PREQUALIFICATION DOCUMENTS
FOR AWARD OF THE CONCESSION FOR EXPLOITATION OF COAL
FROM THE MAOČE BASIN, CONDITIONED BY THE CONSTRUCTION
OF A THERMAL POWER PLANT OF ESTIMATED CAPACITY OF 500MW

November 2009
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PART 1 – PREQUALIFICATION PROCEDURE

Section I: Prequalification Public Notice

PUBLIC NOTICE

OF PREQUALIFICATION COMPETITION FOR AWARD OF THE
CONCESSION FOR EXPLOITATION OF COAL FROM THE MAOČE BASIN,
CONDITIONED BY THE CONSTRUCTION OF A THERMAL POWER
PLANT OF ESTIMATED CAPACITY OF 500MW

The Ministry of Economy of Montenegro (hereinafter: the Ministry) hereby invites all interested tenderers to submit applications for prequalification competition (hereinafter: the Prequalification Application) for the award of the concession for exploitation of coal in the “Maoče” basin, the Pljevlja Municipality, conditioned by the construction of a thermal power plant of the estimated capacity of 500MW (hereinafter: the Project). The Concession Contract shall be awarded through an international, transparent and competitive, two-stage tender procedure, in accordance with the Montenegrin law (hereinafter: the Tender).
1. **Concession subject matter description**

The subject matter of the concession is the exploitation of coal in “Maoče” basin, the Pljevlja Municipality, conditioned by the construction of a thermal power plant of estimated capacity of 500MW.

The Maoče Basin is located in the north-east part of Montenegro, with the air distance of about 15 km from Pljevlja. The square area covered by this concession is 14.5 km².

2. **Main Document basic elements**

The main document “Concession for exploitation of the mineral resources of brown-lignite coal in the Maoče basin, the Pljevlja Municipality” (hereinafter: the Concession Act) was adopted in accordance with the Law on Public Sector Participation in Delivery of Public Services (Official Gazette of the Republic of Montenegro 30/02).

Since the Law on Concessions (Official Gazette of Montenegro 8/09) has been passed, the awarding procedure of the subject concession shall be implemented in accordance with this Law and enabling regulations.

3. **Public competition procedure**

The two-stage public competition procedure is set forth by the Decree on detailed procedure for implementing the public tender procedure in an open and two stage concession award (Official Gazette of Montenegro 67/09) and the Prequalification Documents. The documents containing the details on the prequalification procedure (hereinafter: the Prequalification Documents) shall be available at the premises of the Ministry and on its web-site www.minekon.gov.me. Successful download of the mentioned Prequalification Documents from the web-site is to be immediately confirmed by an e-mail to the address: projekat.maoce@gov.me. Such confirmation is necessary so that the interested Applicants could be registered and included into the list for distribution of notifications, questions and answers.

4. **Prequalification criteria**

Any company or other legal entity or consortium (hereinafter: the Applicant) is entitled to participate in the Public Prequalification Competition. The Applicant is to fulfil the prequalification criteria consisting of financial and technical criteria.
4.1. Financial criteria
a) Applicant’s revenues must exceed the amount of EUR 500 million or its equivalent in other currency annually for the last 3 business years;
b) Applicant’s total assets must exceed the amount of EUR 1.5 billion or its equivalent in other currency for the last business year;
c) Applicant must be awarded the credit rating of no less than “BBB minus” by Standard and Poor’s or Fitch, or “Baa3” by Moody’s;

Applicant has to fulfil the financial criterion referred to in item 4.1. indent a) and one of the financial criteria referred to in the same item indent b) or c).

4.2. Technical criteria
4.2.1. Experience in the electricity generation from coal-fired thermal power plant
a) The quantity of electricity generated from the coal-fired thermal power plant by the Applicant may be no less than 6,000 GWh per year for the last 3 business years.
b) Applicant has under its ownership coal-fired thermal power plants of the total installed capacity of no less than 1,000MW.

4.2.2. Experience in exploitation and management of coal mines
The quantity of coal produced by the Applicant may be no less than 2,000,000 tons per year during the last 3 business years.

The Applicant must fulfil all technical criteria.

Fulfilment of criteria if the Applicant is a consortium

In the event that the Applicant is a consortium, the Consortium Lead Member needs independently to fulfil:
1. Financial criteria referred to in item 4.1 indent a) and one of the criteria referred to in the same item indent b) or c); and
2. One of the Technical Criteria referred to in item 4.2.1 indent a) or b).

5. Prequalification Application submission deadline
The Applicant may submit the Prequalification Application in person to the archive of the Ministry or via mail to the following address:
Ministarstvo ekonomije /Ministry of Economy/,
Rimski trg 46, Podgorica,
Crna Gora

Applications are to be submitted in Montenegrin and English as specified by the Prequalification Documents.

End date for submission of Prequalification Applications is 6 February 2010, until 12 am (local time).

Submitted Prequalification Applications shall be opened in public on the same day at 2 pm, local time, in the premises of the Ministry. The procedure of opening the applications shall be implemented by the Tender Committee appointed by the Ministry. Authorized representatives of applicants may be present at the opening of the Prequalification Applications.

Applications that arrive after the End Date for submission of applications shall not be considered, and shall be returned to the Applicant unopened.

Detailed description of the preparation, contents and procedure for submission of the Prequalification Application is explained in the Prequalification Documents.

6. Public Competition Procedure for Qualified Tenderers

Applicants that fulfil the defined conditions and criteria of the prequalification procedure, prescribed by this Public Notice and Prequalification Documents, shall be nominated as the tenderers qualified for submission of tenders (hereinafter: the Qualified Tenderers). The Qualified Tenderers shall be invited to submit tenders for the Project.

