

Yuzgaz B.V. appealed to the Court against the decision made by the Cabinet of Ministers of Ukraine on November 2, 2016, in regards to refusal to assign Yuzgaz B.V. a part of stake in rights and obligations of the investor of Yuzivska PSA.

Kyiv, December 15, 2016.

On December 8, 2016, LLC "Yuzgaz B.V." went to the court with a claim to the Cabinet of Ministers of Ukraine and the Ministry of Energy and Coal Mining of Ukraine, asking to recognize the decision of the Cabinet of Ministers of Ukraine dated November 2, 2016, on refusal of LLC "Nadra Yuzivska" and "Yuzgaz B.V." in assignment of rights and obligations of the investor of Yuzivska PSA (Production Sharing Agreement) as wrongful.

Earlier this year, on August 4, 2016, LLC "Nadra Yuzivsk", a single investor according to Yuzivska PSA, and the company "Yuzgaz B.V.", the winner of the competition for investors willing to work on the project of hydrocarbons sourcing and production in Yuzivska gas field, sent a request to the Cabinet of Ministers of Ukraine, asking to approve the assignment of a part of stake in rights and obligations of the investor of Yuzivska PSA to Yuzgaz B.V.

The company "Yuzgaz B.V." offered to invest at least \$200 million during the first 5 years; drilling (renovation) of 15 wells; boring of search well-drilling in the first year; continued working on research and finding of unconventional gas. In addition, our proposal included preservation of investor commitments on state bonuses payment under the agreement.

The Law of Ukraine "On Product Sharing Agreements" states that the Cabinet of Ministers of Ukraine must either give consent to the proposed assignment, or refuse to, however the denial of consent without a strong reason is prohibited, the absence of a response from the Cabinet of Ministers of Ukraine within 90 days after receiving the request, the consent is considered as obtained.

Only on November 1, 2016, after 88 days have passed since the Cabinet of Ministers of Ukraine received the request, the meeting of the Interagency Commission on Conclusion and Implementation of Product Sharing Agreements, ministries and departments of Ukraine, members of Ukrainian parliament, representatives of Yuzgaz B. . and LLC "Nadra Yuzivskya" finally took place. At the meeting, Yuzgaz B.V. presented its proposal. After presentation the company was informed that the Interagency Commission along with the involved ministries and agencies need more time to finalize the list of members of the Interagency Commission and further study of the given proposal and amendments to the product sharing agreement and its further development in cooperation with the investors.

However, already the next day, on November 2, 2016, the Cabinet of Ministers of Ukraine made a decision which was formalized by protocol number 46 of 11/02/2016 (the contested decision), as follows: "to support the proposal of the Minister of Energy and Coal Industry of Ukraine, I. S. Nasalyk, which states the refusal to allow "Nadra Yuzivska" the assignment of a part of stake in rights and obligations established by the Agreement on distribution of hydrocarbons extracted in Yuzivska gas field, instructing the Ministry of Energy and Coal Industry of Ukraine along with the Cabinet of Ministers to provide LLC "Nadra Yuzivska» and Yuzgaz B.V. a written waiver with appropriate explanation within a one-day period".

Following the request of the Cabinet of Ministers of Ukraine, the Ministry of Energy and Coal Industry of Ukraine has sent Yuzgaz B.V. and LLC "Nadra Yuzivska" a letter, dated November 3, 2016, announcing that the Cabinet of Ministers of Ukraine had made a decision to refuse the assignment.

The contested decision taken by the Cabinet of Ministers of Ukraine violates the current legislation of Ukraine and is subject to cancellation, particularly based on the following statements:

- The contested decision does not comply with the Law of Ukraine "On Product Sharing Agreements", Law of Ukraine "On the Cabinet of Ministers of Ukraine" and the Regulations of the Cabinet of Ministers of Ukraine, approved by the Decree №950, dated July 18, 2007, about form and procedures for decision-making, and about taking lawful actions on the mentioned issue;
- The contested decision does not contain any valid grounds for its adoption, including crucial ones, required by the Law of Ukraine "On Product Sharing Agreements";
- The decision taken by the Cabinet of Ministers of Ukraine violates the existing injunction to take any decisions or actions on the request for assignment.

Moreover, actions taken by the Ministry of Energy and Coal Industry on providing a written refusal are unlawful, as committed with authority abuse.

In view of the above, the company "Yuzgaz B.V." appealed to the court to (i) acknowledge the decision of the Cabinet of Ministers of Ukraine dated November 2, 2016, and actions of the Ministry of Energy and Coal Industry as invalid and cancel them, and (ii) oblige the Cabinet of Ministers of Ukraine to continue its consideration of the request by Yuzgaz B.V. and LLC "Nadra Yuzivska" and take the relevant decision essentially on the basis, within the authority and in the manner stated by the legislation of Ukraine, reasonably, prudently and in good faith.

While defending our interests in court, we are in no way trying to use the court as a tool to getting a part of stake in Yuzivska Agreement, or recognize us as an investor, according to some media reports. We strive to clear and transparent negotiations with the Cabinet of Ministers of Ukraine and its authorized representatives and process our request in a constructive way which is not influenced by political pressure and achieve the results of a balanced assessment of our proposal and the economic and social impact of the implementation of the project of hydrocarbons sourcing and production in Yuzivska gas field. We are confident in our abilities to continue what Shell has started.

The rule of law, creating conditions for attracting foreign investors and respect for equal rights - these are the values we share and support. We want to work diligently in Ukraine and prove our reputation. Therefore, we have always been and still are open to direct and transparent negotiations with the government, because this is the only way to make an informed decision.

We strongly believe that our project is beneficial not only for Ukraine, but also has a potential of becoming a convincing evidence that Ukraine is indeed ready and open for investors, especially in times, when there is no queue of foreign investors willing to enter Ukrainian market.