impact Benefit Agreement and act in accordance with the Impact Benefit Agreement in the performance of activities under the Licence.

**Article 24 Joint Operating Agreement and Operator**

24.01 The joint operation of the activities by the companies holding percentage shares in the Licence, including NUNAOIL A/S, shall be regulated by a Joint Operating Agreement, which shall be signed by the parties within four months of the Exploration Licence being granted.

The companies holding percentage shares in the Licence shall, by making and signing the Joint Operating Agreement, establish a joint venture for the purpose of engaging in joint hydrocarbon activities, including exploration and exploitation of Hydrocarbons, under, and in accordance with, the Licence. The companies' percentage shares in the joint venture shall at all times be identical to the percentage shares specified in the Licence, unless otherwise provided in the Joint Operating Agreement's provisions on sole risk operations and development by less than all parties.

The provisions on partnerships between public limited companies and/or private limited companies in the Act on Commercial Enterprises' Presentation of Financial Statements etc. and the Bookkeeping Act shall apply correspondingly to the joint venture established by the Joint Operation Agreement. The Operator shall, on behalf of the joint venture, provide financial statements, reports and information and keep books and records etc. in accordance with the provisions of the said acts.

24.02 The Joint Operating Agreement and any additions or amendments to the agreement shall be approved by the MRA.

24.03 The Operator shall at any time be qualified to be the operator for the activities to be performed under the Licence and, accordingly, in relation to the said activities also have sufficient technical capability, sufficient financial capability and sufficient systems, procedures, competences and experience in relation to health, safety and environment (HSE) and social sustainability. The Operator shall also at any time meet all conditions, terms and requirements set by the MRA for the qualification and approval as operator, including all such conditions, terms and requirements relating to technical capability, financial capability, health, safety and environment (HSE) and social sustainability.

24.04 The withdrawal of an operator and the appointment of a new operator are subject to the approval of the MRA.

24.05 The MRA is entitled to attend, as an observer, the meetings of the joint operating committees etc. set up under the Joint Operating Agreement. The MRA shall receive the same convening notice and the same material as the other participants in such meetings. Expenses incurred by the MRA in connection with such participation shall be reimbursed in the same manner as for supervision, see sections 17.04 and 17.05.

**Article 25 Transfer of Licence**

- 25.01 The Licence or any part thereof can neither directly nor indirectly be transferred to any other parties, unless such transfer is approved in accordance with section 88 of the Mineral Resources Act.
- 25.02 The Licence cannot be made the subject of any legal proceedings, see section 88(2) of the Mineral Resources Act.
- 25.03 If a lender financing the licensee's development and exploitation of Hydrocarbons provides as a condition for granting the loan that this Licence or any part of this Licence shall be transferable to such lender at a later date, the MRA may, in accordance with section 88 of the Mineral Resources Act, grant its prior approval of such transfer subject to specific conditions, without any amendments to the terms of this Licence.

**Article 26 Revocation and lapse of Licence**

- 26.01 The Licence may be revoked in the following instances, see section 89 of the Mineral Resources Act:
- (a) If the licensee fails to fulfil exploration commitments, see sections 6.01-6.05, sections 1-4 of Appendix 3 and the addendum to the Exploration Licence on the extension of the exploration period beyond year ten (year 10) of the exploration period, if any. The revocation shall not apply to those Licence areas that are comprised by an appraisal programme or an Exploitation Licence.
  - (b) If the licensee otherwise breaches the terms of the Licence or the provisions laid down pursuant to the Mineral Resources Act or pursuant to the Licence, or if the licensee fails to meet specified time limits.
  - (c) If the licensee fraudulently misrepresents facts to the MRA.
  - (d) If the Operator is not qualified to be the operator for the activities to be performed under the Licence or does not meet the conditions, terms and requirements for the qualification and approval as operator, see section 24.03.
  - (e) If one or more of the companies holding shares in the Licence suspend their payments, request the opening of negotiations for a compulsory composition, are declared bankrupt, go into liquidation or are in a similar situation.
- 26.02 The Licence shall not be revoked pursuant to section 26.01(b) if the licensee remedies the breach within a reasonable time limit set by the MRA. If the breach has not been remedied within the set time limit, the Licence may be revoked without further notice.
- 26.03 If a breach under sections 26.01(a) and 26.01(b) is attributable to the licensee being prevented from fulfilling the relevant commitments or provisions etc. due to circumstances beyond the licensee's reasonable control that could not reasonably have been foreseen and/or reasonably overcome by the licensee (force majeure), the Licence shall not be revoked due to such breach for as long as the

licensee's performance is affected by force majeure, provided that the licensee resumes activities in order to fulfil such commitments or provisions as quickly as possible, and to the extent possible. Any lack of funds shall not be considered force majeure. If, due to force majeure, the licensee is unable to meet the Licence terms etc. in whole or in part, the licensee shall promptly give written notice to that effect to the MRA, stating the nature, extent and expected duration of such force majeure.

- 26.04 The Licence shall not be revoked pursuant to section 26.01(d) if the Operator remedies the breach within a reasonable time limit set by the MRA. Furthermore, in the situation referred to in section 26.01(d), the MRA will be prepared to approve the transfer of the operatorship to another party holding shares in the Licence (another licensee company), provided the said other party (other licensee company) is or becomes approved by the MRA as qualified to be operator for the Licence and the activities to be performed under the Licence. In any of these cases, the Licence shall not be revoked in pursuance of sections 26.01(d).
- 26.05 In any of the situations referred to in section 26.01(e), the MRA will be prepared to approve the transfer of the relevant party's percentage share to one or more of the other parties holding shares in the Licence (other licensee companies), provided that the licensee continues to have the necessary expertise and financial resources for the activities performed and to be performed under the Licence. In that case, the Licence shall not be revoked in pursuance of section 26.01(e).
- 26.06 The Licence shall lapse and terminate without any notice if the licensee does not apply for an extension of the exploration period in accordance with sections 3.02-3.05 or if the MRA does not grant such an extension of the exploration period. The MRA shall not be liable or responsible for any damage or loss incurred by the licensee or any company holding any share in the Licence (any licensee company), and shall not incur or bear any obligation, liability, responsibility, cost or claim in relation to the licensee or any company holding any share in the Licence (any licensee company), if the Licence lapses and is terminated under this section 26.06.

## **Article 27 Interest on amounts due (owed)**

- 27.01 If the licensee fails to pay royalties, rentals, fees or other outstanding amounts in due time, the licensee shall pay annual interest on the amount owing. The rate of interest shall be determined in accordance with the legislation on interest on overdue payments etc. applicable in Greenland from time to time.
- 27.02 If royalties have been paid on the basis of a preliminary calculation, interest shall be payable on the underpaid or overpaid amount. Interest shall be paid on the difference between the preliminary and the final royalties for the period from the preliminary payment and until final settlement. The rate of interest shall be determined in accordance with the legislation on interest on overdue payments etc. applicable in Greenland from time to time.

