

## MEMORANDUM OF UNDERSTANDING

This Memorandum of Understanding ("MOU") dated \_\_\_\_\_, February 2012 between:

Quantum Risk Engineering LLC, an US limited Liability Company, with regional offices at 10 Vihren Street, 1618 Sofia, Bulgaria, its affiliates, its issuers or assigns ( hereinafter referred to as ("QRE" or "Foreign Partner" )

AND

Government of Kosovo, Ministry of Energy, its ministries or agencies, with offices at the Government Building, III Floor, Mother Teresa Square, Pristina, Kosovo ("GOK").

QRE and GOK, each is a Party and referred to collectively as "Parties".

WHEREAS GOK has urgent need to increase its national electric power generating capacity that is currently being provided by the national Kosovo Electric Company ("KEK")

WHEREAS GOK is seeking various solutions to meet this electric supply-demand shortfall in Kosovo increase the net generating capacity by renovating and adding new plants to existing Obilic coal based Thermal Power Plant complex ("Site")

WHEREAS Unit A1 (65 MW) and Unit A2 (125MW) are non-operative currently and three Unit A3, A4 and A5 (each 235 MW, total 705 MW ) are generating 50% of their rated capacity

WHEREAS GOK has ongoing competitive Tenders for the renovation of Unit A3 and A5 and which has recently been awarded to QRE after due review of their track record and technical and financial capability

WHEREAS QRE has sent a technical team in October 2011 to conduct a detailed due diligence of the Site, the total equipment in each Unit, plant civil structures, related support infrastructure, coal supply linkages and mining operations and transmission line connectivity to the national grid

WHEREAS based on results of such technical study, QRE had submitted on January 25, 2012 a Letter of Interest to provide private investment for the power industry of Kosovo and specifically into certain part of Obilic coal based Thermal Power Plant

WHEREAS QRE's fast track project proposal to provide an additional 200 MW is timely for Kosovo to meet the current power demand/supply shortfall and would be an important catalyst to sustain the economic growth of your country.

WHEREAS this MOU will be superseded by a Definitive Agreement within 30 days, after the GOK makes a decision to the terms of this MOU

Now therefore, in consideration of the terms and conditions contained herein and intending to be, QRE and GOK agree as follows:

QRE intends to:

- a) Form and duly register a new local company in Kosovo which would be a legal entity solely used for the Unit A1 and A2 Project envisioned referred to hereinafter as "NEWCO"
- b) Create a private investment project structure in NEWCO which will be construed as a "Public Private Partnership". This includes the joint participation of the GOK together with QRE in NEWCO, so that we may secure all necessary project funding
- c) Offer GOK a 20% participation in NEWCO. Such participation will be in consideration of the transfer to NEWCO, certain assets, rights, permits, concessions and resources ("Assets") currently held and owned by GOK for generating electric power at coal-fired Obilic Thermal Power Plant in Kosovo
- d) Make private investment into the rehabilitation, upgrading and installing of new equipment at Unit A1 and A2 located at the Obilic Thermal Power Plant complex to achieve an optimal output capacity of 200 MW, which output QRE is willing to guarantee
- e) Such private investment project structure in NEWCO to be made on a "Public Private Partnership" ("PPP") basis includes the joint participation of the GOK together with QRE, so that we may secure all necessary project funding
- f) QRE will conduct modernization of Unit A3-A5 at the Obilic Thermal Power Plant complex which are currently de rated below 50%, through reengineering, increase net electrical output to 705 MW total.
- g) During the period of such upgrading and rehabilitation process, maintain a provision to provide bulk electricity import equivalent to 100 MW of generating capacity onto the Kosovo national grid to minimize the equipment downtime impact during such major renovation process
- h) Train, educate and employ on a temporary and permanent basis, to the extent technically permitted, to use local skilled and unskilled Kosovo personnel for their utilization during design, construction and erection phase as well as the long term operations of the plants

- i) The total Project cost is estimated to be around Euro150 Million for Unit A1 and A2 PPP project and Euro 300 million for Unit A3-A5.

GOK intends to:

- a) Create, upon the execution of this MOU, a new GOK agency ("GOKA") under the Ministry of Energy which has the legal rights as an Government of Kosovo owned entity, to be member, holding shares or membership of a PPP project, wherein GOKA would act as the Local Partner and such Agency to be formed prior to the formation of the Project company of the execution of this MOU. QRE shall have the first rights of refusal for such GOK membership participation.
- b) Staff this newly form GOKA with qualified personnel with the requisite skills and knowledge to support QRE on a full time basis, maintain offices, at its own expense, provide ongoing support and an "one-stop shop" agency to achieve the requisite applications for new or transfer of any or all existing rights, government consents, permits and coal mining concessions required for NEWCO to become legally binding independent private generator of electric power generation with the rights of sale of electric power to domestic and international customers, the national or international electric grids. All such governmental approvals will be obtained promptly and without demand.
- c) Facilitate the early issuance of the environmental and construction work permits and other required governmental approves within 60 days of the execution of the Definitive Agreements
- d) Assets as mentioned above shall include all equipment, civil structures, infrastructure attached and adjoining the power plants including coal delivery and other utilities such as water, fuel, road and rail road access, transmission lines and switchyard excluding high voltage line, land and other structures underlying and surrounding the power plants required to meet security and environmental laws.

