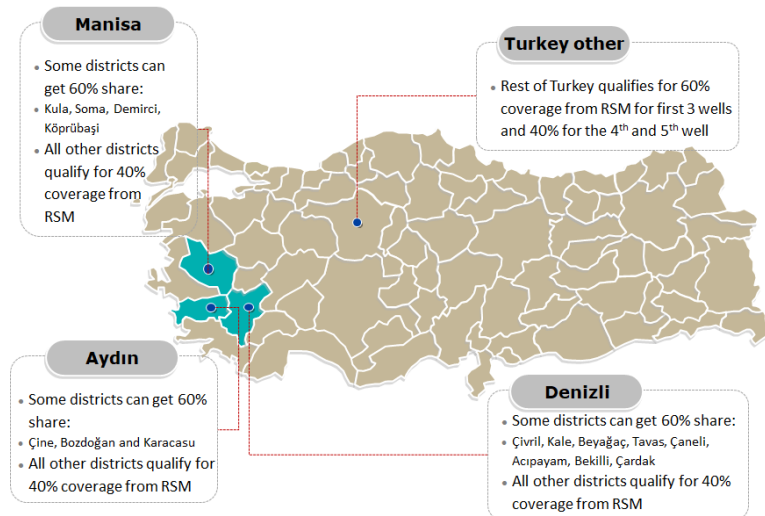


RISK SHARING MECHANISM

The Risk Sharing Mechanism (RSM) has been created with the aim to increase private sector investment in exploration drilling in Turkey by providing partial coverage of exploration drilling costs in case of unsuccessful wells. The RSM has been capitalized with a US\$38 million grant from the Clean Technology Fund. The implementing agency for the RSM is the Development Bank of Turkey (TKB).

In this context, an exploration drilling project is defined as the drilling of up to five wells in a given geothermal license area to validate the viability of power production, and/or direct use applications. The exploration wells to be supported by the RSM can be of production size, medium size or slim holes, as dictated by the drilling program necessary to meet the requirements of the supporting business plan.



Eligible license holders can apply to participate in the RSM. 60% of the cost of failed wells will be covered in most of Turkey. However, only 40% will be covered within selected, already well explored areas. The pay-out for a single drilling project will be capped at \$4 million. A success fee guarantee of 10% of the estimated well cost is provided by the Beneficiary; either through a letter of credit or by establishing an escrow account.

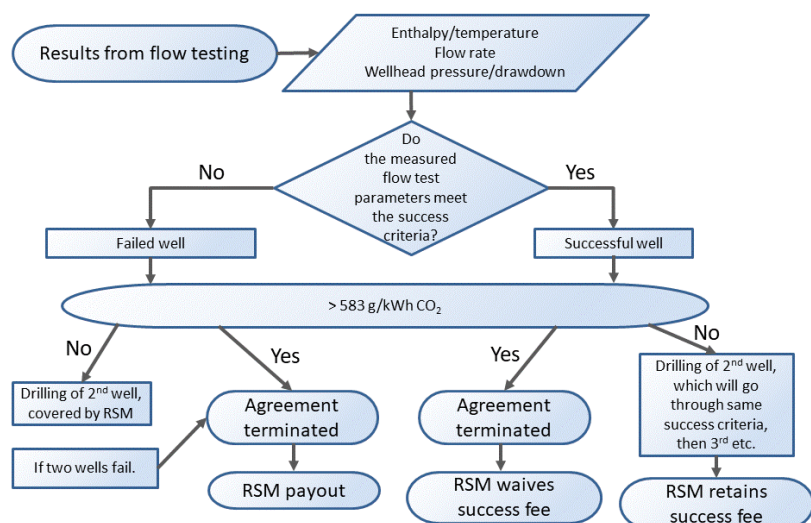
When a completed well meets or exceeds the success criteria, that has been set on a custom basis for the drilling program, the success fee is retained by the RSM, otherwise it is reimbursed to the Beneficiary.