The Qualified Tenderers shall be delivered the Concession Act and shall be enabled to purchase the tender documentation that will, inter alia, define how and when the locations may be visited, the contents of the tender, the deadline for submission and withdrawal of submitted tenders, the data on the amount and type of the deposit, or the guarantee and the period it is required for, the conditions, deadlines and manner for returning the deposit, or guarantee.

7. Amendments to the Public Notice

Potential amendments to the Prequalification Public Notice shall be published in the same way as the original text of the Prequalification Public Notice. In that case the deadline for submission of applications shall be extended by the period lapsed from the publication date of the same in the Official Gazette of Montenegro until the date of the amendment.
The Ministry reserves the right to cancel or declare the Tender unsuccessful at any phase of the procedure.

8. Contact persons and additional information

Any question and/or request for additional information regarding the Tender is to be delivered to the Ministry via e-mail to the following address: projekat.maoce@gov.me

Contact persons:
MA Vladan Dubljević,
tel: +382 20 482 106, fax: +382 20 234 027
Vesna Bracanović
tel: +382 20 482 217, fax: +382 20 234 027
Section II: Instructions to Tenderers

1. General part

1.1 Project description

The Ministry of Economy of Montenegro (hereinafter: the Ministry) hereby invites all interested tenderers to submit prequalification applications (hereinafter: Prequalification Application) for award of the concession for exploitation of coal from the Maoče basin conditioned by the construction of a thermal power plant of estimated capacity of 500MW (hereinafter: the Project). Concession Contract shall be awarded through an international, transparent and competitive, two-stage concession award procedure, in accordance with the Montenegrin law (hereinafter: the Tender).

1.2 Prequalification Public Notice

This Prequalification Documents have been produced in accordance with the Prequalification Public Notice that was published in the Official Gazette of Montenegro 73/09, the Pobjeda, daily newspapers printed and distributed in the whole territory of Montenegro, the international economic newspaper Financial Times and on the web-site of the Ministry of Economy (www.minekon.gov.me) (hereinafter: Prequalification Public Notice). The official date of Prequalification Public Notice announcement is the day of its publication in the Official Gazette of Montenegro.

1.3 Expenses

The Applicant shall bear its expenses related to preparation and submission of the Prequalification Application.

2. Conditions for participation in the Prequalification Competition

2.1 General conditions

2.1.1 Any business organization or other legal entity or Consortium (hereinafter: Applicant) is entitled to take part in the procedure in respect of the Prequalification Public Notice.
2.1.2 In the case when the Applicant is a Consortium, the Consortium members
are jointly liable for observing the Tender rules, laws and regulations
governing the Tender, including subsequent amendments thereof. Every
Consortium will appoint and authorize one (1) lead member (hereinafter:
the **Lead Member** ) to represent and irrevocably bind all the Consortium
members in all the issues relevant to the Tender, including but not limited
to the submission of the Prequalification Application in the name of the
Consortium.

2.1.3 One business organization or other legal entity may take part in two or
several Prequalification Applications neither independently nor as a
Consortium member.

2.1.4 The Applicant or Consortium member may not have control over another
Applicant or Consortium member. For the purpose of this definition,
“control“ means to manage or have majority votes and majority
presentation in the Shareholder’s Assembly (or other equivalent body).

2.1.5 In order to take part the Applicant shall fill in the Form 1 or 2, as
applicable.

3. Prequalification Application preparation

3.1 **Prequalification Application form, signing, closing and marking**

3.1.1 Prequalification Application shall include all the documents mentioned in
items 4.1 and 4.2 that are to be placed in two separate envelopes:

- the first, with clearly indicated words “Suitability Envelope“ which will
  contain the documents required for establishing the suitability
  of the Applicants referred to in item 4.1.1, or 4.1.2 in case of a
  consortium (hereinafter: **Suitability Envelope**). Documents to be
delivered in the **Suitability Envelope** will be submitted in the
original language of the country where the Applicant is
headquartered, with the requirement for certified translation into
Montenegrin and English to be submitted as well; and

- the second, with clearly indicated words “Prequalification Criteria
Envelope“ which will contain documents required for establishing
whether the prequalification criteria referred to in item 4.2 have been met (hereinafter: **Prequalification Criteria Envelope**). Documents to be delivered in the **Prequalification Criteria Envelope** will be delivered in the original language of the country where the document is issued, with the requirement for certified translation into Montenegrin and English to be submitted as well.

3.1.2 Every Applicant shall prepare and submit the original and one counterpart of the Prequalification Application in separate envelopes, of which each will contain a Suitability Envelope and a Prequalification Criteria Envelope, where the envelope containing the original of the Prequalification Application will be marked as “**Original**”, and the envelope containing the counterpart of the Prequalification Application as “**Counterpart**”. In case of any conflict between the counterparts and originals, originals shall prevail. Closed separate envelopes containing the original and a counterpart of the Prequalification Application will be closed in one wrapping (hereinafter: **Main Envelope**).

3.1.3 Person or persons duly authorized to be legally binding for the Applicant:
(i) shall sign the Prequalification Application in the form given in Form 1 or 2, as applicable; and
(ii) shall initial all the pages of the original Prequalification Application, save the pre-printed text, if existent.

3.1.4 Documents constituting the Prequalification Application may not be amended or supplemented.

3.1.5 The Main Envelope that contains the original and the counterpart of the Prequalification Application and inner Suitability Envelopes and inner Prequalification Criteria Envelope is to be sent to the following address:

Ministarstvo ekonomije
Rimski trg 46, Podgorica
CRNA GORA

The Main Envelope and separate envelopes that contain the original and a
counterpart of the Prequalification Application, inner Suitability Envelope and inner Prequalification Criteria Envelope, must include the full name and address of the Applicant, with the indication: “Maoče Project Prequalification Application” and the note: Ne otvarati osim u prisustvu Tender Committee – Do not open except in the presence of the Tender Committee”. If the Applicant is a consortium, only the name and address of the Lead Member of the Consortium is indicated. This is required as to enable the Prequalification Application to be returned unopened in case it has been received by the Ministry after the expiry of the deadline for submission of Prequalification Applications.