**Article 28 Liability in damages and insurance**

- 28.01 The licensee shall pay compensation for any damage caused by activities performed under the Licence, regardless of whether the damage can be considered accidental and whom the damage affects. If the injured party has contributed to the damage with intent or gross negligence, the claim for compensation may be reduced or extinguished.
- 28.02 The licensee's activities under the Licence shall be covered by insurance, including third-party liability insurance, which shall always provide reasonable cover for any insurance risks. At the end of each calendar year or on request, the MRA shall be informed of the existing insurance cover and the main insurance terms. The MRA may require the licensee to submit all insurance terms and to take out and maintain additional insurance or coverage. The licensee shall also be obliged to comply with any rules and regulations regarding insurance cover laid down by the MRA. Insurance shall be taken out with an internationally recognised first class insurance company.
- 28.03 The licensee shall ensure that the following requirements are met when ships used for transporting Hydrocarbons produced under the Licence call at or leave a port, offshore terminal or any other loading or discharging berth or place in Greenland or in the Greenland territorial sea or Greenland continental shelf area or otherwise sail or are present in those areas:
- (a) The ship shall meet the requirements specified in section 11.02.
  - (b) The ship shall be registered in a state that has acceded to the International Convention on Civil Liability for Oil Pollution Damage, 1992 ("1992 Liability Convention"), the International Convention on the Establishment of an International Fund for Compensation for Oil Pollution Damage, 1992 ("1992 Fund Convention") and the Protocol of 2003 to the International Convention on the Establishment of an International Fund for Compensation for Oil Pollution Damage, 1992 ("Supplementary Fund Protocol").
  - (c) The registered owner of the ship shall establish and maintain insurance cover (or similar guarantee cover) of the owner's liability for oil pollution and other damage and loss in accordance with the rules applicable from time to time on the legal obligation to insure under the 1992 Liability Convention and other conventions acceded to by Denmark.
  - (d) The ship shall have a valid certificate showing that liability insurance (or similar guarantee) is effective, and that it covers the owner's liability for oil pollution and other damage and loss in accordance with the rules applicable from time to time on the legal obligation to insure under the 1992 Liability Convention and other conventions acceded to by Denmark.
  - (e) The managing owner of the ship (the shipping company) shall establish and maintain insurance cover ("P & I insurance") of the shipping company's other liability for damage and loss arising from or in connection with the operation or use of the ship, with salvage or with raising, removal, destruction or demolition of the ship, its cargo or other objects that have been on board. The liability insurer shall be a member of the International Group of P & I Clubs unless

the MRA permits departure from this requirement. The cover shall be on customary and complete terms.

- (f) The managing owner of the ship (the shipping company) shall have a valid certificate or similar document showing that the above liability insurance ("P & I insurance") of the shipping company's other liability for damage and loss has been arranged and is effective.

The licensee shall compensate any damage and loss arising as a consequence of, or in connection with, one or more of the above requirements not being met. This shall apply irrespective of whether the damage or the loss may be regarded as accidental if the non-compliance with the above requirements is disregarded, irrespective of whether the registered or managing owner of the ship or other parties may (also) be held liable for the damage or loss, in part or in full, and irrespective of whether the damage or loss is suffered by the MRA, the Government of Greenland, the Danish State or other public or private parties.

The licensee shall on 1 April of each year prove to the MRA that the above requirements have been met in the past year. This shall be effected by forwarding any relevant documents, including documents containing information on the fulfilment of the requirements specified in section 11.02 in relation to each ship used in the past year as well as information on classification and insurance of the ships. The relevant documents shall always include copies of class and insurance certificates.

28.04

The licensee shall ensure that the following requirements are met when vessels used in connection with activities performed under the Licence call at or leave a port, offshore terminal or any other loading or discharging berth or place in Greenland or in the Greenland territorial sea or Greenland continental shelf area or otherwise sail or are present in those areas:

- (a) The managing owner of the ship (the shipping company) shall arrange and maintain insurance cover ("P & I insurance") of the owner's liability for damage and loss arising from or in connection with the operation or use of the vessel, with salvage or with raising, removal, destruction or demolition of the vessel, its cargo, equipment or other objects that have been on board. The liability insurer shall be a member of the International Group of P & I Clubs unless the MRA permits departure from this requirement. The cover shall be on customary and full terms for the type of vessel concerned.
- (b) The managing owner of the ship (the shipping company) shall have a valid certificate or similar document showing that the above liability insurance ("P & I insurance") of the owner's liability for damage and loss has been arranged and is effective.

The licensee shall compensate any damage and loss arising as a consequence of, or in connection with, one or more of the above requirements not being met. This shall apply irrespective of whether the damage or the loss may be regarded as accidental if the non-compliance with the above requirements is disregarded, irrespective of whether the registered or managing owner of the ship or other parties may (also) be held liable for the damage or loss, in part or in full, and irrespective of

whether the damage or loss is suffered by the MRA, the Government of Greenland, the Danish State or other public or private parties.

- 28.05 The licensee shall indemnify the Government of Greenland and the Danish State for any claims made by third parties against the Government of Greenland or the Danish State as a consequence of activities under the Licence, provided that the licensee was given an opportunity in due time to participate in the defence against such claims and that the matter was decided by:
- (a) a settlement previously approved by the licensee,
  - (b) a final judgment, or
  - (c) an arbitral award, provided either that the party making the claim was entitled to refer disputes to arbitration prior to the occurrence of the damage or that the licensee has accepted the referral of the dispute to arbitration.

#### **Article 29 Joint and several liability and guarantees**

- 29.01 If more than one party holds shares in the Licence, such parties shall be jointly and severally liable for the fulfilment of any obligation under the Licence, including the obligation to pay compensation for any damage caused by activities performed under the Licence, regardless of the size of the parties' shares in the Licence.
- 29.02 In order to ensure fulfilment of the licensees' obligations under the Licence, each company holding a share in the Exploration Licence, with the exception of NUNAOIL A/S, shall provide guarantees within 30 days of the Exploration Licence being granted. Such guarantees shall be approved by the MRA. The guarantees shall cover the fulfilment of all obligations towards Greenland and Danish public authorities as well as any liability in damages pursuant to section 28.01. If a company holding a share in the Licence is owned by other companies, the MRA will usually require a guarantee from the ultimate parent company of each individual company holding a share in the Licence, and/or from other companies that are ultimate owners of material holdings of shares of the participating company. Guarantors are generally required to be jointly and severally liable with the participating companies, see section 29.01. Upon approving plans for the exploitation activities in accordance with section 8.08 the MRA may request that the guarantees be changed or supplemented, subject to six months' prior notice.

#### **Article 30 General rules and principles of administrative law etc.**

- 30.01 In the making of decisions and other case processing, the Government of Greenland and the MRA shall act reasonably and in accordance with general rules and principles of Greenland administrative law, including the principle of objectiveness, the principle of proportionality and the principle of equal treatment.



- 30.02 Subject to Article 31, Article 32 and Article 33, in the making of decisions and other case processing, the Government of Greenland and the MRA shall act in accordance with rules of law applicable in Greenland from time to time.

#### **Article 31 Relationship to other legislation**

- 31.01 The Licence is subject to the rules of law in force in Greenland from time to time, see section 32.01. The Licence shall not restrict the general right of the Government of Greenland to levy taxes or lay down general provisions concerning exploration activities and/or exploitation activities. The Licence shall not exempt the licensee from obtaining such approvals and permits as are required pursuant to the Mineral Resources Act and other legislation.

#### **Article 32 Governing law**

- 32.01 The Licence is subject to and shall be governed by Greenland and Danish law as applicable in Greenland from time to time. Any dispute arising out of or in connection with the Licence or activities performed under the Licence shall be decided in accordance with Greenland and Danish law as applicable in Greenland from time to time.

