



Impact Benefit Agreement

under licence 2008/10
for 2010

Public version

July 2010

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Public version

1. Agreement and Parties

This Agreement is made in July 2010 between:

the licensee under the Licence (as defined in clause 2.1.16)

("Licensee")

as represented by

Capricorn Greenland Exploration 1 Limited

50 Lothian Road

Edinburgh, Scotland

EH3 9BY

United Kingdom

registered in Scotland with number SC328420 and domiciled in Edinburgh, Scotland

("Capricorn 1")

acting for and on behalf of the Licensee, and also acting as operator under the Licence, in respect of all matters relating to this Agreement (as further provided in clause 6)

and

Municipality of Qaasuitsup

("Qaasuitsup")

Municipality of Qeqqata

("Qeqqata")

Municipality of Sermersooq

("Sermersooq")

herein referred to individually as "Municipality" and jointly as "Municipalities",

and

Government of Greenland

2. Definitions, interpretation and appendices

2.1 Definitions

In this Agreement, the following terms and expressions shall have the following meanings, unless the context otherwise requires:

2.1.1 "Agreement" means this agreement, including any appendices to it.

- 2.1.2 "Appendix" means any appendix to this Agreement.
- 2.1.3 "Benefit and Impact Plan" means the Benefit and Impact Plan which must be made and implemented by the Licensee and approved by the BMP and which is set out as a draft in Appendix 2 to this Agreement.
- 2.1.4 "BMP" means the Bureau of Minerals and Petroleum, Government of Greenland.
- 2.1.5 "Co-licensee" means a co-licensee under the Licence (a holder of a share of the Licence).
- 2.1.6 "Co-licensees" means (as applicable in the context) all or several of the co-licensees, jointly.
- 2.1.7 "Effective Date" means the date this Agreement is made, as stated on page 4 of this Agreement.
- 2.1.8 "Evaluation Plan" means the evaluation plan which must be made and implemented by the Licensee and approved by the BMP and which is set out as a draft in Appendix 4 to this Agreement.
- 2.1.9 "Force Majeure" means an impediment which excuses a Party's non-performance as follows: A Party's non-performance is excused if the Party proves that the non-performance is due to an impediment beyond the Party's control and that the Party could not reasonably have avoided or overcome the impediment or its consequences. A Party's non-performance is only excused to the extent and as long as it is due to Force Majeure.
- 2.1.10 "Fundamental" means, as regard non-performance, that a non-performance is Fundamental Non-performance, as defined in clause 2.1.11.
- 2.1.11 "Fundamental performance" Non- means non-performance of an obligation under this Agreement if (1) strict or timely performance of or compliance with the obligation is of the essence of this Agreement and its objectives, or (2) the non-performance substantially deprives an aggrieved Party of what it was entitled to expect, unless the non-performing Party did not foresee and could not rea-

sonably have foreseen that result, or (3) the non-performance is intentional and gives an aggrieved Party reason to believe that it can not rely on the non-performing Party's future performance.

2.1.12 "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 maritime and fishing territory is calculated.

2.1.13 "Greenland Government"

means the Government of Greenland, the executive power of the Greenland Self-Government.

2.1.14 "Greenland Resident"

means a person who:

- (1) was born in Greenland and had permanent residence in Greenland for the first 5 years of his or her life, or
- (2) has had permanent residence in Greenland in 2 years of the last 10 years, or
- (3) is married to, or proves to live in a civil partnership with, a person who satisfies condition (1) or (2) or is employed by a public or private employer (authority or business) in Greenland in accordance with Greenland law, or
- (4) otherwise has a particular connection to Greenland and applies for and obtains a decision to this effect from the BMP.

In conditions (1) and (2), "permanent residence" includes residence outside Greenland for educational purposes if the education can not be attained in Greenland and the person concerned satisfied the conditions for obtaining public grants under the Greenland education grant and loan scheme when the education began.

2.1.15 " Identified With "

means a party (A) in any manner and respect:

- (1) shall be responsible for the acts and omissions of another party (B) as if such acts and omissions were its own and
- (2) shall be deemed to have the same knowledge and information as that other party (B) and to have done the same acts and omissions as that other party (B) in relation to provision of information and documents and making of representations and agreements.

2.1.16	"Licence"	means exclusive licence no. 2008/10 for exploration for and exploitation of hydrocarbons in an offshore area in West Greenland.
2.1.17	"Licence Area"	means the licence area set out in the Licence.
2.1.18	"Licensee"	means the licensee under the Licence (that is all of the Co-licensees, collectively).
2.1.19	"Mineral Resources Act"	means Greenland Parliament act no. 7 of 7 December 2009 on mineral resources and mineral resource activities (mineral resources act).
2.1.20	"Monitoring Plan"	means the monitoring plan which must be made and implemented by the Licensee and approved by the BMP and which is set out as a draft in Appendix 3 to this Agreement.
2.1.21	"Parties"	means (as applicable in the context) the Licensee, Qaasuitsup, Qeqqata, Sermersooq and the Greenland Government or several of them.
2.1.22	"Party"	means (as applicable in the context) the Licensee, Qaasuitsup, Qeqqata, Sermersooq or the Greenland Government or any one of them.
2.1.23	"Plan"	means (as applicable in the context) the Benefit and Impact Plan, the Monitoring Plan, the Evaluation Plan or any one of these plans.
2.1.24	"Plans"	means (as applicable in the context) the Benefit and Impact Plan, the Monitoring Plan, the Evaluation Plan or several of these plans.
2.1.25	"SIA Guidelines"	means BMP's Guidelines for Social Impact Assessments for mining projects in Greenland (November 2009) which shall apply correspondingly to the Licensee's activities under the Licence.
2.1.26	"Social Impact Assessment Report"	means the updated Social Impact Assessment report approved by the Greenland Government on 14 June 2010 concerning the Licensee's planned activities under the Licence.

2.2 Interpretation

2.2.1 In this Agreement, "including" means including without limitation or prejudice to the generality of any description, definition, term or expression preceding that word. The word "include" and its derivatives shall be construed accordingly.

2.3 Appendices

2.3.1 All Appendices to this Agreement constitute an integral part hereof and shall be deemed to be incorporated in this Agreement.

3. Background

3.1 The Licensee has been granted the Licence and intends to perform exploration activities, including the drilling of two or more exploratory wells in the summer of 2010, and related activities under the Licence.

3.2 The Licensee has made a social impact assessment and submitted the updated Social Impact Assessment Report to the BMP. The Greenland Government approved the report on 14 June 2010.

3.3 Under the SIA Guidelines (which apply correspondingly to the Licensee's activities under the Licence), an Impact Benefit Agreement must be made and signed by the Licensee, Qaasuitsup, Qeqqata, Sermersooq and the Greenland Government. The agreement must contain general provisions for the entire licence period and more specific targets and plans for one or several years or other relevant periods of the licence period.

3.4 Under the SIA Guidelines, a Benefit and Impact Plan, a monitoring plan and an evaluation plan must be set out in appendices to the agreement. The plans and their implementation and effects must be evaluated annually. The plans must be periodically updated, particularly in relation to developments in exploration and exploitation activities, in society and in socio-economic and other matters comprised by the agreement and its objective. The plans must also be amended when this is required by changed circumstances.