3.1.6 If the Main Envelope is not sealed or marked as previously defined in this item 3.1, the Tender Committee shall not be liable for any wrongful referral or early opening of the Prequalification Application.

3.1.7 Graphic illustration of the Prequalification Application scheme:
3.2 Prequalification Application language

The Prequalification Application prepared by the Applicant, as well as all the communication and documents related to the Prequalification Application, shall be submitted in Montenegrin and English, as defined in item 3.1.1.

All the documents must be certified with the competent certification authority of the court/public notary while the documents that originate from another jurisdiction/abroad are to be apostilled (Convention de la Hague from 1961).

3.3 No price information

Prequalification Applications must not include the price or price lists or other references to the price of Project implementation. Prequalification Applications containing such price information shall be rejected.

3.4 Applicant suitability conditions

Any Applicant is entitled to participate in the Public Prequalification Competition provided to have met the suitability conditions defined in Article 23 of the Law on Concessions (Official Gazette of Montenegro 8/09) prescribing that the Applicant:
- is not under bankruptcy or liquidation procedure;
- has not been convicted for a criminal act committed in the course of professional activity performance;
- has settled tax liabilities and liabilities in respect of penalties imposed in a criminal or misdemeanour proceedings in the period of minimum three years prior to the Prequalification Public Notice.

3.5 Prequalification Criteria

Any business organization or other legal entity, as well as a consortium (hereinafter: the Applicant) is entitled to participate in the Public Prequalification Competition. The Applicant is to meet the Prequalification Criteria that consist of financial criteria and technical criteria.

3.5.1. Financial criteria

a) Applicant’s revenues must exceed the amount of EUR 500 million or its
equivalent in other currency on annual basis for the last 3 business years;

b) Applicant’s total assets must exceed the amount of EUR 1.5 billion or its equivalent in other currency for the last business year;

c) Applicant must be awarded the credit rating of minimum “BBB minus” by Standard and Poor’s or Fitch, or “Baa3” by Moody’s;

The Applicant must fulfil the criterion referred to in item 3.5.1 indent a) and one of the financial criteria referred to in the same item indent b) or c).

3.5.2. Technical criteria

3.5.2.1. Experience in electricity generation from a coal-fired thermal power plant

a) The quantity of electricity generated from a coal-fired thermal power plant by the Applicant must be no less than 6.000 GWh annually for the last 3 business years.

b) Applicant has under its ownership coal-fired thermal power plants of total installed capacity of 1,000MW.

3.5.2.2. Experience in coal mine exploitation and management

a) The quantity of coal produced by the Applicant must be no less than 2.000,000 tons annually for the last 3 business years.

The Applicant must meet all the technical criteria

3.5.3 Criteria to be met if the Applicant is a consortium

If the Applicant is a consortium, the Consortium Lead Member must independently meet:

1 Financial criteria mentioned in item 3.5.1 indent a), and one of the criteria referred to in the same item indent b) or c); and
4. Application contents

4.1. Suitability Envelope contents

4.1.1 Suitability Envelope is to contain the following documentation:

a) Applicant’s general information – (Applicant is to fill in the Form 1);
b) Proxy – Applicant is to fill in the Form 4;
c) Statement under full material and criminal liability – Applicant is to fill in the Form 5;
d) Proof that bankruptcy or liquidation procedure has not been initiated against the Applicant;
e) Proof that the Applicant has not been convicted for a criminal act committed in the course of professional activity performance;
f) Proof that the Applicant has settled tax liabilities and liabilities in respect of penalties imposed in the criminal or misdemeanour proceedings in the period of minimum three years prior the Prequalification Public Notice.
g) Extract from the court, professional or trade register of the country where the Applicant is headquartered;
h) Proof that payments to the Applicant have not been blocked – relevant bank statements, bank’s advice or statement on the financial suitability of a legal entity that is the bank’s client.

4.1.2. Joint participation - Consortium

If the Applicant is a consortium, it is obliged to submit:

a) Proofs referred to in item 4.1.1., except 4.1.1 indent a), for each consortium member, including the Consortium Lead Member;
b) Joint participation information (Applicant is to fill in the Form 2)
c) Consortium agreement or other corresponding act on business association, which explicitly envisages that:
   i. all the members of the consortium will be jointly liable for execution of the contract, in accordance with its terms;
   ii. the Consortium Lead Member will have no less than 51% equity in the future business organization registered in Montenegro to implement the
Project (hereinafter: Project Company), provided that the Lead Member may not transfer its shares in the Project Company prior to the expiry of two-year (2) period from the commencement of the commercial operations of the Project, without prior written approval by the competent authority, which shall not be unreasonably withheld or delayed;

iii. the activities of each consortium member shall be established;

iv. that the Consortium Lead Member shall be appointed and authorized to undertake obligations and receive instructions in the name of each individual and all members of the consortium jointly to represent and irrevocably bind all Consortium members in respect of all issues related to the Tender, including but not limited to the submission of the Prequalification Application in the name of the Consortium;

v. the implementation of the entire contract including payments shall be carried out only with the Consortium Lead Member.

The elements of the Consortium Agreement as defined in item 4.1.2. indents i), ii) and iii) make an integral part of the Concession Contract as the obligations of the Concessionaire.

The proofs referred to in item 4.1.1. must not be older than ninety (90) days from the day of the Prequalification Public Notice.

**Note:** If the Applicant is a foreign business organization or other legal entity, it shall be issued the proofs referred to in item 4.1.1. indents d) to h) by the competent authority of the country where the Tenderer is headquartered. In case that the country where the Tenderer is headquartered does not issue the mentioned proofs, such proofs may be replaced by the statement of the Tenderer under material and criminal liability, or if in the country where the Tenderer is headquartered there are no legal provisions related to statements under criminal and material liability, the statement given before the competent judicial or administrative authority or notary (Form 5).