#### **Article 33 Jurisdiction and arbitration**

- 33.01 Any decision to be made at the discretion or the order of the Government of Greenland, including the MRA, or other Greenland or Danish authorities according to applicable law, see section 32.01, or to the Licence cannot be submitted to arbitration. Any dispute regarding such a decision shall be brought before and decided by the Greenland and Danish courts with jurisdiction in Nuuk, Greenland. The said courts shall have exclusive jurisdiction. A decision by such a court may be appealed according to the rules thereon.
- 33.02 Any other dispute between the Government of Greenland, including the MRA, and the licensee arising out of or in relation to the Licence or activities under the Licence shall be decided finally and conclusively by an arbitration tribunal pursuant to sections 33.03-33.08.
- 33.03 Subject to sections 32.01 and 33.04-33.08, the arbitration tribunal shall apply Greenland law to decide any procedural matter relating to the arbitration proceedings.
- 33.04 The arbitration tribunal shall sit in Nuuk, Greenland.
- 33.05 The arbitration tribunal shall consist of three members (arbitrators). The president and the two other members of the arbitration tribunal shall hold Danish law degrees and shall be Danish subjects.
- 33.06 The Government of Greenland and the licensee shall each appoint one member (arbitrator). If the Government of Greenland or the licensee has not appointed its member within 30 days of the other

party appointing its member, then the President of the Danish Supreme Court shall appoint that member. The Government of Greenland and the licensee shall jointly appoint the president of the arbitration tribunal. If the parties fail to reach an agreement on the appointment of the president of the arbitration tribunal within 60 days of a party proposing a person for president of the arbitration tribunal, then the President of the Danish Supreme Court shall appoint the president of the arbitration tribunal.

- 33.07 The arbitration tribunal shall make its decision by a majority of votes. The arbitration tribunal shall lay down its own rules of procedure for hearing the case, including the rules on producing evidence of a technical nature, and shall make an order as to the parties' payment of costs in the arbitration.
- 33.08 The right to submit a dispute to a court of law or arbitration pursuant to the Licence, including this Article 33, shall remain in force after its termination, including by expiry or return.

#### **Article 34 Obligations on termination of licence**

- 34.01 The termination of this Licence shall not release the licensee from fulfilling the obligations imposed by legislation, the Exploration Licence and any Exploitation Licences or other applicable provisions, conditions or orders.
- 34.02 Following the termination of the Exploration Licence in the event that no Exploitation Licence has been or is in the process of being granted under sections 8.01-8.05, or following the termination of an Exploitation Licence, the licensee shall keep all data, drill cores and other samples acquired by the licensee or on its behalf in respect of the Licence area for a period of at least one year. Before the destruction or disposal of such data, drill cores and other samples, they shall be offered to the MRA free of charge.
- 34.03 The MRA's right to take over data, drill cores and other samples pursuant to section 34.02 may be postponed if an agreement is made between the licensee and the MRA regarding satisfactory safekeeping of and third-party access to the relevant data, drill cores and other samples.

#### **Article 35 Translations**

- 35.01 The Licence has been drawn up in the English language. Any translations hereof shall have no validity.

\*\*\*\*\*

Signed for and on behalf of  
[full name of licensee company]

Signed for and on behalf of  
[full name of licensee company]

\_\_\_\_\_  
Name: [full name of signatory]  
[title or function] at [licensee company]  
Address: [street/ town/ country]  
Nationality: [nationality]  
Civil reg.no.: [civil reg.no.]  
Passport number: [number]  
Place of signing: [town in Greenland]  
Date of signing: [date]

\_\_\_\_\_  
Name: [full name of signatory]  
[title or function] at [licensee company]  
Address: [street/ town/ country]  
Nationality: [nationality]  
Civil reg.no.: [civil reg.no.]  
Passport number: [number]  
Place of signing: [town in Greenland]  
Date of signing: [date]

\_\_\_\_\_  
Name: [full name of second signatory (if any)]  
[title or function] at [licensee company]  
Address: [street/ town/ country]  
Nationality: [nationality]  
Civil reg.no.: [civil reg.no.]  
Passport number: [number]  
Place of signing: [town in Greenland]  
Date of signing: [date]

\_\_\_\_\_  
Name: [full name of second signatory (if any)]  
[title or function] at [licensee company]  
Address: [street/ town/ country]  
Nationality: [nationality]  
Civil reg.no.: [civil reg.no.]  
Passport number: [number]  
Place of signing: [town in Greenland]  
Date of signing: [date]

Signed for and on behalf of  
[full name of licensee company]

Signed for and on behalf of  
NUNAOIL A/S

\_\_\_\_\_  
Name: [full name of signatory]  
[title or function] at [licensee company]  
Address: [street/ town/ country]  
Nationality: [nationality]  
Civil reg.no.: [civil reg.no.]  
Passport number: [number]  
Place of signing: [town in Greenland]  
Date of signing: [date]

\_\_\_\_\_  
Name:  
[title or function] at NUNAOIL A/S  
Address: [street/ town/ country]  
Nationality: [nationality]  
Civil reg.no.: [civil reg.no.]  
Passport number: [number]  
Place of signing: [town in Greenland]  
Date of signing: [date]

\_\_\_\_\_  
Name: [full name of second signatory (if any)]

\_\_\_\_\_  
Name:  
[title or function] at NUNAOIL A/S

[title or function] at [licensee company]  
Address: [street/ town/ country]  
Nationality: [nationality]  
Civil reg.no.: [civil reg.no.]  
Passport number: [number]  
Place of signing: [town in Greenland]  
Date of signing: [date]

Address: [street/ town/ country]  
Nationality: [nationality]  
Civil reg.no.: [civil reg.no.]  
Passport number: [number]  
Place of signing: [town in Greenland]  
Date of signing: [date]

Government of Greenland

\_\_\_\_\_  
[full name of minister]  
Minister for Industry and Mineral Resources  
Place of signing: [town in Greenland]  
Date of signing: [date]

## Appendix 1      Licence area

The Licence area, see Article 2 of the Licence, is delineated by the following corner coordinates:

	Latitude			Longitude		
	Degrees	Minutes	North/south	Degrees	Minutes	East/west
1.						
2.						
3.						
4.						
5.						
6.						

All longitudes and latitudes are with geodetic reference to the World Geodetic System datum 1984 (WGS-84). If possible the Licence area is delineated by connecting the corner coordinates in the above mentioned order by latitudes or longitudes. Otherwise the points are connected by geodetic lines.

In case of any inconsistency between the corner coordinates and delineations stated above in this Appendix 1 and the map of the Licence area attached, the said corner coordinates and delineations shall take precedence over the map of the Licence area.

The Exploration Licence area covers [...] square kilometres (km<sup>2</sup>).

The location of the Licence area is shown on the attached map.

The licence covers one or more [land/offshore] areas only. The boundary between a land area and the adjoining sea area shall be the mean sea level.

## **Map of Licence area**

Exploration and Exploitation Licence no. [xx]/[xx]

## **Appendix 2      Exploration period and possible extended explorations periods**

### **1.      Exploration period – Period 1**

The Exploration Licence is valid for an exploration period of [2, 3 or 4 years] calculated from the granting of the Exploration Licence until [date] [year] ("Period 1"), see section 3.01 of the Licence.

The period from the granting of the Exploration Licence until [date] [year] will count as year 1 and [[the calendar year [year] will count as year 2], [the calendar years [year] and [year] will count as year 2 and year 3], [the calendar years [year], [year] and [year] will count as year 2, year 3 and year 4].

### **2.      Possible extended exploration period – Period 2**

If the exploration period of the Licence is extended in accordance with sections 3.02-3.04 of the Licence, the first such extension is valid for an exploration period of [2, 3 or 4 years] calculated from 1 January [year] to 31 December [year] ("Period 2").