3.5 The background for this Agreement is set out further in Appendix 1.

4. Objective and guiding principles

4.1 Objective of Agreement

4.1.1 The objective of this Agreement is to promote and contribute to the performance of activities under the Licence in accordance with and in pursuance of the objectives of the Mineral Resources Act, including the objectives to:

- (1)** ensure appropriate exploitation of mineral resources, see section 1(1),
- (2)** ensure mineral resource activities are performed in proper manner as regards resource utilisation and social sustainability, see sections 1(2) and 83,
- (3)** ensure mineral resource activities are performed appropriately and in accordance with acknowledged best international practices and standards under similar conditions, see sections 1(2) and 83,
- (4)** promote sustainability and sustainable development and mineral resource activities, including as regards social sustainability and socially sustainable development, see sections 1(2), 51, 55, 59, 76-78 and 83.

4.1.2 The objective of this Agreement is further to:

- (1)** mitigate (prevent and limit) negative (adverse) socio-economic and social impacts and enhance (create and increase) positive (beneficial) socio-economic and social impacts in connection with activities under the Licence,
- (2)** promote activities and measures which contribute to creating or obtaining minimum negative impact and maximum positive impacts from the Licensee's activities under the Licence,
- (3)** set out in an agreement the Licensee's socio-economic and social obligations, procedures for their performance, procedures for monitoring and reporting of their performance, remedied for their non-performance, procedures for related cooperation between the Parties and procedures for the Parties' periodic revision and adaptation of obligations and procedures,
- (4)** establish a legal and procedural basis for the Licensee's performance of activities and provision of services and benefit in order to mitigate negative socio-economic and social impacts and enhance positive socio-economic and social impacts in relation to activities under the Licence, and
- (5)** establish a legal and procedural basis for cooperation between the Parties concerning socio-economic and social matters and activities related to the Licensee's activities under the Licence.

4.2 Guiding principles for performance of Agreement

4.2.1 The Parties shall perform and implement this Agreement consistent with its objective as set out in clause 4.1 and be guided by the following principles:

- (1) cooperation,
- (2) fairness,
- (3) respect for the rights, responsibilities and interests of each Party (including the Licensee's responsibility for and interest in economically viable activities under the Licence),
- (4) support for the objective of sustainability and sustainable development and monitoring of progress towards it, and
- (5) adaptive management which is innovative, flexible and ensures feedback and remedies to achieve the objective of minimum negative impact and maximum positive impacts from the Licensee's activities under the Licence.

5. Obligations and rights of Licensee and Co-licensees

5.1 The Co-licensees shall be jointly and severally liable for the performance of any and all obligations of the Licensee under this Agreement, including the obligation to pay compensation for damage and loss caused by activities performed, or by non-performance of obligations, under this Agreement.

5.2 Unless otherwise provided in this Agreement or by applicable law, all rights of the Licensee under this Agreement are held by the Co-licensees jointly and may only be exercised and enforced by them jointly.

6. Authority of Capricorn 1 to act on behalf of Licensee and identification between companies

6.1 Capricorn 1 shall act for and on behalf of the Licensee, and shall also act as operator under the Licence, in respect of all matters relating to this Agreement.

6.2 The Licensee and any and all Co-licensees shall be Identified With Capricorn 1 as regards its acts, omissions, knowledge, information, provision of information and documents and making of representations and agreements in respect of all matters relating to this Agreement.

6.3 The Licensee, the Co-licensees and Capricorn 1 shall in any manner and respect act in accordance with and ensure the application and effects of clauses 6.1 and 6.2.

7. Authority of BMP to act on behalf of Greenland Government

7.1 The BMP shall act on behalf of the Greenland Government in respect of all matters relating to this Agreement.

8. Legal and Licence requirements and approvals etc.

8.1 All activities and obligations under the Licence and this Agreement shall be performed:

- (1) in accordance with this Agreement, the Mineral Resources Act, any rules and provisions issued under the Mineral Resources Act, the Licence and any other applicable laws, rules and provisions,
- (2) with an aim of ensuring appropriate exploration for and exploitation of mineral resources, see section 1(1) of the Mineral Resources Act,
- (3) in a proper manner as regards safety, health, the environment, resource exploitation and social sustainability, see sections 1(2) and 83 of the Mineral Resources Act,
- (4) appropriately and in accordance with acknowledged best international practices and standards under similar conditions, see sections 1(2) and 83 of the Mineral Resources Act, and
- (5) in accordance with the objective and guiding principles of this Agreement, as set out in clause 4.

9. Monitoring and evaluation of performance of Agreement and implementation of Benefit and Impact Plan

9.1 The Licensee shall monitor the performance of this Agreement and the implementation of the Benefit and Impact Plan and performance of obligations under it. The Licensee shall make an annual monitoring report in accordance with this Agreement and the Monitoring Plan and send the report to the other Parties.

9.2 The Licensee shall make a draft annual evaluation report in accordance with this Agreement and the Evaluation Plan and send the draft report to the other Parties.

9.3 The Parties shall hold biannual evaluation meetings to discuss the draft evaluation report and any other matter proposed by any Party regarding this Agreement or its performance or the Plans or their implementation or amendment. The Parties shall in cooperation make a final evaluation report and minutes of the meeting and any decision made by the Parties.

10. Principles for changes regarding activities or plans

10.1 Amendments of plans under Mineral Resources Act and Licence

10.1.1 Under sections 19 and 43 of the Mineral Resources Act, the Licensee must only commence exploitation and measures relating thereto after the BMP has approved an exploitation plan for the activities, including production organisation and related facilities, and a closure plan for measures to be taken on termination of exploitation activities in respect of facilities etc. established by the Licensee, abandonment of affected areas and any required subsequent maintenance and monitoring activities in respect of remaining facilities etc.

10.1.2 Under article 15 of the Licence, the Licensee shall submit plans for its activities, including:

- (1) exploration plans,
- (2) health, safety and environmental plans,
- (3) plans for socio-economic studies, including plans according to article 21 of the Licence regarding the Licensee's employment of Greenland workforce and use of Greenland contractors, subcontractors, suppliers and service providers,
- (4) development plans,
- (5) production, storage and transportation plans,
- (6) plans for abandonment activities, and
- (7) plans mentioned in section 8.07 of the Licence

to the BMP for its approval. All plans shall include an oil spill contingency plan. An activity may not be initiated until approval has been granted. In its approval, the BMP may determine that specific equipment and material may not be used or that the activities may not be carried out in specific areas and periods. Likewise, the BMP may order the licensee to monitor biological and physical conditions in the areas affected by the activities.

10.1.3 The plans mentioned in clauses 10.1.1 and 10.1.2 and any other plan to be submitted by the Licensee to the BMP under the Mineral Resources Act or the Licence must be periodically updated in relation to developments in exploration and exploitation activities, in society and in socio-economic or other matters comprised by this Agreement and its objective. When required by changed circumstances, the Licensee must amend a plan and obtain approval of this from the BMP.

10.2 Amendments of Plans under this Agreement

10.2.1 The Plans to be made by the Licensee under this Agreement - that is the Benefit and Impact Plan, the Monitoring Plan and the Evaluation Plan - must be kept updated in relation to changed circumstances and developments. The Licensee must amend a Plan under this Agreement when this is required. It may for example be required in connection with amendment of an exploration plan, exploitation plan or closure plan or

with a development in exploration or exploitation activities, in society or in socio-economic or other matters comprised by this Agreement and its objective. The Licensee must submit an amended Plan as soon as reasonable possible and no later than 28 days after the occurrence of the changed circumstance or development. An amendment of a Plan under this Agreement must be approved by the BMP.