### 4.2. Prequalification Criteria Envelope contents

The Prequalification Criteria Envelope is to contain the proofs that financial and technical criteria mentioned in item 3.5 have been met.
Also, this envelope must contain completed Form 3 where information relevant to fulfilment of prequalification criteria is entered. The envelope must also contain the proofs mentioned in Form 3 to confirm the accuracy of entered data.

5. Proxy

Every Applicant, (or if the Applicant is a consortium, then every member of the Consortium) submits a written proxy in the form given in Form 4, duly certified, which states that the person(s) signing the Prequalification Application is/are authorized to sign the same.

6. Clarifications

The Applicant asking for any clarification related to Prequalification Documents or having any other requirements defined herewith, may submit the relevant information to the Ministry in writing.

Any clarification request related to Prequalification Documents must be received by electronic mail at the address: projekat.maoce@gov.me. Electronic copies of the questions from the clarification request and relevant responses, but not the identification of the request submitter, will be sent to all Applicants who have confirmed the receipt of Prequalification Documents as mentioned in the Prequalification Public Notice. If similar or repeated questions are posed by Applicants, such questions may be recorded as one and may be responded to with a single response.
7. Schedule

The indicative schedule covering the period from the Prequalification Public Notice to the end of the Tender (hereinafter: Indicative Schedule) is presented in the Table below:

<table>
<thead>
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<th>Activity</th>
<th>Target date</th>
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<tbody>
<tr>
<td>End date for submission of Prequalification Applications</td>
<td>[6 February 2010]</td>
</tr>
<tr>
<td>Announcement of Qualified Tenderers</td>
<td>[6 March 2010]</td>
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<tr>
<td>Invitation to submission of tenders</td>
<td>[15 March 2010]</td>
</tr>
<tr>
<td>End date for submission of tenders</td>
<td>[15 October 2010]</td>
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The Ministry may amend the Indicative Schedule, at its own discretion and without prior notice to Applicants. The Ministry shall not be liable for any consequences that may arise from the amendment of the Indicative Schedule. The Ministry shall inform the Applicants of the amendments to the Indicative Schedule.

8. Submission of Prequalification Applications

The end date for submission of applications is 6 February 2009 (hereinafter: End Date for Submission of Prequalification Applications).

Prequalification Applications must be accepted by the Ministry, prior to the expiry of the End Date for submission of Prequalification Applications at the following address:

Ministarstvo ekonomije
Rimski trg 46
8100 Podgorica
Crna Gora
9. Opening, inspection, examination and evaluation of Prequalification Applications

9.1 Procedure phases

The procedure of opening, inspection, examination and evaluation of Prequalification Applications includes the following phases:

1) opening and inspection of the Main Envelope and separate envelopes that contain the original and counterparts of Prequalification Applications;
2) opening of Suitability Envelope and inspection of the documents contained therein;
3) opening of Prequalification Envelope, inspection, examination and evaluation of the documentation contained therein.

The Tender Committee shall conduct the opening and inspection procedure at the place and time specified in the Prequalification Public Notice.

Applicants, through their authorized representatives, are entitled to attend the phase 1) and phase 2) of the procedure as mentioned above.

9.2 Opening and inspection of the Main Envelope and separate envelopes

At the beginning of the opening procedure the Tender Committee shall first establish if each Prequalification Application has been accepted within the End Date for submission of Prequalification Applications. Only the Prequalification Applications that have been received in due time shall be opened. The Tender Committee shall not consider the Applications that arrive after the End Date for submission of Prequalification Applications, but shall return them to the Applicant unopened.

Prequalification Applications shall be opened according to the sequence of their receipt recorded in the archive of the Ministry.

After having opened the Main Envelope, the Tender Committee shall establish if the Main Envelope contains separate envelopes with the original of the Prequalification Application and its counterpart, and if each of them contains duly sealed and marked Suitability Envelopes and Prequalification Criteria.
Envelopes.

If, after having opened and examined the Main Envelope, the Tender Committee finds that the Main Envelope does not contain all separate and inner envelopes that according to this Prequalification Documents must be in the Main Envelope; and/or the separate and inner envelopes contained in the Main Envelope are not duly sealed or marked according to the provisions of this Prequalification Documents, the Tender Committee shall reject such Prequalification Application as irregular and shall not consider it in the further procedure.

The Tender Committee shall in no way be liable to Applicants and/or their representatives if, due to the above mentioned circumstances, the Prequalification Application has been rejected as irregular.

9.3 Opening of Suitability Envelope and inspection of documentation contained therein

The Tender Committee shall open the Suitability Envelope of such an Applicant whose Prequalification Application has not been rejected as irregular according to Section 9.2, inspect the documentation and establish whether the Applicant has submitted all required documentation for determination of the suitability of the Applicant in the required form, in accordance with the Prequalification Public Notice and these Prequalification Documents.

If, after having opened and inspected the Suitability Envelope, the Tender Committee finds that the Prequalification Application does not meet any of the conditions referred to in the previous paragraph, the Tender Committee shall reject such Prequalification Application as irregular and such Prequalification Application shall not be considered in the further procedure.

The Tender Committee shall be in no way liable to Applicants and/or their authorized representatives if, due to the above mentioned circumstances, their Prequalification Applications have been rejected as irregular.
9.4 Minutes

The Tender Committee shall take Minutes on the procedure described in items 9.2 and 9.3. Authorized representatives of Applicants are entitled to present objections in respect of the procedure and the contents of the Minutes.

The Minutes shall be signed by the Chairman and members of the Tender Committee, as well as authorized representatives of Applicants. If any of the authorized representatives of Applicants abandons early the procedure described in items 9.2 and 9.3 or refuses to sign the Minutes, the Tender Committee is obliged to state such abandoning or reasons for refusal of signing in the Minutes.