[The calendar year [year] and [year] will count as year [...], year [...]], [The calendar year [year], [year] and [year] will count as year [...], year [...] and year [...]], [The calendar year [year], [year], [year] and [year] will count as year [...], year [...], year [...] and year [...]].

### **3.      Possible extended exploration period – Period 3**

If the exploration period of the Licence is extended in accordance with sections 3.02-3.04 of the Licence, the second such extension is valid for an exploration period of [2, 3 or 4 years] calculated from 1 January [year] to 31 December [year] ("Period 3").

[The calendar year [year] and [year] will count as year [...], year [...]], [The calendar year [year], [year] and [year] will count as year [...], year [...] and year [...]], [The calendar year [year], [year], [year] and [year] will count as year [...], year [...], year [...] and year [...]].

### **4.      [Possible extended exploration period – Period 4 (if any)]**

If the exploration period of the Licence is extended in accordance with sections 3.02-3.04 of the Licence, the third such extension is valid for an exploration period of [2, 3 or 4 years] calculated from 1 January [year] to 31 December [year] ("Period 4").

[The calendar year [year] and [year] will count as year [...], year [...]], [The calendar year [year], [year] and [year] will count as year [...], year [...] and year [...]], [The calendar year [year], [year], [year] and [year] will count as year [...], year [...], year [...] and year [...]].

### **Appendix 3      Exploration commitments**

[The terms on exploration commitments stated below in this Appendix 3 to the model licence are an indicative example of the terms on exploration commitments which shall be stated in an Appendix 3 to a specific licence to be granted on the basis of the model licence.]

The following work programme covers the exploration activities that the licensee shall carry out according to Article 6 of the Licence:

#### **1.      Exploration commitments for Period 1**

During Period 1, see section 3.01 of the Licence and section 1 of Appendix 2, the licensee shall carry out the following activities:

##### *Geological and geophysical work*

- a.    [Insert exploration commitments].
- b.    Shoot [...] new line kilometres (km) of 2D or shoot [...] new square kilometres (km<sup>2</sup>) of 3D data to procure an up-to-date seismic coverage of the entire Licence area.
- c.    Conduct relevant geophysical and/or geological programmes.
- d.    Reprocess the following existing geophysical data:
  - (1)    [...]

##### *Other activities*

- a.    [Insert exploration commitments].
- b.    A payment by the licensee of USD [...] to the MRA as contribution to the development and maintenance of a data repository for geological and geophysical data and development and maintenance of spatial data systems related to exploration for and exploitation of mineral resources.
- c.    Contribute to studies, projects and strategic assessments, within the areas of environment, social sustainability, oil spill and emergency preparedness, geology and geophysics, ice, and technical matters, which are necessary to ensure an updated, sufficient and valid level of knowledge and information for the authorities to process and approve applications for and conduct regulation of activities under the Licence. The studies and projects will be conducted by the authorities with a total



spending of USD [...] to be paid by the licensee for Period 1. The total spending amount of USD [...] will be spent by the authorities and shall be paid by the licensee with [an amount of USD [...] in [year], an amount of USD [...] in [year] and an amount of USD [...] in [year] unless otherwise agreed by the MRA and the licensee]. However, if the amount spent in a year is less than the amount set above in this paragraph for that year, the remaining amount shall be carried over to the following year (or following years if not spent in the first following year). If the total committed amount of USD [...] has not been spent at the end of Period 1, the remaining amount which has not been spent shall be paid by the licensee to the MRA no later than at the end of Period 1.

Before the end of Period 1, the licensee shall submit a report with satisfactory analyses and interpretations of the work programme carried out in Period 1.

Before the end of Period 1, the licensee shall either (1) surrender the Licence or (2) apply for an extension of the Licence for Period 2, see sections 3.02-3.04 of the Licence.

## **2. Exploration commitments for Period 2**

If the exploration period of the Licence is extended in accordance with sections 3.02-3.04 of the Licence for Period 2, see section 2 of Appendix 2, the licensee shall carry out the following activities in Period 2:

### *Geological and geophysical work*

- a. [Insert exploration commitments].
- b. Shoot [...] new line kilometres (km) of 2D or shoot [...] new square kilometres (km<sup>2</sup>) of 3D data to make a geological and geophysical description of a possible drilling target.
- c. Drill a minimum of one (1) Exploratory Well. The Exploratory Well shall be drilled through the [...] layers, but in any event to a total depth of no less than [...] metres.
- d. The Exploration Well shall be spudded no later than year [...].

### *Other activities*

- a. [Insert exploration commitments].
- b. A payment by the licensee of USD [...] to the MRA as contribution to the development and maintenance of a data repository for geological and geophysical data and development and maintenance of spatial data systems related to exploration for and exploitation of mineral resources.

- c. Contribute to studies, projects and strategic assessments, within the areas of environment, social sustainability, oil spill and emergency preparedness, geology and geophysics, ice, and technical matters, which are necessary to ensure an updated, sufficient and valid level of knowledge and information for the authorities to process and approve applications for and conduct regulation of activities under the Licence. The studies and projects will be conducted by the authorities with a total spending of USD [...] to be paid by the licensee for Period 2. The total spending amount of USD [...] will be spent by the authorities and shall be paid by the licensee with [an amount of USD [...] in [year], an amount of USD [...] in [year] and an amount of USD [...] in [year] unless otherwise agreed by the MRA and the licensee]. However, if the amount spent in a year is less than the amount set above in this paragraph for that year, the remaining amount shall be carried over to the following year (or following years if not spent in the first following year). If the total committed amount of USD [...] has not been spent at the end of Period 2, the remaining amount which has not been spent shall be paid by the licensee to the MRA no later than at the end of Period 2.

Before the end of Period 2, the licensee shall submit a report with satisfactory analyses and interpretations of the work programme carried out in Period 2.

Before the end of Period 2, the licensee shall either (1) surrender the Licence or (2) apply for an extension of the Licence for Period 3, see sections 3.02-3.04 of the Licence.

### **3. Exploration commitments for Period 3**

If the exploration period of the Licence is extended in accordance with sections 3.02-3.04 of the Licence for Period 3, see section 3 of Appendix 2, the licensee shall carry out the following activities in Period 3:

#### *Geological and geophysical work*

- a. [Insert exploration commitments].
- b. Shoot [...] new square kilometres (km<sup>2</sup>) of 3D data covering the main target.
- c. Drill a minimum of one (1) Exploratory Well or one (1) appraisal well in addition to any Exploratory Well drilled in Period 2. Any such Exploratory Well or appraisal well shall be drilled through the [...] layers, but in any event to a total depth of no less than [...] metres.
- d. The Exploration Well or appraisal well shall be spudded no later than year [...].

#### *Other activities*

- a. [Insert exploration commitments].
- b. A payment by the licensee of USD [...] to the MRA as contribution to the development and maintenance of a data repository for geological and geophysical data and development and maintenance of spatial data systems related to exploration for and exploitation of mineral resources.
- c. Contribute to studies, projects and strategic assessments, within the areas of environment, social sustainability, oil spill and emergency preparedness, geology and geophysics, ice, and technical matters, which are necessary to ensure an updated, sufficient and valid level of knowledge and information for the authorities to process and approve applications for and conduct regulation of activities under the Licence. The studies and projects will be conducted by the authorities with a total spending of USD [...] to be paid by the licensee for Period 3. The total spending amount of USD [...] will be spent by the authorities and shall be paid by the licensee with [an amount of USD [...] in [year], an amount of USD [...] in [year] and an amount of USD [...] in [year] unless otherwise agreed by the MRA and the licensee]. However, if the amount spent in a year is less than the amount set above in this paragraph for that year, the remaining amount shall be carried over to the following year (or following years if not spent in the first following year). If the total committed amount of USD [...] has not been spent at the end of Period 3, the remaining amount which has not been spent shall be paid by the licensee to the MRA no later than at the end of Period 3.