- 10.2.2 The Licensee shall as far as possible plan and implement changes regarding activities and Plans under this Agreement in accordance with the provisions and objectives of this Agreement which would apply to corresponding initial activities and Plans under this Agreement.

11. Employment practices

11.1 Obligation under Mineral Resources Act and Licence

11.1.1 Under section 18(1) of the Mineral Resources Act, an exploration or exploitation licence may lay down the extent to which the licensee must use labour from Greenland. However, to the extent necessary for the activities, the licensee may use foreign labour if labour with similar qualifications does not exist or is not available in Greenland.

11.1.2 Section 21.01 of the Licence provides that in carrying out activities under the Licence, the Licensee shall as a point of departure employ manpower from Greenland or Denmark. However, to the extent necessary for its activities, the Licensee may employ personnel from other countries if manpower with similar qualifications does not exist or is not available in Greenland or Denmark. Section 21.03 of the Licence provides that the BMP may lay down rules and regulations regarding recruitment of personnel in accordance with section 21.01. Further, the BMP may lay down rules and regulations on the submission of information about the matters referred to in sections 21.01.

11.2 Quantitative Employment estimates for Greenlandic workforce

11.2.1 Capricorn's current estimates for Greenlandic workforce and related obligations are set out in Appendix 7 ("Employment - Licensee") and Appendix 9 ("Employment - Technical Operators").

11.3 Hiring commitments of contractors

11.3.1 Provisions on hiring commitments of contractors are set out in Appendix 8 ("Services - Technical Operators"), Appendix 9 ("Employment - Technical Operators") and Appendix 10 ("Services - Subcontractors").

- 11.4 **Employment incentives**
- 11.4.1 Provisions on employment incentives are set out in Appendix 7 ("Employment - Licensee") and Appendix 9 ("Employment - Technical Operators").
- 11.5 **Employment requirements**
- 11.5.1 Provisions on employment requirements are set out in Appendix 7 ("Employment - Licensee") and Appendix 9 ("Employment - Technical Operators").

- 12. Human resource development**
- 12.1 **Recruitment strategies**
- 12.1.1 Provisions on recruitment strategies are set out in Appendix 11 ("Education - Employees").
- 12.2 **Education proposals for Greenlandic workforce, training etc.**
- 12.2.1 Provisions on education proposals for Greenlandic workforce, training etc. are set out in Appendix 11 ("Education - Employees").
- 12.3 **Gender awareness**
- 12.3.1 Provisions on gender awareness are set out in Appendix 7 ("Employment - Licensee"), Appendix 9 ("Employment - Technical Operators") and Appendix 11 ("Education - Employees").

- 13. Business development**
- 13.1 **Obligation under Mineral Resources Act and Licence**
- 13.1.1 Under section 18(2) of the Mineral Resources Act, an exploration or exploitation licence may lay down the extent to which the licensee must use Greenland enterprises for contracts, supplies and services. Other enterprises may be used if Greenland enterprises are not technically or commercially competitive.
- 13.1.2 Under section 18(3) of the Mineral Resources Act, an exploration or exploitation licence may lay down the extent to which the licensee must process exploited mineral resources in Greenland. However, minerals may be processed outside Greenland if processing in Greenland would result in significantly higher costs or greater inconvenience.

- 13.1.3 Section 21.02 of the Licence provides that in carrying out activities under the Licence, the Licensee shall as a point of departure use Greenland contractors and subcontractors, suppliers and service providers. However, the Licensee may contract with other enterprises for such contract work, supplies and services, if Greenland enterprises are not technically or commercially competitive. Greenland enterprises are defined as enterprises domiciled in Greenland whose commercial activity in the country gives them genuine ties to the Greenland community. Section 21.03 of the Licence provides that the BMP may lay down rules and regulations for inviting tenders for supplies and services for the licensee's activities with a view to giving Greenland enterprises an opportunity to carry out contracts and subcontracts. Further, the BMP may lay down rules and regulations on the submission of information about the matters referred to in sections 21.02.
- 13.2 Quantitative targets for involvement of Greenland companies, contractors and suppliers
- 13.2.1 Quantitative targets for involvement of Greenland companies, contractors and suppliers are set out in Appendix 8 ("Services - Technical Operators") and Appendix 10 ("Services - Subcontractors").
- 13.3 Business opportunity management (measures to include Greenland businesses in activities)
- 13.3.1 Provisions on business opportunity management are set out in Appendix 8 ("Services - Technical Operators") and Appendix 10 ("Services - Subcontractors").
- 13.4 Mentorship and joint ventures for local businesses
- 13.4.1 Provisions on mentorship and joint ventures for local businesses are set out in Appendix 8 ("Services - Technical Operators") and Appendix 10 ("Services - Subcontractors"), Appendix 12 ("Other Socio-Economic Initiatives").
- 14. Social well-being**
- 14.1 Social wellness initiatives for staff
- 14.1.1 Provisions on social wellness initiatives for staff are set out in Appendix 12 ("Other Socio-Economic Initiatives").
- 14.2 Integration in local community, including social wellness initiatives

14.2.1 Provisions on integration in local community, including social wellness initiatives, are set out in Appendix 12 ("Other Socio-Economic Initiatives").

15. Cultural well-being

15.1 Cultural initiatives for staff.

15.1.1 Provisions on cultural initiatives for staff are set out in Appendix 12 ("Other Socio-Economic Initiatives").

15.2 Integration in and involvement of local community, including cultural wellness initiatives.

15.2.1 Provisions on integration in and involvement of local community, including cultural wellness initiatives, are set out in Appendix 12 ("Other Socio-Economic Initiatives").

16. Reporting

16.1 The Licensee shall promptly submit data, information, material and reports to the BMP regarding all investigations and studies pertaining to activities or obligations under this Agreement.

16.2 For all activities and obligations performed under this Agreement, the Licensee shall submit reports and accounts (financial reports) as specified by BMP. Annual reports and accounts shall be submitted no later than 1 March each year.

16.3 The BMP may lay down rules concerning the reporting of activities and obligations performed under this Agreement, including specifications of the types of data etc. which shall be included in the reporting under clauses 16.1 and 16.2. The Licensee shall provide further information concerning activities and obligations under this Agreement if requested by the BMP.

16.4 All data, information, material and reports obtained or prepared by the Licensee or by others for its use and pertaining to activities or obligations under this Agreement shall be kept by the Licensee until the termination of the confidentiality periods, as set out in clause 17. At the end of the said periods, the original data etc., or one set of copies thereof, shall be submitted to the BMP free of charge. Each Co-licensee may retain copies of all data etc. for its own use.

16.5 All costs and expenses connected with obtaining, preparing and submitting data etc. under this Agreement shall be paid by the Licensee.

17. Confidentiality regarding submitted data, information, material and reports

17.1 Except for business confidential matters (which, for the avoidance of doubt, shall include the estimated values of any contracts with third party service providers) and data of a personal character, all data, information, material and reports submitted or provided by the Licensee to the BMP or a Municipality under this Agreement are public. However all reports must be discussed with the Licensee before being made public.

18. Termination of Agreement and making of succeeding agreement

18.1 This Agreement shall terminate 31 December 2010.

18.2 A new agreement to succeed this Agreement shall be negotiated and made. The Parties shall act in accordance with clause 18.3 and do their utmost to complete the negotiation and making of the new agreement no later than 1 April 2011.