Within three business days from the completion of the procedure described in items 9.2 and 9.3, the Tender Committee is obliged to send the Minutes to Applicants, and to return irregular Prequalification Applications to Applicants in the condition as stated in the Minutes.

9.5 Opening of Prequalification Criteria Envelope, inspection, examination and evaluation of documentation contained therein

The Tender Committee shall open the Prequalification Criteria Envelopes, inspect, examine and evaluate the documentation contained therein without the presence of Applicants’ authorized representatives.

After having opened the Prequalification Criteria Envelopes of such Applicants whose Prequalification Applications have not been rejected as irregular, the Tender Committee shall inspect the submitted documentation and establish if the Applicant submitted all the documentation required in accordance with the Prequalification Public Notice and Prequalification Documents.

If, after having opened and inspected the Prequalification Criteria Envelope, the Tender Committee finds that the Applicant has not submitted all the required documentation or such documentation does not meet any of the conditions envisaged by the Prequalification Public Notice and Prequalification Documents, the Tender Committee shall reject such Prequalification Application as irregular and shall not consider it in the further procedure.
The Tender Committee is entitled to demand in writing from the Applicant to provide clarification of the documentation submitted in the Prequalification Criteria Envelope.

The purpose of the clarification is to explain unclear parts of the documentation submitted in the Prequalification Criteria Envelope. Neither shall the clarification request demand from the Applicant to amend or supplement the Prequalification Application, nor shall the Applicant do the same within its clarification. The requested clarifications shall be stated in the Report of the Tender Committee, and received clarifications shall be enclosed to the Prequalification Application.

The Applicant is obliged to submit the clarification of the documentation submitted in the Prequalification Criteria Envelope in the required form within five business days from the receipt of the request.

The Tender Committee shall examine and evaluate the documentation submitted in the Prequalification Criteria Envelope and establish if the Applicant has met the Prequalification Criteria defined in item 3.5 Prequalification Documents. In order to establish the mentioned, the Tender Committee shall examine the information and documentation submitted by the Applicant observing the following fact:

**The Prequalification Criteria, defined in item 3.5 are based on the "Passed"/"Failed" principle for each criterion.**

The Applicant whose Prequalification Application has been evaluated by the Tender Committee as regular and to have met the Prequalification Criteria defined in item 3.5 and other requirements referred to in Section 3 shall be declared as "Qualified Tenderer".

The Applicant whose Prequalification Application has been rejected by Tender Committee as irregular and/or not to have met the Prequalification Criteria defined in item 3.5 and other requirements referred to in Section 3 shall be declared as "Non-qualified Tenderer".

Within thirty (30) days from the day of opening of Prequalification Applications, the Tender Committee shall submit to the Ministry the report on the conducted procedure with the list of Qualified Tenderers and Non-qualified Tenderers, as well as the minutes taken at all meetings.
10. Applicant Notification and Invitation to submit Tenders

10.1 Applicant Notification

After having inspected and evaluated the Prequalification Applications, the Ministry shall:

a) notify the Applicant to have been declared a Qualified Tenderer; or
b) notify the Applicant to have been declared a Non-qualified Tenderer since it failed to meet the Prequalification Criteria defined in item 3.5 and other requirements referred to in Section 3 and/or its Prequalification Application has been rejected as irregular.

Qualified Tenderers shall be notified about when, how and where Tender Documentation can be purchased, as well as the dates for submission of tenders related to the Project.

The Ministry shall publish the list of Qualified Tenderers on its notice board and its website.

10.2 Compliance with Suitability and Qualification Conditions by Qualified Tenderers

Qualified Tenderer must meet suitability conditions, as well as the Prequalification Criteria, during the whole course of the Tender till the singing of the Concession Contract.

10.3 Details related to submission of Tenders

The details related to the submission of Tenders shall be defined in the Tender Documentation.
11. Consortiums for submission of Tenders

11.1. The establishing of a Consortium after the prequalification and any change of the pre-qualified Consortium are subject to a written consent of the Ministry of Economy prior to the expiry of the deadline for submission of Tenders. This consent may be denied (i) if due to withdrawal of members from the Consortium, the remaining members do not meet the qualification conditions; (ii) if the level of the share of members or the structure of the Consortium significantly changes; (iii) if the new Consortium does not meet the Prequalification Criteria; or (iv) if, in the opinion of the Ministry significant decrease in respect of competition might occur.

11.2 If a Qualified Tenderer wishes to establish a Consortium for submission of the Tender, it will have to obtain a previous written consent from the Ministry. If the Qualified Tenderer is a Consortium, it shall not be able to change the structure of the Consortium without prior written consent from the Ministry. The above mentioned changes made with the consent of the Ministry shall not result in the termination of compliance with the Prequalification Criteria.

11.3 Every Qualified Tenderer shall be disabled to establish partnership (direct or indirect) with another Qualified Tenderer without explicit written consent of the Ministry. If a Qualified Tenderer is a Consortium, the above mentioned shall be applicable to all members of the Consortium.
PART 2 – SCHEDULES

Prequalification Application Forms

Form 1 – TENDERER GENERAL INFORMATION

<table>
<thead>
<tr>
<th>Applicant information:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Name:</td>
</tr>
<tr>
<td>Business organization form:</td>
</tr>
<tr>
<td>Business registration number:</td>
</tr>
<tr>
<td>Tax number:</td>
</tr>
<tr>
<td>Headquarters:</td>
</tr>
<tr>
<td>Telephone:</td>
</tr>
<tr>
<td>Fax:</td>
</tr>
<tr>
<td>E-mail:</td>
</tr>
<tr>
<td>Primary activity:</td>
</tr>
<tr>
<td>Authorized person name:</td>
</tr>
<tr>
<td>Authorized person seal and signature:</td>
</tr>
</tbody>
</table>
**2.1 Information on the Consortium Lead Member:**