Before the end of Period 3, the licensee shall submit a report with satisfactory analyses and interpretations of the work programme carried out in Period 3.

Before the end of Period 3, the licensee shall either (1) surrender the Licence or (2) apply for an extension of the Licence for Period 4 (if any), see sections 3.02-3.04 of the Licence.

#### **4. Exploration commitments for Period 4**

If a Period 4 is stated in section 4 of Appendix 2 and the exploration period of the Licence is extended in accordance with sections 3.02-3.04 of the Licence for Period 4, the licensee shall carry out the following activities in Period 4:

[...]

#### **5. General commitments in year 1 to year 10 of the exploration period**

Any Exploratory Well shall be drilled in an appropriate manner in accordance with good exploration practice and the terms and guidelines set by the MRA in connection with the approval of the individual drilling programme.

This includes core drilling, extraction of samples and production testing. When drilling, cuttings must be taken from the drill mud and stored. In general, sampling intervals shall not exceed 10 metres, however, in observed hydrocarbon zones the sampling intervals shall not exceed 3 metres, where conventional cores are not taken.

Satisfactory analyses and interpretations of acquired data shall be carried out. The licensee shall comply with any instructions issued by the MRA in this respect.

Prior to the commencement of the work, the licensee may obtain the MRA's opinion as to whether the exploration activities planned will constitute fulfilment of the work programme.

When the Exploration Licence for an area terminates, the licensee shall submit a final report to the MRA on the hydrocarbon potential in the relinquished area.

## Appendix 4 Ramsar Sites and Protected Area

### 1. Ramsar Sites

The location of each Ramsar Site, see section 9.02 of the Licence, is delineated by the following corner coordinates:

Ramsar Site no. 1 ["Name of area"]:

	Latitude					Longitude			
	Degrees	Minutes	Seconds	North/South		Degrees	Minutes	Seconds	East/West

Ramsar Site no. 2 ["Name of area"]:

	Latitude					Longitude			
	Degrees	Minutes	Seconds	North/South		Degrees	Minutes	Seconds	East/West

Ramsar Site no. 3 ["Name of area"]:

	Latitude					Longitude			
	Degrees	Minutes	Seconds	North/South		Degrees	Minutes	Seconds	East/West

All longitudes and latitudes are with geodetic reference to the World Geodetic System datum 1984 (WGS-84). If possible, each Ramsar Site is delineated by connecting the corner coordinates in the above mentioned order by latitudes or longitudes. Otherwise the points are connected by geodetic lines.

In case of any inconsistency between the corner coordinates and delineations stated above in this section 1 of Appendix 4 and the map attached below, the said corner coordinates and delineations shall take precedence over the map.

The location of each Ramsar Site is shown on the attached map.

### 2. Protected Area

For the Protected Area, see section 9.06 of the Licence, reference is made to the "Rules for field work and reporting regarding mineral resources (excluding hydrocarbons) in Greenland" (November 2000), section 3.04, which shall

apply to the said area in relation to a licence for exploration for and exploitation of hydrocarbons granted under the [Licensing round/Open Door Procedure] for [onshore/offshore] areas [on/in][name of area] , Greenland. Section 3.04 reads as follows:

**"3.04. The protected area at [name of area] in Greenland**

3.04.01. The protected area at [name of area] at scale 1:[X] of [month/year] as follows (cf. enclosure 3.03.):

- a. The western boundary consists of straight lines between the following X points:
- b. The northern boundary runs approx. [].
3. The eastern boundary runs [].
4. The southern boundary [] .

3.04.02. It is not allowed to dig peat or collect [].

3.04.03. The use of cars is to be limited to [].

3.04.04. Within the protected area only houses and constructions found necessary by [] to perform its tasks may be erected."

In section 3.04.04, the reference to [] shall instead be read, interpreted and applied as a reference to the Greenland Government and its Mineral Resource Authority (MRA).

**Map showing the location of each Ramsar Site**

[INSERT MAP]

Exploration and Exploitation Licence no. [xx]/[xx].

The location of each Ramsar Site is marked with black lines on the map above.

## **Appendix 5      The licensee's cooperation with NUNAOIL A/S**

### **The licensee's cooperation with NUNAOIL A/S, see section 13.06 of the Licence**

The objective of the cooperation is, among other things, to help facilitate the licensee's activities in Greenland, and to assist NUNAOIL A/S with developing know-how and experience with respect to exploration, development and production of Hydrocarbons, and during development and production to actively involve NUNAOIL A/S as Co-operator with regard to the performance of the operatorship. The details for the cooperation during the development and exploitation periods shall be determined in a separate Cooperation Agreement, which shall be annexed to and form part of the Joint Operating Agreement.

During the exploration period the Operator shall, with cooperation from and in consultation with NUNAOIL A/S, represent the licensee in Greenland. NUNAOIL A/S shall be entitled to take part in the licensee's information activities to the Greenland society.

During the exploration phase, the cooperation between the Operator and NUNAOIL A/S shall in all respects be mutually agreed upon on a case by case basis and subject to the foregoing:

1. Operator shall make reasonable efforts to agree with NUNAOIL A/S on appropriate terms for any services, equipment or materials that NUNAOIL A/S may provide to the Operator, pursuant to Operator's request.
2. Operator shall make reasonable efforts to agree with NUNAOIL A/S on appropriate involvement of NUNAOIL A/S with respect to selected parts of the Work Programme.
3. Operator will promptly advise NUNAOIL A/S of all meetings with the Government of Greenland, the MRA, other local authorities and/or the public and consult with NUNAOIL A/S regarding communications with such authorities and the public.
4. Operator shall coordinate and work with NUNAOIL A/S in order to ensure that meetings are satisfactorily arranged in Greenland in order to inform the applicable entities and the public about planned activities under the Licence.
5. Operator shall provide NUNAOIL A/S with access to appropriate training, which shall include some or all of the following: relevant courses, participation in conferences, On-the-Job training, and further training.