18.3 The Parties shall act in accordance with good faith and fair dealing and the objective and guiding principles of this Agreement (as set out in clause 4) in connection with the negotiation and making of the new agreement. The new agreement shall be in accordance with the objective and guiding principles of this Agreement (as set out in clause 4).

18.4 Notwithstanding termination pursuant to clause 18.1, this Agreement shall remain in force to the extent and for the period necessary to effect a final accounting and settlement of any payments and claims due under this Agreement.

18.5 Notwithstanding any other provisions of this Agreement, the provisions of clauses 4, 5, 7, 17, 18.2-18.4, 19, 20, 22 and shall continue to be in force and apply after the termination of this Agreement.

19. Obligations on Termination of Agreement

19.1 The termination of this Agreement shall not release the Licensee from performing any obligations under applicable laws, rules or provisions or under the Licence, other licences or any continued obligations under this Agreement.

19.2 After the termination of this Agreement, the Licensee shall keep all data, information, material and reports obtained or prepared by the Licensee or by others for its use and pertaining to activities or obligations under this Agreement. The data etc.

shall be kept for a period of at least one year. Before such data etc. is destructed or disposed of, it shall be offered to the BMP free of charge.

- 19.3 The BMP's exercise of its right to take over data etc. under clause 19.2 may be postponed if an agreement is made between the Licensee and the BMP regarding satisfactory safekeeping of and third-party access to the said data etc.

20. Liability in damages, insurance and indemnification

- 20.1 The Licensee shall pay compensation for any damage and loss caused by activities performed or by non-performance of obligations under this agreement, to the extent the non-performance is not due to Force Majeure. This applies regardless of whether the damage or loss is accidental and whom the damage or loss affects. The claim for compensation may be reduced or extinguished if the aggrieved party intentionally or by gross negligence contributed to the damage or loss.

- 20.2 The Licensee shall indemnify the BMP, the Greenland Government and the Municipalities for any claims made by third parties against the BMP, the Greenland Government or one or several Municipalities as a consequence of activities performed or of non-performance of obligations under this Agreement, to the extent the non-performance is not due to Force Majeure. This is subject to the requirement that the Licensee was given an opportunity in due time to participate in the defence against any such claim and that the matter was decided by:

- (1) a settlement approved by the Licensee,
- (2) a final judgment or
- (3) an arbitral award, provided that the third party making the claim was entitled to refer the dispute to arbitration prior to the occurrence of the damage or loss.

21. Relationship to acts, rules, Licence and other agreements

- 21.1 In case of any conflict or difference in content or effect between this Agreement and the Mineral Resources Act, any rule or provision issued under the Mineral Resources Act, the Licence or any other applicable law, rule or provision, the latter (the Mineral Resources Act etc.) shall control and prevail.
- 21.2 In case of any conflict or difference in content or effect between this Agreement and any approval or other decision made by the Greenland Government or the BMP in relation to any activity under the Licence, including the BMP's approval of the drilling of exploratory wells in the summer of 2010 under article 15 of the Licence, the approval or decision shall control and prevail.

21.3 In case of any conflict or difference in content or effect between this Agreement and any agreement between a Municipality and the Licensee or any Co-licensee, this Agreement shall control and prevail. This shall apply irrespective of whether one or more Co-licensees are parties to the other agreement and even though the BMP and the Greenland Government are not parties to the other agreement.

22. Governing law and relationship to other legislation

22.1 This Agreement shall be subject to, governed by and construed in accordance with the rules of law from time to time in force in Greenland, including Greenland law and Danish law.

22.2 This Agreement shall not restrict the general right of the Greenland Government to levy taxes and fees, amend tax and fee legislation or lay down rules or provisions concerning activities or obligations under this Agreement.

22.3 This Agreement does not exempt the Licensee from obtaining licences, including prospecting, exploration and exploitation licences, approvals and permits which are required pursuant to the Mineral Resources Act or other legislation.

23. Jurisdiction

23.1 Any dispute arising out of or in connection with this Agreement shall be determined by the Greenland or Danish courts with jurisdiction in Nuuk, Greenland. The said courts shall have exclusive jurisdiction over any such dispute.

24. Language

24.1 This Agreement has been drawn up in both the Greenland language and the English language. In case of any difference in content, effect or interpretation of the two versions, the English version shall control and prevail.

25. Signatures

25.1 This Agreement may be made in any number of counterparts and each such counterpart shall be deemed an original Agreement for all purposes. However, no Party shall be bound by this Agreement unless and until all Parties have signed a counterpart. For the purpose of assembling counterparts into documents with signatures on each signature page, the BMP is authorised to detach signature pages from

counterparts and, after the signature pages have been signed by the Parties, attach the signed signature pages to counterparts.

Capricorn Greenland Exploration 1 Ltd.
For and on behalf of the licensee under li-
cense 2008/10

Qaasuitsup Kommunia

Name:
Title:
Date:

Name:
Title:
Date:

Qeqqata Kommunia

Kommuneqarfik Sermersooq

Name:
Title:
Date:

Name:
Title:
Date:

Government of Greenland

Name:
Title:
Date:

APPENDIX 1

Background for Agreement

ABOUT CAPRICORN GREENLAND EXPLORATION 1 LIMITED IN GREENLAND

Since 2007, Cairn Energy PLC ("Cairn") through its subsidiary Capricorn Greenland Exploration 1 Ltd has secured a number of interests in offshore hydrocarbon exploration licences, to the west and south of Greenland.



2007:

- Sigguk and Eqqua (operated by Capricorn)
- Atammik and Lady Franklin (operated by EnCana Corporation of Canada)

2008:

- Kingittoq, Saqqamiut, Salliit and Uummannarsuaq (operated by Capricorn)

2009:

- Sold 10% interest in operated blocks to Petronas International Corporation Ltd of Malaysia
- Awarded prospecting licence offshore East Greenland

Activities in 2008 included:

- a 2D seismic survey offshore West Greenland from July to September
- a 2D seismic survey offshore South Greenland from September to October

Activities in 2009 included:

- a 2D seismic survey offshore East Greenland from July to September
- an ice monitoring survey offshore Disko West from July to October
- a Controlled Source Electromagnetic (CSEM) survey offshore Disko West from August to September
- Seabed surveys / environmental baseline surveys offshore Disko West from August to October
- And a 2D seismic survey offshore South Greenland from September to October

DESCRIPTION OF THE 2010 DRILLING PROJECT, OFFSHORE DISKO WEST

Subject to the receipt of Government approval Capricorn is planning to carry out an oil and gas exploration drilling programme of up to four wells in the Disko West Area offshore west Greenland in the summer of 2010. This follows on from a 2008 2D Seismic programme and additional survey and ice monitoring programmes completed in 2009.

The Disko West Area includes the North-Eastern portion of the Davis Strait and the South-Eastern portion of Baffin Bay, with Disko Island as the most prominent landscape feature on the Greenland coast. This area is a part of the Arctic Region, recognised for harsh weather conditions and drift ice.

The Sigguk licence block is located around 150km to 200km from the nearest coastline and covers a total area of 11,063km².