<table>
<thead>
<tr>
<th>Name:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Business organization form:</td>
<td></td>
</tr>
<tr>
<td>Business registration number:</td>
<td></td>
</tr>
<tr>
<td>Tax number:</td>
<td></td>
</tr>
<tr>
<td>Headquarters:</td>
<td></td>
</tr>
<tr>
<td>Telephone:</td>
<td></td>
</tr>
<tr>
<td>Fax:</td>
<td></td>
</tr>
<tr>
<td>E-mail:</td>
<td></td>
</tr>
<tr>
<td>Primary activity:</td>
<td></td>
</tr>
<tr>
<td>Authorized person name:</td>
<td></td>
</tr>
<tr>
<td>Authorized person seal and signature:</td>
<td></td>
</tr>
</tbody>
</table>

**2.2 Information on Consortium Member:**

<table>
<thead>
<tr>
<th>Name:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Business organization form:</td>
<td></td>
</tr>
<tr>
<td>Business registration number:</td>
<td></td>
</tr>
<tr>
<td>Tax number:</td>
<td></td>
</tr>
<tr>
<td>Headquarters:</td>
<td></td>
</tr>
<tr>
<td>Primary activity:</td>
<td></td>
</tr>
<tr>
<td>Authorized person name:</td>
<td></td>
</tr>
<tr>
<td>Authorized person seal and signature:</td>
<td></td>
</tr>
</tbody>
</table>
Note: a separate form 2.2 is to be filled in for each member of the Consortium
Subject: “Maoče“

For:
Ministry of Economy of Montenegro
Rimski trg 46, Podgorica
CRNA GORA

Dear Sir/Madam

We refer to the Prequalification Documents published by the Ministry of Economy on [date], for award of the concession for exploitation of coal from the Maoče basin, conditioned by the construction of a thermal power plant of estimated capacity of 500MW

1 Financial criteria fulfilment

In accordance with Section 3.5.1 of Prequalification Documents (Financial Criteria) we submit the proof that the Applicant (or Lead Member if the Applicant is a Consortium) has fulfilled all the mentioned prequalification Financial Criteria.

a) Applicant’s revenues must exceed the amount of EUR 500 million or its equivalent in other currency on annual basis for the last 3 business years;

Table 1: Financial Criteria – annual revenues

<table>
<thead>
<tr>
<th>Business year (in EUR or equivalent)</th>
<th>2006 (EUR)</th>
<th>2007 (EUR)</th>
<th>2008 (EUR)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial data</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total revenue</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

b) Applicant’s total assets must exceed the amount of EUR 1.5 billion or its equivalent in other currency for the last business year;
Table 2: Financial Criteria – assets

<table>
<thead>
<tr>
<th>Business year (in EUR or equivalent)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Financial data</strong></td>
</tr>
<tr>
<td>2008 (EUR)</td>
</tr>
</tbody>
</table>

Fixed assets – Balance Sheet data

c) Applicant must be awarded the credit rating of no less than “BBB minus” by Standard and Poor’s or Fitch, or “Baa3” by Moody’s;

Table 3: Financial Criteria – Credit rating

<table>
<thead>
<tr>
<th>Credit rating</th>
<th>Rating Agency</th>
</tr>
</thead>
</table>

Applicant and all Consortium Members proving the compliance with Prequalification Criteria are to submit copies of the balance sheet and/or financial statements for business years mentioned in the Financial Criteria 3.5.1. Financial statements need to:

(a) reflect the financial standing of the Applicant or Consortium Member;
(b) have been audited by an authorized auditor;
(c) be complete, including all the notes accompanying financial statements;
(d) be relative to accounting periods that have already been completed and audited (statements relative to incomplete years are not required and shall not be accepted).

Applicant is to submit certified copies of financial statements (balance sheet, including all the respective notes, and income statement) for three (3) years mentioned in Table 1 herein.

2  Technical Criteria fulfilment

In accordance with Section 3.5.2 of the Prequalification Documents (Technical Criteria) we submit the proof that the Applicant has fulfilled each of the mentioned prequalification Technical Criteria.

*Experience in generation of electricity from a coal-fired thermal power plant*
a) The quantity of electricity generated from a coal-fired thermal power plant by the Applicant must be minimum 6,000 GWh a year for the last 3 business years.

b) The Applicant has under its ownership coal-fired thermal power plants of total installed capacity of no less than 1.000MW.

Table 4: Technical Criteria – capacity and generated electricity

<table>
<thead>
<tr>
<th>Name of the power plant by electricity generator units</th>
<th>Net installed capacity (MWe)</th>
<th>Net electricity generation (MWh)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2006 2007 2008</td>
<td></td>
</tr>
<tr>
<td>A) for management</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total A:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>B) under the Tenderer’s ownership</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total B:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total A + B</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Therefore, we confirm that, with regard to the facilities mentioned in the above Table, there have been no material violations of the current laws or regulations relative to the environmental protection and health and safety at work in any of them.

Proofs for fulfilment of technical criteria – Experience in electricity generation from a coal-fired thermal power plant:

a) As the proof of managing a coal-fired thermal power plant and producing the mentioned electricity quantity in this respect the Applicant is to provide:
   a. Annual report on the production or
   b. Report of the competent Transmission System Operator on the energy delivered from the subject coal-fired thermal power plant
If the Applicant manages the subject coal-fired thermal power plant based on an Operation Agreement or Management Agreement (in respect of which it has fulfilled the criterion), it is obliged to submit these agreements.

As the proof of owned facilities, the certified copy of the title certificate from the country where the facility is located is to be provided.

**Experience in coal mine exploitation and management**

a) The quantity of coal produced by the Applicant must be minimum 2,000,000 tons a year for the last 3 business years.