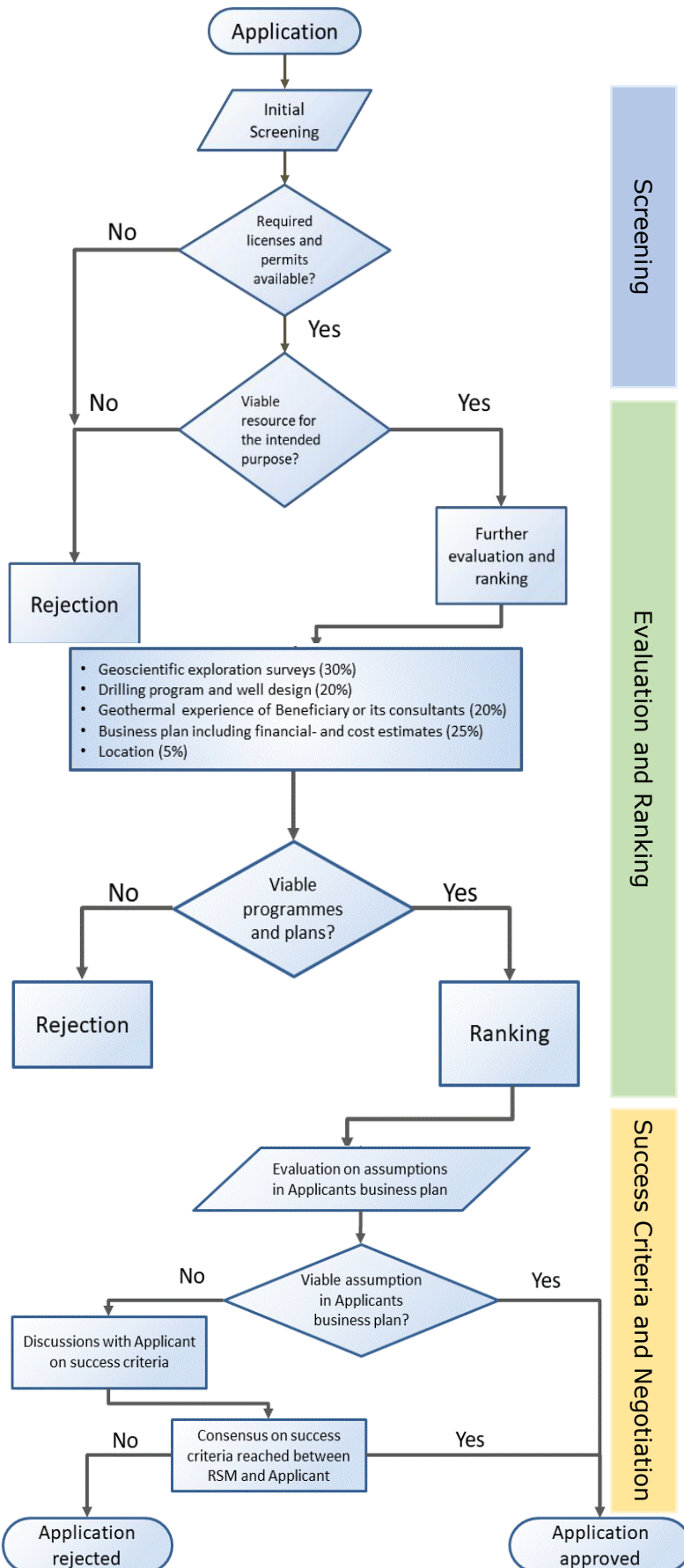
A standard RSM program will initially consider drilling costs of three wells per project, although the program could be extended to a fourth and fifth well at a lower coverage (40% in all cases) and higher success fee (25%). What constitutes a successful versus an unsuccessful well will be based on an output threshold for each well that is contractually agreed between the RSM Unit and the Beneficiary pursuant to the needs of the Beneficiaries' Business Plan. Drilling success/failure criteria, will be based on:

- Enthalpy (kJ/kg)
- Flow (kg/s)
- WHP - Well head pressure
- Drawdown
- Temperature in slim holes

Note: RSM agreement will be terminated if CO₂ emission levels are above 583 g/kWh.

Determination of success/failure





The application evaluation process is visualized in the flowchart:

The initial screening will confirm that all the necessary information and licenses required are provided in the application.

After the initial screening, an estimation is made of the possible viable resource. The RSM Unit will, based on the information provided, make a decision on proceeding or not with further evaluation of the application.

Applications will be evaluated based on the completeness and quality of the following categories:

- Geoscientific exploration data and the resulting conceptual model
- Drilling programs and well designs
- Geothermal experience of the Beneficiaries or its consultants
- Business plan
- Location

Based on the information and plans provided for the drilling programs, development plans, Turkish environmental regulations and WB environmental and social guidelines, the application is further evaluated and a decision is made whether the applicants' plans are viable or not.

Assumptions put forward in the business plans of the applicant are evaluated, and the success criteria for each well discussed between the RSM Unit and the applicant.

If a consensus between the applicant and the RSM Unit is reached on a specific success criteria, which coincides with the business plan, the application will be approved and a Beneficiary agreement will be signed.

Up to 9 projects will be supported during the first round.