Oil and gas exploration involves the drilling of a wellbore down to the potential reservoir. In addition to the usual drilling challenge of pinpointing a wellbore several kilometres below the sea bed, the arctic operating environment will present specific operating challenges. Capricorn is developing and using a broad range of cutting-edge technologies, operational procedures and standards to effectively combat these challenges. These operational standards and procedures will also seek to ensure the safety of personnel, the protection of the environment and the integrity of the facilities.

Wells

Two firm wells have been identified for the 2010 drilling programme and an application to drill these wells was submitted on 4th March 2010. Public Hearings were held in the project affected area in March 2010. Four other well targets have been identified. Depending on the results of the first two wells, two of these four further wells will be selected and applied for drilling in 2010. The water depth for all wells is between 319 to 631m.

Rigs

Two rigs have been contracted for the 2010 campaign, both owned and operated by Stena Drilling. The Stena Forth, a 2009 built drillship is scheduled to be ready to start drilling in July 2010, or when the ice clears from the first location. The second rig is the Stena Don, a 5th generation class semi-sub which is on contract to Capricorn from early April 2010. This will be loaded and sail for Greenland in June 2010 to meet predicted clear water at the second site.

Operating window

The ice free open water operating period is assumed to run from the months of mid-June to November inclusive. Data from the past ten years has been supplied by Provincial Aerospace Limited (PAL), Capricorn's ice management company. Analysis of this pack ice data shows that the drill sites should be ice free by June 9th and remain free of ice until December 15th when the pack ice returns. Over this time period, the earliest the ice returned was December 10th, while the latest was in early January the following year. There is an overall warming trend in Baffin Bay with the ice-free season increasing over time. The drilling activities will end at the latest at the last day of September.

Ice management

Capricorn has assembled an ice management fleet of six vessels to be deployed in June along with the Stena Don and Stena Forth, two assigned to each rig to be dedicated support vessels for their respective worksites, ensuring control of all expected ice-related situations. In addition,

there are two general support vessels to cover various duties as required including ice management. Three of the ice management vessels have ice breaking capability, though the Stena Forth and Don will not be on location until the probability of ice is low.

There are no plans for heavy duty ice breakers to break up the thick (but melting) winter ice to give an early season extension. There will be a definite requirement for ice management. The primary role of the ice management fleet is to protect the rigs from ice berg collisions; hence the fleet will monitor, tow and deflect icebergs that present a collision risk with the rig. The radar monitoring on the vessels will be supplemented by satellite monitoring and fixed wing reconnaissance of the ice conditions.

One ice management vessel in the fleet will also have the capability to act as an ERRV (Emergency, Response, Rescue Vessel), during crew change activities of the two dedicated ERRVs.

Ice data will be collected and analysed through 2010 to optimise the ice management vessel requirement, specification, and operational practices for future years.

Support vessels

Due to the likelihood of fog disrupting aviation and hence crew change activities, and the need for equipment to be located in the vicinity of the drill site, there is a requirement for an accommodation/ware ship. This vessel will provide overnight personnel stopover capability and storage. It is intended to remain in a sheltered position near Aasiaat, the nearest heliport and harbour to the drilling area.

Re-supply duties will be carried out by two vessels, one operating in Greenland waters as in-country shuttle, and one transiting between Greenland and the UK as international shuttle. One of these vessels will have a suitable level of power, accommodation and equipment, to provide further redundancy to the ice fleet and the ware ship.

In the selection process for vessels, preference has been given to companies/crews/vessels that can demonstrate understanding and/or first hand knowledge of the likely challenges involved in operating in Arctic environments.

Operations schedule

The base case dual rig schedule is to drill four wells in the first season.

The drilling schedule is flexible with many options depending on ice conditions, the time taken to drill the first well and what is found.

Regulations require that sufficient time be allowed at the end of the schedule to allow a relief well to be drilled to kill a potential blow out before the onset of the winter "no drill season".

Logistics plan

The main supply base, where the majority of equipment and materials will be loaded, is Peterhead in Scotland. The main reason for this is the proximity of service companies to the planning team in Edinburgh.

The primary forward supply base will be Aasiaat. Alternative ports are Sisimiut and Nuuk. Aasiaat is the closest supply base to the offshore locations, and the ware ship will be moored off Aasiaat.

Water and fuel supply can be sought from the ports mentioned above or carried out from ship to ship offshore.

In the event of emergency re-supply by air, heavy air freight will be moved by charter flight from Edinburgh to Kangerlussuaq, then by fixed wing flight to Aasiaat. From here freight will be transferred onto the ware ship at Aasiaat. Lighter air freight should be able to be transferred by plane or helicopter from Kangerlussuaq to the regular supply chain locations.

Base operators

Asco will provide the base services in Peterhead, UK. Arctic Base Supply, part of Royal Arctic Line (RAL) is the sole provider of base services in Greenlandic ports.

Personnel logistics

Personnel will travel to Greenland on chartered flights from Edinburgh to Kangerlussuaq three to five times per week. Air Greenland will also make a certain capacity for air freight available for last minute requirements.

The forward helicopter base will be Aasiaat. It is the closest airport to the offshore locations (300 to 350km) and is unaffected by the tourist trade. Hangerage (not required in summer) and maintenance facilities will be at Ilulissat, a 20 minute flight from Aasiaat. Supply boat and other vessel crew changes can also take place at Aasiaat or Nuuk.

Transfer from Kangerlussuaq to Aasiaat will be by scheduled flight, chartered fix wing, helicopter or a combination. Fog has the potential of causing serious delays to helicopter operations. As there are limitations to overnight bed space and other facilities at Aasiaat in case of delay a ware ship will be moored off Aasiaat.

Helicopter supplier

The base case is that Cougar Helicopters, of St Johns, Newfoundland, Canada will provide 2 x S92 and 1xS61 helicopters. Capricorn will bring in the supply of survival suits and other ancillary materials, which will then be managed by AG. AG will provide an aviation coordinator at both Kangerlussuaq and Aasiaat to assist with any Capricorn specific issues. Capricorn may supplement this with its own representative in Kangerlussuaq.

In country representative and officing

The operation will be run from Edinburgh, with a Capricorn 'in country' representative with responsibilities for BMP and Nunaoil liaison, community relations and PR, and for any emergency response requirements. He will be supported by a Greenlandic operations coordinator. These personnel will be based in Nuuk. There will also be logistics coordinators and a project representative in Aasiaat.

Waste management facilities

Capricorn is responsible for proper handling of all waste from all activities on board the vessels and that all regulations are observed.

RISKS

Environmental impact assessment (EIA)

An EIA has been produced by Environmental Resources Management (ERM), which includes detailed environmental surveys. A range of existing information sources and new studies have been used. A comprehensive literature review has been conducted using reports prepared by environmental organisations from Greenland and Denmark, as well as information sourced during internet research, as well as the results of computer modelling and simulations. Field surveys have been conducted to investigate the physical, chemical and biological environment, also studies on weather patterns, ice movements and currents made.

Social impact assessment (SIA)

ERM has also conducted an SIA on behalf of Capricorn, this covers the social, economic and health factors not included in the EIA.

REVENUE

Capricorn's 2010 exploration drilling programme represents a significant exploration investment in Greenland. An estimate of expenditure by Capricorn and its contractors into Greenland in 2010 is given in below together with an estimate of expenditure into Greenland by Capricorn and its contractors in 2008 and 2009.