<table>
<thead>
<tr>
<th>Mine name</th>
<th>Coal production (in tons)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2006</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>Total:</td>
<td></td>
</tr>
</tbody>
</table>

Therefore, we confirm that, with regard to the coal production mentioned in the above Table, there have been no material violations of the current laws or regulations relative to the environmental protection and health and safety at work in any of them.

As the proof that the Applicant produces the mentioned quantity of coal the Applicant is to submit the Annual report on coal production.

Yours truly,

[Authorized person signature]

[Authorized signer name, surname, title]
Form 4 - PROXY

On [Date]

I witness

In the capacity of the Notary of this office

The undersigned

Mr./Mrs./Miss. [Name and surname]

In the capacity [Capacity]

Nationality [Nationality]

Passport/ID card no. [Number]

Issued by [Institution]

On [Date]

With residence at [Address]

Hereby Mr/Mrs/Miss [Name and surname] is authorized in the capacity of [capacity] to:

a) sign and deliver to competent authorities all the documents mentioned herein;

b) deliver and accept any document or instrument related to the documents mentioned herein; and

c) undertake any required and ancillary actions related to any of the issues mentioned herein including performing, certifying or executing any act or action deemed necessary to be performed, for the purpose of completing or other certifying of the documents indicated herein.
Hereby he/she is authorized to appoint other persons for all or a part of rights delegated to him/her by this Proxy.

A. DATE: [Signing date]

B. PROXY ISSUER: [Applicant/Consortium Member name]

C. PROXY: [Applicant’s/Consortium Lead Member’s representative name]

D. PLACE WHERE DOCUMENTS ARE TO BE SIGNED AND DELIVERED: Ministarstvo ekonomije Crne Gore
Rimski Trg 46, Podgorica, Crna Gora

E. DOCUMENTS All documents related to Prequalification Application for award of the concession for exploitation of the Maoče basin, conditioned by the construction of a thermal power plant of estimated capacity 500MW

IN WITNESS THEREOF, the Proxy issuer, previously mentioned, confirms by his/her signature this Proxy (certified by a seal) on the above mentioned date.

[Seal]

[Proxy issuer signature]

[Proxy issuer name and surname, title]

[Notary seal and signature]
Form 5 – STATEMENT UNDER CRIMINAL AND MATERIAL LIABILITY

[Date]

Subject: Maoče

To:
Ministry of Economy of Montenegro
[Name and surname of the person accepting the Prequalification Application]
[Title]
Rimski trg 46, Podgorica
CRNA GORA

[Applicant’s/Consortium Lead Member’s name] hereby presents and warrants that, to the date of this letter, [Applicant’s/Consortium Lead Member’s name] and each member of our Consortium (if applicable):

a) has not been under the bankruptcy or liquidation procedure;

b) has not been convicted for a criminal act committed in the course of professional activity performance;

c) has not had unsettled tax liabilities or liabilities in respect of judgments awarded in a criminal or misdemeanour proceedings in the period of no less than three years prior to the Prequalification Public Notice.

Yours truly,

[Authorized person signature]

[Authorized signer name, surname and position]

[Company name]

[Address]
PART 3
– PROJECT DESCRIPTION

1. Concession area

The area to be covered by the concession for exploitation of coal is about 14.5 km². The exploitation field is framed by the contours of the polygon presented in the map (Figure 1). It is planned that the thermal power plant should be constructed in the area near the mine.

According to the current spatial planning documentation the Maoče region is envisaged for exploitation of coal and clay.

Figure 1: geographic position of the exploitation area of Maoče

![Map of the exploitation area of Maoče](image)

<table>
<thead>
<tr>
<th>TOLČA</th>
<th>KOORDINATE X</th>
<th>KOORDINATE Y</th>
<th>HOTE 5</th>
<th>Odnos etans (m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>4789 000</td>
<td>0 082 089</td>
<td>1600</td>
<td>A-B=885</td>
</tr>
<tr>
<td>B</td>
<td>4789 000</td>
<td>0 815 965</td>
<td>360</td>
<td>B-C=369</td>
</tr>
<tr>
<td>C</td>
<td>4789 140</td>
<td>0 815 965</td>
<td>555</td>
<td>C-D=2239</td>
</tr>
<tr>
<td>D</td>
<td>4749 140</td>
<td>0 817 755</td>
<td>555</td>
<td>D-E=1900</td>
</tr>
<tr>
<td>E</td>
<td>4791 000</td>
<td>0 818 830</td>
<td>988</td>
<td>E-F=2889</td>
</tr>
<tr>
<td>F</td>
<td>4789 000</td>
<td>0 816 890</td>
<td>575</td>
<td>F-G=3000</td>
</tr>
<tr>
<td>G</td>
<td>4789 000</td>
<td>0 815 890</td>
<td>575</td>
<td>G-H=1720</td>
</tr>
<tr>
<td>H</td>
<td>4789 000</td>
<td>0 815 890</td>
<td>575</td>
<td>H-I=3200</td>
</tr>
<tr>
<td>I</td>
<td>4789 000</td>
<td>0 815 890</td>
<td>1125</td>
<td>I-J=2400</td>
</tr>
</tbody>
</table>

2. Recommendation related to the maximum capacity of the new thermal power plant

Taking into account the quantities of coal available and the standard economic
life of a thermal power plant of 40 years, the installed capacity of the future thermal power plant is estimated to 500 MW. The recommended solution is to construct two units (CFB) of 250 MW (2x250 MW) each with circulating fluidized-bed combustion (CFB) technology.

The estimated investment costs of the construction of the thermal power plant including the obtaining of all required permits, designing, construction of the thermal power plant, connecting to high voltage network of 400 kV, amount to about EUR 750 million.

3. **Concession Term**

The term of the Concession Contract is 45 years, with the possibility of extension in accordance with the Law. The estimated period for construction of the thermal power plant is 5 years within the Concession Term.