- 
- 5.1. Operator shall provide NUNAOIL A/S with a listing of internal relevant courses/activities. The number of employees of NUNAOIL A/S attending such activities shall be mutually agreed upon between Operator and NUNAOIL A/S within a reasonable period of time following the receipt of such listing by NUNAOIL A/S.
  - 5.2. On-the-Job training and/or further training shall be suitable for NUNAOIL A/S employees with a technical or scientific education or an administrative, legal or economic background. Operator shall in consultation with NUNAOIL A/S propose a training programme for NUNAOIL A/S employees.
  - 5.3. "On-the-Job training" means performing the work and functions of a fulltime job position which fits the person's education and background and is an ordinary job position in the oil and gas industry. On-the-Job training must be of at least one month's duration.
  6. The licensee shall reimburse expenses incurred in connection with the above courses and On-the-Job training and further training with an annual amount of DKK [X]. Unused funds are automatically transferred from year to year. NUNAOIL A/S may at its own discretion dispose of and collect funds provided by one or several licensees to finance training programmes with one or several operators. If the Licence expires or terminates, unused funds of the abovementioned annual amount of DKK [X], up to and including funds for the year where the Licence expires or terminates, shall be paid to NUNAOIL A/S, who commits itself to use these funds for training and educational purposes.
  7. Expenses incurred in relation to participation in courses, On-the-Job training, and further training include expenses for travel, local transport, including car rental, meals and accommodation as well as lodging, insurance and attendance participation fees, costs of the trainee's gross salary etc., corresponding to such person's salary under the employment contract with NUNAOIL A/S. NUNAOIL A/S shall submit invoices for expenses to be reimbursed. Payment must be made no later than 30 days after the invoice date. Upon request of the licensee, NUNAOIL A/S is to provide copies of invoices and other appropriate documentation to document the amount to be reimbursed. Costs of renting offices and furniture in connection with On-the-Job training and licensing of software necessary for completion of On-the-Job training is to be paid by the licensee who provides the On-the-Job training. The Operator is entitled to audit payments related to NUNAOIL A/S's use of funds in accordance with the above pursuant to the audit provisions of the Joint Operating Agreement.
  8. NUNAOIL A/S employees who participate in internal courses and /or On-the-Job training are obliged to keep received information and data confidential in the same manner as the licensee's own employees. The Operator or licensee who provides internal courses or On-the-Job training may require the participants to sign an undertaking of confidentiality. The undertaking of confidentiality may not go beyond what is

reasonable to protect the licensee's interest in confidentiality and may not include data or information needed to apply the acquired knowledge.

## **Appendix 6 Further training obligations during the exploration period**

### **Further training obligations during the exploration period, see Article 15 of the Licence**

For each year of the exploration period and any extended exploration period, see sections 3.01-3.09 of the Licence and Appendix 2, the licensee shall contribute to the further training etc. of the employees of the MRA and other Greenland government agencies as stated below, see Article 15 of the Licence.

#### **Further training**

The licensee shall reimburse DKK [X] of expenses annually for further training etc. in connection with exploration, development, production and maintenance. Such further training shall be targeted at employees with a technical or scientific education or employees with an administrative, legal or financial background. The further training shall consist of the following elements:

1. Participation in courses, in-house as well as external.
2. On-the-job training at the licensee. On-the-job training shall be defined as full-time employment that includes the performance of tasks commensurate with the trainee's education and background and representative of the oil and gas industry.

If the expenses for further training are less than DKK [X] in any one year, the unutilised funds are automatically transferred to the next year. No later than two months after the end of every year, the MRA shall forward a statement of the unutilised funds that are forwarded to the following year.

#### **Expenses**

Expenses associated with the employee's participation in courses or on-the-job training, includes travel, local transport, meals and accommodation, as well as insurance and attendance fees, the cost of the employee's gross salary etc., as documented by the employee's contract of employment with the Government of Greenland etc. Expenses for travel, local transport, meals and accommodation shall be paid in accordance with the rules established by the Government of Greenland for the payment of per diem allowances on official trips. The MRA shall forward invoices for the amounts to be reimbursed. Payment shall be effected 30 days at the latest after the invoice date.

#### **Period**

The training and other obligations assumed hereunder shall be upheld until they have been fulfilled, regardless of whether the Exploration and/or Exploitation Licence terminates prior to their fulfilment.

**Confidentiality**

The persons participating in activities under this Appendix 6 shall sign a confidentiality agreement where this is required due to the nature of the job. However, the participants shall subsequently be entitled to unrestricted use of the expertise acquired.

## **Appendix 7      Accounting principles**

### **Accounting principles for accounting items included and not included in the determination of the value and the calculation basis on which sales royalty and surplus royalty are to be calculated under Article 12 of the Licence**

This description of accounting principles comprises the following main categories:

1.      INCOME
2.      INVESTMENTS AND EXPENSES
3.      TRANSLATION OF FOREIGN CURRENCY

All sections of this Appendix 7 shall apply in relation to the calculation of Surplus Royalty.

Section 1.1 of this Appendix 7 shall apply in relation to the calculation of Sales Royalty. The other sections of this Appendix 7 shall not apply in relation to the calculation of Sales Royalty.

The calculation basis for sales royalty and surplus royalty shall be filed annually as part of the Annual Royalty Report. The annual filing of the calculation basis for surplus royalty shall include a specification of items comprising as a minimum those items which are specified in Appendix 8 to the Licence.

The MRA may require additional specifications, information and documentation from the licensee.

#### **1.      INCOME**

##### **1.1      Sales value of extracted Hydrocarbons**

The value of extracted Hydrocarbons is calculated according to sections 12.02-12.11 of the Licence.

Hydrocarbons are considered produced and extracted when they have been exported from the production facility, that is when they have passed the metering point on the production facility.

In the determination of the value of extracted Hydrocarbons, no deduction shall be made for any cost, expense or other amount, including any sales commission, fee or other cost, any cash rebate or other rebate, any freight or other transport cost, any insurance cost or any financial cost.

As described in section 12.05 of the Licence, the value of extracted Hydrocarbons is calculated by applying the sales price obtainable in a sale in the free market in Europe at the time of delivery of the extracted Hydrocarbons to a purchaser which is independent of the seller (that is the time of transfer of risk to a purchaser which is independent of the seller). As the primary reference for sales in Europe the "Brent (DTD)" (average of low and high quotation) according to Platts Crude Oil Marketwire shall be applied. To the extent the Brent (DTD) cannot be regarded as a representative of the sales price generally obtainable in sales in the free market in Europe, another

quotation or price fixing reference shall be applied according to section 12.07 of the Licence. The application of another quotation or price fixing reference is subject to the MRA's approval and any terms set for such approval.

The value in Danish kroner shall be translated at the foreign exchange rate at the day of delivery of the extracted Hydrocarbons to a purchaser which is independent of the seller (that is the day of transfer of risk to a purchaser which is independent of the seller).

If at the said day of delivery (risk transfer) no official quotation is available, the following day's official quotation shall be applied.

Financial income and expenses deriving from forward contracts or similar financial instruments relating to sales of Hydrocarbons, such as derivatives in the form of sales futures, sales options or similar, shall not be included in the value of extracted Hydrocarbons in the Annual Royalty Report (including its annual sales royalty and surplus royalty statements). Such financial income and expenses shall also not be included in the calculation basis, as described in the sections below, relating to financial income and financial expenses.

If the day of delivery of extracted Hydrocarbons to a purchaser which is independent of the seller (that is the day of transfer of risk to a purchaser which is independent of the seller) is later than 31 December in the calendar year in which the said Hydrocarbons are extracted, the said extracted Hydrocarbons shall be included in the calculation basis for the calendar year concerned at the value as at 31 December. The value of the extracted Hydrocarbons shall be calculated as the sales price obtainable in a sale in the free market in Europe to a purchaser which is independent of the seller (or other quotation as approved by the MRA) as at 31 December. The value in Danish kroner shall be translated at the foreign exchange rate as at 31 December. If there is a difference between the value so included in the calculation basis as at 31 December and the value subsequently calculated as at the day of delivery of the extracted Hydrocarbons to a purchaser which is independent of the seller (that is the day of transfer of risk to a purchaser which is independent of the seller), the difference shall be included in the calculation basis in the year where the extracted Hydrocarbons are delivered to a purchaser which is independent of the seller (that is the year where the risk is transferred to a purchaser which is independent of the seller).

## **1.2 Other income booked by the licensee**

Any other income booked by the licensee is included in the calculation basis, see section 12.19(a) of the Licence.