Summary of Expenditure Estimates by Capricorn and its contractors into Greenland

Summary of Estimated Expenditure	2008 DKK 000	2009 DKK 000	Expected 2010 DKK 000
License Fees			
Nunaoil Partner Fees			
Environmental Research			
BMP and Nunaoil Training			
Nuuk Office			
Airfares – Air Greenland			
Living expenses in Greenland for workers and visitors			
Value of service contracts with local suppliers (i.e. Air Greenland and Arctic Base Supply)			
Locally supplied goods and services			
Spend in Greenland by Capricorn's Contractors			
Total	16,940	22,891	143,215

INCOME TAX REVENUE

Foreign workers will pay some income tax in Greenland as a result of their work associated with the project. It is estimated that there will be over 800 foreign workers engaged in the operation of the drilling rigs, vessels and helicopters associated with the project. The project is expected to last approximately four months and it is estimated that income tax revenue generated by the project will be significant.

APPENDIX 2

Benefit and Impact Plan

The Social Impact Assessment (SIA) predicted the 2010 drilling programme to have minimal negative social impacts because:

- Most of the drilling activities are located at a significant distance (approximately 150-200 kilometres offshore) from existing Greenlandic communities; and
- The programme is of a short duration.

For the same reasons, the drilling programme is also not anticipated to have a large and positive social impact. Although some economic benefits are anticipated for Greenlandic enterprises, notably for Air Greenland, Arctic Base Supply (Part of Royal Arctic Line) and their suppliers, local employment effects will be muted because the ships and crews will be mobilised from outside Greenland. Other opportunities for business development are likely to be limited to purchases of fuel, water, food and some consumables to support the drilling operations. Opportunities to enhance the positive social impacts of the exploration programme, for example through training, are limited by its short time frame and the specialist nature of the work. These limitations could change if the current exploration programme is successful and leads to long-term development of offshore hydrocarbon resources.

SOCIO-ECONOMIC

Local Employment

For the reasons outlined above the scope for local employment is limited. The activities involved in the drilling programme are very specialised and recent experience of such activities in Greenland is very limited. As such, direct employment by Capricorn will be limited to one new local employee to support Capricorn's representative office in Nuuk.

At least one Fishing Liaison Officers (FLOs) on each vessel with both Greenlandic and English language skills will support the 2010 drilling programme.

The major Greenlandic contractors involved in the 2010 drilling programme are Air Greenland and Arctic Base Supply (part of Royal Arctic Line) who will be servicing contracts valuing approximately . Air Greenland will support the Capricorn operations with its existing workforce. It is not yet clear whether any workers to support Capricorn's operations will be recruited by Arctic Base Supply.

Due to the specialist nature of the offshore activities ships and vessels will arrive with their full complement of crew. As a result of the specific skills and experience required on board these vessels and the short time period of the operation it is unrealistic to change out regular crew and train new crew. For these reasons there is not anticipated to be any opportunity to utilise local workers in offshore activities in 2010.

However, the drilling programme should help to maintain many existing Greenlandic jobs. These include ground crew and support staff for the helicopter and fixed wing flight operations. Employees of Arctic Base Supply will be involved in storage of onshore materials; loading and unloading of the supply boats; handling and transport of materials to/from other facilities.

Indirect jobs include people employed in manufacturing and supplying goods and services that will be utilised during the drilling contract, as well as Greenlandic workers in businesses that provide food and accommodation. The principal contribution of the drilling programme to indirect employment will be job maintenance. Greenland has a very small manufacturing base and the duration of the exploration programme is probably too short for Greenland businesses to recruit more labour. Induced jobs are the consequence of the multiplier effects of direct and indirect jobs. The income earned by both the direct and indirect workers will be spent, in part, on consumer goods and services. Some induced job creation may arise from the drilling programme. Most of this job creation will arise in service industries such as hotels, restaurants and retail outlets in Aasiaat and Ilulissat.

Impact Benefit Plan

Capricorn with its contractors will seek to utilise Greenlandic workers wherever personnel with the required skills are available. It is recognised that the current Capricorn 2010 programme is a limited seasonal exploration activity. Capricorn will seek to work with institutions in Greenland to promote the development of skills in Greenland for greater Greenlandic participation in future programmes.

Appendices 7 and 9 show the employment requirements of the project in 2010. The current drilling programme is the first programme offshore Greenland since 2000 and the first by Capricorn in this area. The design of future exploration programmes will depend on the outcome of the programme. It will only be possible to predict activity and employment requirements on a year by year basis if or when there has been a proven commercial discovery of hydrocarbon.

Procurement and Services

Greenland will receive a small positive benefit from the direct procurement of goods and services used in the exploration programme. The main beneficiaries of local procurement are Air Greenland and Arctic Base Supply. As outlined above the expected value of these contracts is around

Each of these companies has received major procurement contracts that will last the duration of the exploration programme. Other local suppliers that will potentially receive procurement business include hotel operators in Ilulissat (20-30 rooms over four to six months) and Aasiaat (up to 3 rooms over four to six months). There will be procurement opportunities for food suppliers and potential minor procurement opportunities for suppliers of consumable items used on board the ships and in the drilling operation.

In 2010, as a result of, the drilling programme the value of goods and services (including waste management services) that will be purchased by Capricorn within Greenland is estimated to be nearly (). A further DKK 92 million (US\$ 24.3 million) is estimated to be potentially purchased within Greenland by Capricorn's contractors as a result of the 2010

activities programme. The largest proportion of this spend is represented by fuel supplies to the project vessels that will be provided through Malik Supply of Denmark who buys the fuel from Greenland.

Impact Benefit Plan

Capricorn will utilise Greenlandic enterprise to provide goods and services wherever these are available and meet the specifications of the project for quality, safety and environmental protection. Capricorn will set up information meetings with Greenlandic commerce organisations, through its representative office in Nuuk, to promote and publish its future activities and potential requirements for goods and services.

Capricorn will conduct an enterprise workshop in 2010 for the municipalities to explain in detail the competencies and qualifications needed to work within Capricorn's 2011 activities programme as well as outlining the specifications of the vessels and services that will be required.

COMMUNITY

Skills and Training

The oil and gas industry operates under strict safety requirements defined by regulating authorities and, often, further tightened by the operator's internal standards and procedures. There are requirements on formal training and experience of all personnel involved in oil and gas exploration and production. For safety reasons there are also requirements on English language skills. Currently the Greenland workforce lacks the skills necessary for employment with oil companies or suppliers. Capricorn recognises that the development of skills within the workforce for future participation in oil and gas activities is a priority.

The mining school in Sisimiut already offers training courses for the mining industry. The school also has taken steps to establish training aimed at the oil industry. Capricorn will seek to liaise with the school to identify skills gaps for participating in Capricorn's future activities. Areas where Capricorn may offer support will be investigated.

Qualification of a local workforce will benefit both Greenland and the oil industry. Through membership of GOIA (Greenland Oil Industry Association) Capricorn will propose that GOIA establishes an education programme which promotes development of relevant skills among local students. However, no success can be guaranteed from Capricorn's or other oil companies planned exploration activities in Greenland and as such any programmes will need to be developed with this in mind. Initially it may therefore be prudent to support skills in areas where there may be a demand regardless of outcome of exploration activities. Saviminilerinermik Ilinniarfik / Jern- og Metalskolen (Welding etc.) in Nuuk has an education in Welding offshore. There is a need for training places/apprenticeships for the students. The Maritime School in Paamiut is also interested in developing educations within the oil business offshore. The engineering programme in Arctic Technology from the Arctic Technology Centre (ARTEK) at the Technical University of Denmark (DTU), which is based at the Building and Construction School in Sisimiut,

offers a new specialisation in Geology & Natural Resources which includes courses on mineral, oil and gas exploration. Within this specialisation it is possible for the student to spend the last 3 semesters with special focus on offshore oil exploration and production. One of these 3 semesters consists of industrial training, it is therefore very important in order to graduate Greenlandic engineers with competences in offshore oil drilling to offer internships related to offshore oil exploration.

