Summary of Key Terms – Lease Agreement

Objective:

- KESC (**"Lessor"**) shall provide Unit numbers 3 and 4 of Bin Qasim Power Station 1 (**"the Equipment"**) having a total rated capacity of 420MW to K-Energy (**"Lessee"**), for the purpose of executing the Coal Conversion Project (**"the Project"**).

Key Terms of Lease:

- Lessor shall lease the Equipment to Lessee for a term of 20 years
- Based on the schedule from EPC Contractor, the units 3 & 4 shall be made available prior to Commercial Operations Date (**"COD"**) for the EPC Contractor to carry out extensive rehabilitation of the Equipment in order to ensure its reliable and efficient operation over the life of the lease
- The ownership of the Equipment shall at all times remain with the Lessor
- Lease shall be effective from COD
  - Lease rentals shall be paid quarterly at the end of each quarter based on a fair market value of the unit nos. 3 and 4 as determined by an independent valuer, which will be subject to NEPRA's approval during the process of tariff determination
  - Rental payable shall be calculated as per the prevailing (**"KIBOR"**) rate plus 3% margin, to be approved by NEPRA
  - Payment of all taxes incidental to usage and ownership, if applicable, shall be the sole responsibility of the Lessee
  - Delayed payment of lease rentals shall attract late payment penalty as per industry practice
  - Lessee shall be required to arrange an acceptable security to cover the amount of quarterly lease rental due
- The Lessee shall be responsible for maintenance of the Equipment
- The Lessee shall be responsible for procuring insurance and payment of the premium
- At the end of the Lease period, the Equipment shall be returned to the Lessor

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*** Lease Agreement will be signed once the following is achieved:**

- Determination of an acceptable tariff from NEPRA
- K-Energy successfully achieving Financial Close for the Project
- K-Energy successfully executing EPC Contract with the EPC Contractor
- KESC obtaining necessary NOCs from its lenders

The draft long term Lease Agreement between KESC and K-Energy (Pvt.) Limited and the Memorandum & Articles Association of the Company are available at the Corporate Office of the Company for inspection by the members during office hours.

The Directors of the Company have no interest in the said special business.