Other income is included in the calculation basis when realized. Income has been realized, when the usual criteria for recognizing income in accordance with international accounting standards have been fulfilled (IAS 18).

According to IAS 18 income is recognized by an entity when:

- (a) the significant risks and rewards of ownership are transferred to the buyer,
- (b) the entity has relinquished managerial involvement and effective control over the goods,
- (c) the revenue has a cost or value that can be measured reliably,
- (d) it is probable that any future economic benefit associated with the revenue will flow to the entity, and
- (e) the costs incurred or to be incurred can be measured reliably.

Other income comprises the following items (not exhaustive):

**1.2.1 Disposals**

Any amounts realized from the disposal of material or other joint property. Disposal of material to the Operator shall be valued according to the principles described in section 2.3.6(b) below.

**1.2.2 Material and Property**

Any amounts realized as a result of the return of material or other property.

**1.2.3 Sole Risk Credits**

Any amounts realized from third parties or from companies holding shares in the Licence ("licensee parties") engaged in sole risk activities for services or for use of joint property.

**1.2.4 Insurance**

Any amounts realized pursuant to insurance claims made by the Operator in respect of insurance carried for the benefit of all the licensee parties.

**1.2.5 Claims**

Any amounts realized pursuant to claims made by the Operator on behalf of the licensee parties and any other event-giving rise to a receipt (including interest) by the Operator on behalf of the licensee parties.

**1.2.6 Financial income**

Any interest income realized in connection with Joint Operations. Interest income is accrued. Accordingly, calculated accrued interest income is included regardless of whether the interests have been received in cash.

Other financial income, including currency exchange gains and gains on derivatives relating to Hydrocarbons, investments, material, foreign currency etc. is not included in the calculation basis. However, any currency gains relating to income included in the calculation basis on Hydrocarbons where risk has not transferred at 31 December, which are realized in a subsequent year where risk transfers, see section 1.1, is included in the calculation basis. Furthermore, currency gains relating to accruals as described in section 3 are included as described in section 3.

**1.2.7 Other**

Any other amounts of revenues or credits, except for certain financial items stated above in section 1.2.6, which accrue in connection with the Joint Operations.

## **2 INVESTMENTS AND EXPENSES**

### **2.1 General criteria**

Investments and operating expenses are chargeable to the calculation basis as described in section 12.19(b) of the Licence.

Expenses held in the exploration period are not chargeable to the calculation basis.

Only investments and expenses held after the granting of the Exploitation Licence as described in section 8.03 of the Licence are chargeable to the calculation basis, and only such investments and expenses as comprised by the development plan approved according to sections 19 and 43 of the Mineral Resources Act are chargeable.

Provisions for abandonment are not chargeable to the calculation basis on a current basis.

Transportation costs, financial expenses, sales royalty and corporate and withholding taxes are not chargeable to the calculation basis. Reference is made to the detailed description of these items in sections 2.2 and 2.3 below.

### **2.2 Investments**

Investments can be defined as expenditures held in accordance with a development plan approved by the operating committee and the MRA, comprising property, production facilities, installations, pipelines, storage facilities etc., and which are recorded in the Joint Account.

Investments (CAPEX) are included in the calculation basis at the time of delivery (risk transfer) and amounts in foreign currency are translated to Danish kroner at the exchange rate at the time of risk transfer.

For contracts with defined instalments relative to milestones, the instalments are included in the calculation basis, when the terms for raising the instalment invoice have been fulfilled.

For invoicing of hours (services) it is a requirement that the hours invoiced have been used, and for invoicing of hardware, that the hardware has been delivered to the platform or facility under construction on shore.

Prepayments do not constitute a delivery. A prepayment does not qualify as chargeable to the calculation basis. Any currency gain or loss arising between the time of prepayment and delivery is regarded as a financial item, which cannot be regarded in the calculation basis.

### **2.3 Expenses**

Expenses are chargeable to the calculation basis on the basis of a normal accrual principle, unless other terms are stated in sections 2.3.1-2.3.16 below.

According to the accrual principle transactions and other events are included in the calculation basis in the period where they occur, regardless of the time of payment.

Subject to the limitations hereinafter set forth the Operator shall, with proper documentation, charge the Annual Royalty Report with the following items of expenditure in so far as the expenditure has been duly authorized, relates to and is necessary for the conduct of the Joint Operations, and, finally, are recorded in Joint Account.

Below a more detailed description is provided for the individual main types of expenses.



### **2.3.1 Licence Fees**

Licence fees incurred by the Operator on behalf of the licensee parties in connection with the Joint Operations.

### **2.3.2 Damages and Losses**

All expenses incurred for the repair or replacement of damaged or lost joint property, provided that all insurance coverage shall be appropriately credited. Documentation for such expenses shall be made available to the MRA on request.

### **2.3.3 Offices and Field Expenses**

The net cost of establishing and operating offices, field offices, warehouses, shore bases and other facilities used for the Joint Operations. If any such facilities serve more than the Joint Operations, the costs shall be allocated proportionally. The principles applied for such allocation shall be documented and the documentation shall be made available to the MRA on request.

### **2.3.4 Insurance and Third Party Claims**

Premiums incurred for insurance coverage obtained in accordance with the Joint Operating Agreement, and expenditures, excluding related interest expenses, incurred in settlement of claims from third parties.

### **2.3.5 Legal Costs**

All legal costs and expenses arising from the handling of claims and disputes in connection with the Joint Operations except those arising in connection with disputes among the licensee parties.

### **2.3.6 Material**

Material is based on consumption. Accordingly, an inventory ledger shall be kept and material shall be charged to the Annual Royalty Report on the basis of purchases in the year with the addition of the value of inventory at the beginning of the year and the deduction of the value of inventory at the year-end.

- (a) Material purchased by the Operator from third parties for use in the Joint Operations shall be charged at cost after deducting all trade and discounts received. Transport costs and handling, insurance, duties and other direct related costs are also chargeable.
- (b) Material transferred from the Operator or its affiliates for use in the Joint Operations shall be charged at a value determined as follows:

#### New material - Condition "A"

Material, which has not been used and is in a new condition, shall be classified as Condition "A" and charged at direct cost (stated in (a) above) to the Operator, but not exceeding the current market value (replacement value).

#### Used material - Condition "B"

Material which has been used, but is in sound and serviceable condition and suitable to be reused without repair, shall be classified as Condition "B" and charged at seventy-five per cent (75%) of what its value would be if it were in Condition "A".

#### Used material - Condition "C"

Material, which is suitable for use after reconditioning, shall be classified as Condition "C" and charged at fifty per cent (50%) or less of what its value would be if it were in Condition "A". After reconditioning the material shall not exceed the Condition "B" value.

#### Material - Condition "D"

Material, which is not usable for its original purpose, shall be priced at a value commensurate with its use.

- (c) Obsolete material in inventory is expensed at the time of returning, disposing or physically scrapping of the inventory items.
- (d) Accumulation of surplus stocks of material shall be avoided.
- (e) Material which will be used partially or on a temporary basis shall never exceed market rates available through third parties for comparable material.
- (f) When material is supplied through the Operator, the Operator shall promptly credit for material returned to the Operator or with any rebates or other adjustments received from a supplier or manufacturer.
- (g) The Operator shall be entitled to make a reasonable charge to cover storage cost of drawing material from the Operator's stock. The calculation of such charge, including the underlying principles, shall be documented and the documentation shall be made available to the MRA on request.