In some areas Capricorn's international Contractor's will work in partnership with Greenlandic enterprise as is the case with Cougar of Canada and Air Greenland for provision of helicopter services to the project. Four Air Greenland pilots will be trained to work with Cougar Helicopters in support of Capricorn's activities this year.

Capricorn has committed through its license obligations, for the Sigguk license block, to set aside DKK 250,000 (US\$ 42,500) per annum for training within the regulating authority, the BMP, and DKK 250,000 (US\$ 42,500) for training within the state oil company Nunaoil.

Impact Benefit Plan

Capricorn will seek to work with local training institutes (such as the Mining School in Sisimiut and the Municipal Training Schools (Piareersarfiit)) to assess the current skills gaps in the local workforce with those required for participation in oil and gas activities.

Capricorn will propose a skills development programme that will encourage participation of Greenlandic workers in future oil and gas activities and provide skills that will contribute to a sustainable workforce outside oil and gas activities. The initial proposal is to support up to 50 students to develop sufficient English language skills to participate in offshore activities. Of these students up to 10 will be selected for further training based on aptitude and subject to the achievement of a minimum performance level within the English training scheme. This further training will include the necessary survival and safety qualifications to work offshore. Capricorn will commit a budget of ~DKK 1,470,000 (US\$250,000) to fund the skills development programme. Design of the final programme and its implementation will be coordinated with the IBA Working Group (described in appendix 13)

Capricorn will also encourage its international contractors to work with and transfer skills to local Greenlandic enterprise partners where feasible.

Capricorn will continue to fund training as requested by the BMP and Nunaoil against the commitments made in the license agreement.

INFRASTRUCTURE

Air Transport

The Aasiaat airport will require its capacity supplemented to meet Project needs for crew transport and search and rescue. To support search and rescue, twenty four hour meteorological monitoring is required. Airport authorities have indicated that this could be achieved through the provision of meteorological monitoring equipment linked to the flight information centre in

Kangerlussuaq. Such equipment would then be able to support future operations as well as Capricorn's 2010 activities.

Impact Benefit Plan

Capricorn and the Aviation Authority in Greenland will draw up an agreement for the funding of meteorological monitoring equipment to support twenty four hour operations from Aasiaat for 2010 and any future operations. The cost to Capricorn to supply the equipment is estimated at DKK 400,000 (US\$ 68,000).

Ports

Ports are an important gateway for marine traffic in Greenland; the larger ports, in particular, receive passenger vessels, cargo vessels, fishing trawlers, cruise vessels, small scale fishing boats, foreign vessels and vessels that need tank water and fuelling. Capricorn's offshore exploration activities will rely on regular servicing by supply boats transporting materials from Aasiaat and Nuuk. The supply base facilities in Nuuk and Aasiaat will provide limited laydown, waste handling and materials. The frequency of supply boat movements in Aasiaat is likely to be 1-2 per week.

The port of Sisimiut is currently used by commercial fishing fleets, supply vessels, passenger ferries, and international cruise ships. It lies closer to the operating area than Nuuk. However, stakeholders have reported, through the SIA process, that traffic through this port is a serious issue, and raised concerns that project activities might create further congestion. Because the port is operated by Royal Arctic Line, the needs of other port users are ranked lower in priority than those of Royal Arctic vessels. Port Authorities in Sisimiut reported that there is a high likelihood (90 percent chance) of delays to port access at all times of the week (including Sundays). Delays can be 12- 24 hours in duration. Delays are likely to affect commercial trawlers, which offload catches 24 hours a day Monday through Friday afternoon during the summer, as well as international cruise vessels and other cargo vessels. In view of this Capricorn has minimised the use of Sisimiut in its final logistics plans.

Impact Benefit Plan

Capricorn will minimise the use of Sisimiut by utilising alternative port facilities at Aasiaat and Nuuk and infield refuelling where possible.

Capricorn will monitor all comments and concerns received regarding port delays where it operates during its periods of operations in these ports.

Local Health and Emergency Services

As most of the activities associated with the drilling programme are offshore the use of health facilities and services such as doctors, dentists, chemists and hospital beds by the offshore workers should not be significant. There will be medical workers on board the vessels, the minimum requirements for which are specified in internationally recognised standards such as the Convention on Safety of Life at Sea (SOLAS, 1974). In addition Capricorn will provide two paramedics and a qualified doctor offshore to support the drilling rigs. Offshore workers are not

expected to be in the local onshore communities for any length of time and are unlikely to seek elective healthcare services while in transit to their home countries. All offshore workers will hold a fitness to work certificate as is standard practice across the oil and gas industry. A small onshore staff in Aasiaat and the flight crews in Ilulissat are the only personnel associated with the project that will spend any significant amount of time onshore and could potentially need to utilise local health services. All foreign personnel working for Capricorn and its contractors will be covered by international medical assistance and medical repatriation insurance.

Should a non-routine event of significant size occur, access to emergency health services could be requested. Discussions between Capricorn and the health authorities have been held to discuss provision of services in Greenland. Specific agreements are being drawn up between Capricorn and the health services for both routine and emergency support.

Capricorn and the Greenland Contingency Committee have been working together to coordinate emergency response capabilities. Greenland has little recent experience of an offshore drilling programme and some gaps in capability have been identified. Capricorn is providing resources to support the development of the Contingency Committees capabilities.

In the unlikely event of an oil spill Capricorn has developed an oil spill contingency plan that has been resourced to a very high level. An agreement is to be set up in which Capricorn will provide some items of oil spill contingency equipment that will be available to the Greenlandic Government as a national oil spill response resource. An agreement will be made between Capricorn and the BMP with regard to the utilisation of this resource by other operators for future drilling operations in Greenland.

Impact Benefit Plan

Capricorn will pay for all health services it uses in Greenland under an agreement put in place with the Greenlandic Ministry of Health. The Greenlandic Ministry of Health will draft this agreement.

Capricorn will provide support to the enhancement of emergency response coordination in Greenland to support the Capricorn drilling operations, with the Greenland Contingency Committee. This will be provided by the provision of up to three visits of an international response planning consultant to support the development of national emergency procedures in Greenland, the training of staff and the provision of role-play and exercises. The cost of this, valued at around DKK 270,000 (US\$46,000) will be met by Capricorn.

