



**To:**

The Minister of Petroleum and Mineral Resources of the Government of the Federal Republic of Somalia

Mecca al-Mukarama Road

Ministry of Telecommunications and Postal Services Building

First floor, Right Wing

Mogadishu

Federal Republic of Somalia

**For the attention of:** HE Daud Mohamed Omar

**Dated:** 25<sup>th</sup> April 2014

Dear Minister

**Capacity Building Arrangements**

We refer to the Seismic Option Agreement dated 6 August 2013 between the Government of the Federal Republic of Somalia (the "**Government**") and Soma Oil & Gas Exploration Limited ("**Soma**") (a wholly owned subsidiary of Soma Oil & Gas Holdings Limited) (the "**SOA**"). In this side letter, terms defined in the SOA shall have the meanings given to them in the SOA and the provisions of clauses 1.2 to 1.8, 7, 10.7, 11, 15, 21, 22, 23 and 25 to 29 of the SOA apply equally to this side letter.

**1 Capacity Building**

- 1.1 We understand that the Ministry of Petroleum and Mineral Resources of the Federal Republic of Somalia (the "**Ministry**") requires additional financial support for its role in connection with the performance of its functions in relation to the Exploration Programme and its other functions under the Petroleum Law 2008 of the Federal Republic of Somalia including the hiring and contracting of certain qualified technical staff, consultants and advisors, inside and outside of Somalia.
- 1.2 According to the terms defined in the SOA and subject to the conditions of this side letter, Soma agrees to pay the salary costs of up to a maximum of six (6) such staff, consultants and advisors such salary in each case not to exceed [\$5,000] per month for each person ("**Capacity Support Salaries**") over a 12 month period starting from a date to be agreed between the parties to this side letter. It also pays the cost of office equipment, transportation and other working tools needed which shall not exceed lump sum of [\$40,000]. Soma agrees therefore to pay a total aggregate amount in relation to the Government's request for this specified capacity support not exceeding [\$400,000] (the "**Total Capacity Support**").
- 1.3 The Ministry shall make a written request to Soma for each payment under this side letter, providing details of the amount required and identifying in sufficient detail the use to which

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such funds will be put, including the information required by paragraph 1.6 of this side letter. Each such written request shall be signed by the Minister of Petroleum and Mineral Resources of the Federal Republic of Somalia (the "**Minister**").

- 1.4 Soma shall make the payment of the Capacity Support Salaries, as agreed between Soma and Ministry to be made pursuant to this side letter, to the designated official bank account of the Government on the [●] day of each month following the date of this side letter the details of which are as follows:

**Bank:** [Central Bank of Somalia•]  
**Sort Code:** [Ministry of Petroleum & Mineral Resources]  
**Account Number:** [1009]  
**Reference:** [Ministry of Petroleum & Mineral Resources]

- 1.5 The Government shall provide supporting information sufficient to allow Soma to confirm the use of each payment made by Soma pursuant to this side letter.
- 1.6 The Government shall provide [monthly] written reports to Soma in relation to the Capacity Support Salaries which reports shall provide the following information to Soma in respect of the Capacity Support Salaries:
- 1.6.1 The names of the proposed technical staff, consultants or advisors, and the process followed by the Ministry in selecting such persons;
- 1.6.2 The function, role and terms of reference for the position;
- 1.6.3 The duration of the appointment; and
- 1.6.4 A copy of the contract of employment for each such proposed member of staff (whose salary costs are to be paid for by Soma).
- 1.7 Each contract for services for each person as contemplated by this side letter shall be on terms and conditions that are in all material respects standard in relation to their role and status.
- 1.8 Following the completion of expenditure by the Government of the Total Capacity Support paid by Soma, the Ministry shall confirm in writing to Soma the usage of funds for such designated purpose.
- 1.9 The Government warrants and undertakes to Soma that it shall not enter into any contract or arrangement with any party in respect of the provision of any service, thing real or personnel as contemplated by this side letter which party constitutes a "connected person".
- 1.10 For the purposes of paragraph 1.9 "connected person" is any person, company, other organisation or legal entity directly or indirectly controlled by any member of the Government or who is otherwise directly or indirectly related to or connected to any member of the Government.
- 1.11 The Ministry confirms that they will comply with all relevant international Corrupt Practices laws (as defined in clause [1.10] of the SOA) in connection with:
- 1.11.1 the execution of this side letter, including the hiring and contracting of technical staff, consultants and advisors, inside and outside of Somalia;



- 1.11.2 the performance of its functions in relation to the Exploration Programme; and
- 1.11.3 its other functions under the Petroleum Law 2008 of the Federal Republic of Somalia.

## 2 Off-set against PSAs

- 2.1 SOMA considers that all payments actually made by Soma pursuant to this side letter will be off-set against the Contractor's (as defined in the PSA) obligations set out in Sections 22.3 (Rental) and 22.4 (Training Fee) under the first [four (4)] PSA(s) to be executed (or as such Sections may be re-numbered).
- 2.2 For the avoidance of doubt, no payments actually made by Soma pursuant to this side letter may be off-set against the Contractor's obligations set out in Section 22.1 (Signature Bonus), in the amount of \$500,000 each, under the [first [four (4)] PSA(s) to be executed] (or as such Section may be re-numbered).

Please confirm your acknowledgement of the proposals set out in this side letter by countersigning this side letter and returning it to us.

Yours sincerely

**Signed by**

**Robert Sheppard**

duly authorized for and on behalf of

**Soma Oil & Gas Exploration Limited**

  
 Chief Executive Officer

We acknowledge the proposals set out in the above side letter.

**Signed by**

**HE Duad Omar Mohamed**

duly authorized for and on behalf of

**The Federal Republic of Somalia by its  
 Minister of Petroleum & Mineral Resources**

  
 Minister of Petroleum & Mineral Resources