#### **2.3.7 Administrative costs**

No administrative overhead costs relating to the Operator's direct costs, charged to the Annual Royalty Report, are chargeable to the Annual Royalty Report.

Direct expenses charged from the Operator or the Operator's affiliated companies shall be documented and the documentation shall be made available to the MRA on request.

#### **2.3.8 Personnel**

All costs for the Operator's and affiliates' personnel directly engaged for the benefit of the Joint Operations proportionally. The computation of costs proportionally should take into consideration the percentage of the total cost of each such employee to the Operator that is equivalent to the percentage of such employee's entire working time that is spent on the Joint Operations.

For the avoidance of doubt, the total cost of such employees to the Operator shall take into consideration allowances and benefits, retirement benefits, accommodation expenses and similar costs.

The cost of personnel of other parties or third parties who are working under the direct control of the Operator shall be chargeable to the Annual Royalty Report. Any travel and accommodation expenses incurred by such personnel and required for the conduct of the Joint Operations are also chargeable to the calculation basis for surplus royalty.

#### **2.3.9 Services**

The costs of services and facilities provided by the Operator or its affiliates shall be chargeable to the Annual Royalty Report on an arm's length basis, provided that such charges shall not exceed the rates for comparable services available to the Joint Operations from third parties. The cost of such services shall be documented and the documentation shall be made available to the MRA on request.

#### **2.3.10 Taxes**

Taxes, duties and other governmental levies, except for sales royalty, corporate income taxes and withholding taxes on dividends etc., which have been incurred and paid by the Operator on behalf of the Joint Operations, are chargeable to the calculation basis for surplus royalty. For the avoidance of doubt, sales royalty and direct taxes (corporate income taxes and withholding taxes on dividends etc.) imposed on the parties are not chargeable to the calculation basis for surplus royalty.

#### **2.3.11 Transportation other than of Hydrocarbons**

- (a) Travel and accommodation expenses, when these are required for the conduct of the Joint Operations. All charges shall be in accordance with the Operator's normal practice, and include expenses for families and households, when appropriate. Relocation expenses at the termination of work for the Joint Operations will be based on a return to the home of record, except if the employee is relocated for the benefit of another operation, in which case the costs shall not be charged to the calculation basis for surplus royalty.
- (b) All costs to transport and handle material for use in the Joint Operations, unless otherwise chargeable under this description of accounting principles.

#### **2.3.12 Sole Risk Charges**

No expenditures in connection with sole risk operations shall be charged to the Annual Royalty Report without the prior approval of the MRA.

#### **2.3.13 Hydrocarbon transport costs**

Transport costs relating to Hydrocarbons are not chargeable to the calculation basis. Loading charges, storage charges etc. on the first or subsequent points of delivery are not chargeable to the calculation basis either.

#### **2.3.14 Financial expenses**

Financial expenses, including interest expenses, financial levies, foreign currency losses, losses on accounts receivable from sales of Hydrocarbons and losses on derivatives relating to Hydrocarbons, investments, material, foreign currency etc. are not included in the calculation basis. However, any currency losses relating to income included in the calculation basis on Hydrocarbons where risk has not transferred at 31 December, which are

realized in the subsequent year on risk transfer, see section 1.1, is included in the calculation basis. Furthermore, currency losses relating to accruals as described in section 3 are included as described in section 3.

#### **2.3.15 Other Expenditures**

Any other expenditure not covered by the expenditures otherwise described in these accounting principles, except for costs excluded according to this section 2, which the Operator in accordance with the Joint Operating Agreement incurs and which are necessary and proper for the Joint Operations, is chargeable to the calculation basis for surplus royalty subject to the MRA's approval.

#### **2.3.16 Abandonment expenses**

Abandonment expenses as approved by the MRA may result in repayment of surplus royalty from the MRA as described in section 12.24 of the Licence. The expenses shall be included according to the accounting principles described in sections 2.3.1-2.3.15 of this Appendix 7.

Provisions made for abandonment on a current basis are not chargeable to the calculation basis for surplus royalty.

### **3 TRANSLATION OF FOREIGN CURRENCY**

Transactions in foreign currency are during the year included at the currency exchange rate on the transaction date. Gains and losses arising between the currency exchange rate on the transaction date and the currency exchange rate on the date of payment are not chargeable to the calculation basis for surplus royalty.

Assets and liabilities in foreign currency, including accruals, receivables, short-term debt and other monetary items, such as prepayments relating to purchases of material, investments etc., which have not been settled at the balance sheet date (year-end of the royalty year) are translated at the currency exchange rate at the balance sheet date or the subsequent day's exchange rate if no official quotation is available at the balance sheet date. This gives rise to a financial gain or loss. In those cases, where the transaction date relating to a receivable or a short-term debt etc. is in advance of the balance sheet date, and in those cases, where subsequent to the balance sheet date a difference is realized between the currency exchange rate at the balance sheet date and the payment date such financial gains or losses are not chargeable to the calculation basis.

Receivables, short-term debt and other monetary items, which have not previously been charged to the calculation basis on a balance sheet date, for example prepayments that do not qualify as chargeable to the calculation basis at the balance sheet date, are charged according to the currency exchange rate of the transaction date / the balance sheet date, when the terms for being chargeable to the calculation basis have been fulfilled.

Accruals in foreign currency, such as accrued expenses or accrued receivables, where no transaction date has yet occurred, are charged to the calculation basis on the basis of translation at the currency exchange rate on the balance sheet date. Subsequent differences between the currency exchange rate at the balance sheet date and the currency exchange rate at the transaction date are chargeable to the calculation basis in the year, where the transaction occurs.

## **Appendix 8      Items in Annual Royalty Report**

As stated in sections 12.25-12.29 of the Licence, the licensee shall prepare and submit an Annual Royalty Report on all matters relating to Sales Royalty and Surplus Royalty, including their calculation, payment, reporting and auditing. Such matters include, but are not limited to, the matters mentioned in Appendix 7 and this Appendix 8.

### **1      INCOME**

#### **1.1      Sales of Hydrocarbons**

- 1.1.1      Volume of hydrocarbons sold, specified by batch*
- 1.1.2      Time of sale of hydrocarbons sold, specified by batch*
- 1.1.3      Price per unit of hydrocarbons sold, specified by batch*
- 1.1.4      Value of hydrocarbons sold, specified by batch*
- 1.1.5      Total Value of Hydrocarbons sold for the year*
- 1.2      Other income booked by the licensee**
  - 1.2.1      Disposals*
  - 1.2.2      Material and Property*
  - 1.2.3      Sole Risk Credits*
  - 1.2.4      Insurance*
  - 1.2.5      Claims*
  - 1.2.6      Financial income*
  - 1.2.7      Other*

### **2      INVESTMENTS AND EXPENSES**

#### **2.1      Investments**

#### **2.2      Expenses**

- 2.2.1      Licence Fees*
- 2.2.2      Damages and Losses*
- 2.2.3      Offices and Field Expenses*
- 2.2.4      Insurance and Third Party Claims*
- 2.2.5      Legal Costs*
- 2.2.6      Material*
- 2.2.7      Administrative costs*
- 2.2.8      Personnel*
- 2.2.9      Services*
- 2.2.10      Taxes*
- 2.2.11      Transportation other than of Hydrocarbons*
- 2.2.12      Sole Risk Charges*
- 2.2.13      Currency exchange losses relating to accruals*
- 2.2.14      Other Expenditures*

### *2.2.15 Abandonment expenses*