An agreement will be made between Capricorn and the BMP to provide some items of oil spill contingency equipment to the Greenlandic Government to set up a national oil spill response resource. The value of this equipment is estimated at DKK 18.8 million (US\$3.2 million)

LOCAL ENTERPRISE

Fishing and Hunting

The Greenlandic economy is highly dependent on natural resources and hunting/fishing is of high economic and socio-cultural importance. Seafood constitutes a large portion of Greenlandic exports, and fishing is the main source of employment and income in many towns and settlements, including the Project area. The area around the drilling licence is too far from shore to interfere with the fishing activities of small-scale fishermen, whose activities are focused primarily along the inshore areas. Impacts to small-scale and inshore fishing activities are therefore expected to be insignificant. The exploration license area does overlap with active commercial fishing areas. These include areas of halibut fishing by trawlers, and small overlap with limited shrimp fishing areas (in the south-west corner of the license block). It is therefore possible that the Project will have some interaction with commercial fishing activities. During preliminary seismic activities, potential impacts to fishing were mitigated with a communication procedure that provided fishermen with ongoing information about project activities and location. This procedure will be implemented during the drilling phase of the project. Fishing Liaison Officers (FLOs) will also be sourced through e.g. the Greenland Fisheries License Control Authority in Nuuk. These FLOs will be required to be able to communicate in English and Greenlandic.:

The SIA did not consider that impacts on fishing from exploration activities would be significant. First, based on past experience during the seismic phase the communication procedure established provided appropriate levels of information to mitigate potential conflicts. Second, the area of overlap with fishing areas is comparatively small in proportion to the total fishing area, and is not considered to be a critical fishing location. Third, trawler operators asserted that vessels could go around the drill sites (and exclusion zones), as long as those locations were effectively communicated to them.

Seals, walruses and whales are hunted in the exploration area. The area around the drilling licence is too far from shore to interfere significantly with hunting of seals and walruses. However, there is some concern that the noise from drilling activities could interfere with whale routes.

Impact Benefit Plan

Capricorn will ensure that all project vessels will be fitted with the Greenlandic Fisheries Vessel Monitoring System.

At least one Fishing Liaison Officers (FLOs) on each vessel with both Greenlandic and English language skills will support the 2010 drilling programme. FLOs are provided to Capricorn e.g. through the Greenland Fisheries License Control Authority in Nuuk.

RESEARCH

Capricorn has committed through its license obligations to set aside US\$500,000 (~DKK 2,940,000) for each exploration block it has signed to go towards environmental research in Greenland. Currently Capricorn holds six operating licenses offshore Greenland and the provision therefore stands at US\$3million (DKK 17.6million). Of this DKK 17.6million – DKK 4.5 mil-

lion had been spent up to the end of 2009. A further DKK 13million is available to be spent in 2010.

In addition, Capricorn has been co-operating, since 2008, with NERI to add data to NERI's research on marine mammal and seabird observations offshore Greenland. In 2010, Capricorn has also commissioned NERI to extend the oil spill sensitivity atlas to 75 degrees N and will contribute to this information resource. The costs associated with these are outside of the general research provision described above.

In addition ice studies were carried out in 2009 and further work will be carried out in 2010. This information is also being shared with NERI adding to the research knowledge around Greenland.

Environmental Research	Cost to Capricorn 2008 DKK 000	Cost to Capricorn 2009 DKK 000	Expected Cost to Capricorn 2010 DKK 000
Marine Mammals and Sea Bird Observation	332	596	637
Environmental Research under License Obligation	0	4,563	13,077
Extension of Oil Spill Sensitivity Atlas	0	0	550
Ice Studies	0	1,352	1,176
Noise monitoring survey	0	0	100
Total	332	6,512	15,540

Capricorn has also taken seabed sediment samples as part of its drilling site surveys. Reference samples have been requested by NERI which Capricorn is happy to supply.

Agreement

Capricorn will continue to cooperate with NERI regarding the collection and collation of seabird and marine mammal observations.

Capricorn will cooperate to provide NERI with seabed sediment samples where samples are taken in support of monitoring activities associated with the drilling activities.

Capricorn will continue to fund environmental research as requested by the BMP against the commitment made in the license agreement.

Capricorn is discussing with NERI the provision of support to carry out a noise monitoring survey around its drilling operations to forward more research into the potential impacts of underwater noise from drilling operations on cetaceans.

IMPLEMENTATION OF THE IMPACT BENEFIT PLAN

An Impact Benefit Agreement Implementation Working Group will be formed with the terms of reference given in Appendix 13.

APPENDIX 3

Monitoring Plan

To monitor the implementation of the Impact Benefit Plan Capricorn will set up a formal project grievance process. Capricorn has set up an email Greenland@cairnenergy.com to receive concerns and comments regarding its activities in Greenland. Concerns and comments can also be received through its representative office in Nuuk. This will be further enhanced during the operational phase by the appointment of a Capricorn representative in Aasiaat. Procedures will be established to log all concerns received, and address them within 30 days.

In addition, Capricorn will measure a number of performance indicators as indicated below. These will be reported as part of the evaluation plan described in appendix 4.

Issue	Indicator
SOCIOECONOMIC	
Local Employment	Total number of project personnel working in Greenland
	Number of project personnel who are Greenlandic
	% of total project workforce in Greenland that are Greenlandic
Local Procurement	Total Capricorn project expenditure
	Total Capricorn expenditure in Greenland
	% of project expenditure in Greenland
COMMUNITY DEVELOPMENT	
Skills Development Programme	Number of students benefitting from the skills development programme.
INFRASTRUCTURE	
Utilisation of Greenlandic Health Services	Number of treatment cases utilising Greenlandic health services
Impact on local services enterprise and culture	Number of grievances received by Capricorn
	Number of grievances addressed within 30 days
	% of grievances addressed within 30 days

APPENDIX 4

Evaluation Plan

Capricorn will review the status of all agreements described in this document together with a review of the comments / concerns received by the project - identifying lessons learned and recommendations for future activities. Evaluation reports will be submitted in accordance with clause 16.2.

Public version

APPENDIX 14

Table for publication

	2010 Estimates	2011**	2012**
<i>Employment</i>			
Number of employees at site at a time	598	-	-
of which Greenlandic	29	-	-
% of which Greenlandic	4.8	-	-
<i>The data given represents best estimates before execution of the drilling programme. Some variation may occur in actual operations as adjustments may be made to specific project circumstances</i>			
<i>Education</i>			
Apprentices	10	-	-
Courses (internal)	0	-	-
Courses (external)	70	-	-
<i>The data given regarding external courses represents best estimates before implementation of the skills development programme. Some variation may occur in actual programme as adjustments may be made to specific programme circumstances in coordination with the IBA working group.</i>			
<i>Technical operators and sub-contractors</i>			
Total amounts for technical operators (performing some element of their services in Greenland)	DKK 2,024,347,847		
Of which Greenlandic technical operators	DKK 14,749,720		
% of amounts to technical operators that are Greenlandic	0.72		
Estimated value of other locally supplied goods and services (including fuel, food, accommodation, waste management)	DKK 102,652,000		
<i>The data given represents best estimates before execution of the drilling programme. Some variation may occur in actual operations as adjustments may be made to specific project circumstances</i>			
Value of contribution to shared Environmental Research for Greenland in addition to the US\$3million pledged as part of Capricorn's license obligations.	DKK 2,463,000		
Value of equipment to be placed in Greenland by Capricorn to provide a national oil spill contingency resource	DKK 18,816,000 (USD 3.2 million)		
<i>Other</i>			
Orientation meetings with the municipality		Cairn will work with	

Public meetings
Meetings with local business community
Presentations to school classes

the BMP to set out a
timely communication
plan

Sponsor agreements (maximum commitment in US\$)

DKK1,388,000
(US\$250,000)

** Not yet estimated. Will be estimated based on new SIA if drilling program for the coming years are applied for.

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