Further, the Parties intend to for the joint benefit of NEWCO, negotiate and executed in complete in legally binding form the following agreements with the GOK, its agencies or any third parties, prior to financial closing and investments

- I. Complete negotiations and execution of a minimum of a 25 year Power Purchase Agreement ("PPA") at a tariff acceptable to QRE and all associated project agreements such as Land Lease Agreements, if needed, for right of ways, site access etc. with Kosovo Electric Power Company ("KEK")
- II. GOK providing all financial, tax and investment incentives including the waiving of import duties and taxes on imported

equipment and services, ease of obtaining work permits and business visas for foreign technical personnel

- III. Transfer of existing and/or issuance of new permits, rights, concessions for coal mining exploitation and production of the coal mines and the delivery of this coal of acceptable quality and quantity to the Thermal Power units that are being worked on by QRE. Such fuel supply agreements will include a 40 year supply of recoverable coal proven reserves, to meet the coal requirements for existing and future planned output capacity, and which coal can be mined with equal ease as currently or in the past, and delivery of this coal for the entire period of 40 years from the date of this MOU. The coal agreement will be a fixed price of US\$ 8.35 per dry metric ton on delivered basis at the power plant.
  - IV. GOK shall make adequate investments and allocate maintenance budgets in the transmission line connectivity from the power plant to the national grid and then investment in the upgrading of the Kosovo-Albania export 400 kv transmission line to further provide flexibility to export excess power to Albania and other countries from the upgrade and renovated capacity of the plant complex.
- b) GOK shall maintain existing or build new access roads, rail and other transportation and allocated adequate government budgets for such on-going expense and capital projects.
  - c) Indemnity by the GOK: Subject to the limitation mentioned specifically in the Definitive Agreement, the GOK shall hold the QRE, its directors, agents, employees, representatives, affiliates and successors harmless from any and all costs that may be incurred either directly or indirectly from and against any liabilities for any other person or firm (and any costs in defending against such liability or asserted liability) for which GOK or its agencies are responsible.
  - d) All other project agreements, direct or indirect, which would be required by investors, lenders and local authorities for successful designing, building, commissioning, owning, maintaining and operating of a Thermal Power Plant units undertaken by QRE and NEWCO.
    - I. any rights in and to prior agreements in and any entities formed or existing by virtue of any prior agreements
    - II. all of work product in terms of documents, drawings, equipment or magnetic media (hard copy and electronic) relating to the Project, in the possession of the GOK, its contractors, or any other

affiliated parties, including at the project office of the GOK, KEK or other offices or work areas.

4. RESPONSIBILITIES OF THE PARTIES:

GOK shall not make any further cash investments for the Company and QRE will be fully responsible to make all further investments required to execute and implement the project.

- 4.1 QRE : After the date of the execution of the Definitive Agreement, the purchaser shall be responsible for all activities of the Company. Such activities shall include all technical, commercial and financial efforts including arranging all requisite funds required for implementation of the Project and ensuring that all requisite milestones such as financial closing, Commercial Operation Date, etc. are met.
- 4.2 GOK : The GOK would be responsible for the orderly transfer of the complete set-up of the project office including records, data, personnel, and all other infra-structural and logistical facilities in place for the project to date.
- 4.3 GOK shall transfer all assets free and clear of all liens and liabilities , financially, environmentally and socially.

6. Confidentiality Clause: The Parties acknowledge that certain information, which may be provided by each party to the other, may include confidential or proprietary information. The party receiving such information, which shall be in writing and designated as confidential or proprietary nature of said information and shall prevent the unauthorized use or disclosure thereof, or by any part or parts thereof, by or to any third party, without the disclosing party's prior written approval and consent.

7. Notices: Any notices or any other communication to the Parties shall be sent to the following addresses:

If to QRE : 10 Vihren Street, 1618 Sofia , Bulgaria

If to GOK: Government of Kosovo,  
Ministry of Energy  
Government Building, III Floor,  
Mother Teresa Square,  
Prishtina, Kosovo

8. Assignment: This MOU cannot be assigned without the written consent of the other Party.

9. This MOU contains the preliminary understanding between the Parties on this subject, superseding all prior or contemporaneous communications and understandings between the Parties.

10. Dispute Resolution: The Parties shall attempt to resolve any dispute arising in connection with this MOU amicably by mutual agreement. Any such dispute between the Parties that cannot be settled by agreement within a period of 60 days shall finally be resolved by arbitration under the Rules of Conciliation and Arbitration of the International Chamber of Commerce (ICC).

11. Governing Law: This MOU and the legal relations among the Parties shall be governed by and construed in accordance with the laws of the United Kingdom.

In Witness whereof, this Memorandum of Understanding has been executed the day first above written:

For and on behalf of:  
Government of Kosovo

\_\_\_\_\_  
H.E. Beghjet Pacolli  
First Deputy Prime Minister

For and on behalf of:  
Quantum Risk Engineering LLC

\_\_\_\_\_  
Bogomil Manchev  
Director

\_\_\_\_\_  
Arun Savkur  
Director