The beginning of the construction of the thermal power plant is 2012. Estimated date for releasing the unit B1 (250 MW) into commercial exploitation is 2016, while the power plant should be commercially operational with both units (B1+B2) in 2017. The coal production will commence in 2016.

4. **Concession Fee**

Concession Fee for exploited coal will be calculated in the percentage amount of revenues generated from the sale of electricity.

The amount of the Concession Fee offered by the Tenderer, in relation to the amount of minimum Concession Fee set by the Grantor, will be one of the criteria for evaluation of tenders in the second phase of the Tender procedure.

The way in which the Concession Fee will be calculated will be defined in more details in the model Concession Contract.

The Concession Contract will be available to Tenderers during the course of Tender procedure, and no later than three months prior the End Date for submission of Tenders in the second phase of the Tender procedure.
5. Geographic position

The coal basin of Maoče is located in the north-east part of Montenegro, with the air distance of about 15 km, or 30 km by road, from the town of Pljevlja, where for more than 50 years there has been the tradition of mining production and where the Thermal Power Plant Pljevlja (225 MW) is now located with accompanying mines with open-pit exploitation.

The Maoče basin is located in the neogene basin at the altitude from 880 to 980 meters in the mountain area. Mean annual precipitations (snow and rain) amount to 900 mm. Mean annual temperature is 7°C and the number of cold days (air temperature is below 0°C) is 40 to 50 round a year.

Figure 2: Geographic position of the exploitation area of Maoče, MNE
6. Coal Reserves and Quality

The classification and categorisation of reserves developed in the Soviet Union during 1960’s has been used in the coal reserve estimation. In general terms, according to this classification the mineral reserves may be classified into seven categories: fully explored reserves (A, B, C₁), inferred reserves (C₂), prospective reserves (P₁, P₂, P₃). In the decision-making process related to opening of new mines only A, B and C₁ reserves are taken into consideration. Rough mapping of this classification and below given methodologies is as follows:

<table>
<thead>
<tr>
<th>Russian</th>
<th>International Reporting Code, JORC, etc</th>
</tr>
</thead>
<tbody>
<tr>
<td>A, B</td>
<td>proved resources/measured resources</td>
</tr>
<tr>
<td>C₁</td>
<td>proved or probable resources/indicated resources</td>
</tr>
<tr>
<td>C₂</td>
<td>probable resources/indicated resources/inferred resources</td>
</tr>
<tr>
<td>P₁</td>
<td>inferred resources</td>
</tr>
<tr>
<td>P₂</td>
<td>Recognised mineral resource (UN Framework Classification for Reserves/Resources, code 334)</td>
</tr>
<tr>
<td>P₃</td>
<td>no equivalent</td>
</tr>
</tbody>
</table>

According to the available data and the Detailed Study on Classification, Categorisation and Estimation of Coal Reserves in the Maoče Basin near Pljevlja (Geological Survey of Montenegro), the coal reserves in the deposit are presented in the Table 1.1.

<table>
<thead>
<tr>
<th>Reserve class</th>
<th>Reserves</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Category</td>
</tr>
<tr>
<td>Total geological reserves</td>
<td>B</td>
</tr>
<tr>
<td></td>
<td>C₁</td>
</tr>
<tr>
<td></td>
<td>B+C₁</td>
</tr>
<tr>
<td>Balance reserves</td>
<td>B</td>
</tr>
<tr>
<td></td>
<td>C₁</td>
</tr>
<tr>
<td></td>
<td>B+C₁</td>
</tr>
<tr>
<td>Off-balance reserves</td>
<td>B</td>
</tr>
<tr>
<td></td>
<td>C₁</td>
</tr>
<tr>
<td></td>
<td>B+C₁</td>
</tr>
<tr>
<td>Exploitation</td>
<td>B</td>
</tr>
</tbody>
</table>
The State Commission for Reserves has accepted the following reserves of coal and they are as follows:

<table>
<thead>
<tr>
<th>Category</th>
<th>Reserves (tons)</th>
</tr>
</thead>
<tbody>
<tr>
<td>B</td>
<td>90,100,000</td>
</tr>
<tr>
<td>C1</td>
<td>19,800,000</td>
</tr>
<tr>
<td>B+C1</td>
<td>109,900,000</td>
</tr>
</tbody>
</table>

Taking into account all existent documentation and information available presently, a consulting firm from a member-state of the European Union has confirmed the correctness of obtained total geological reserves in the amount of 123,383,312 tons of lignite within the normal accuracy.

The Miocene coal reserves in the Maoče Basin are divided into three strata. Exploitation reserves of upper and lower coal strata are 9.46 million tons (Table 1.2), which is 8.6% of the total exploitation reserves amounting to 112,938,537 tons.

### Table 1.2: Reserves and quality of coal by stratum

<table>
<thead>
<tr>
<th>Stratum</th>
<th>Category</th>
<th>Reserves (t)</th>
<th>Specific gravity (t/m³)</th>
<th>Total moisture (%)</th>
<th>Ash content (%)</th>
<th>Sulphur content (%)</th>
<th>Net Caloric Value (NCV) (KJ/kg)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Main</td>
<td>B</td>
<td>82,443,484</td>
<td>1.32</td>
<td>33.36</td>
<td>13.97</td>
<td>0.82</td>
<td>12,840</td>
</tr>
<tr>
<td></td>
<td>C1</td>
<td>21,038,694</td>
<td>1.35</td>
<td>30.57</td>
<td>16.08</td>
<td>0.92</td>
<td>12,561</td>
</tr>
<tr>
<td>Coal Stratum</td>
<td>B+C1</td>
<td>Total</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>-------------</td>
<td>--------</td>
<td>--------</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>B</td>
<td>2,992,563</td>
<td>12,644</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>C1</td>
<td>984,029</td>
<td>8,513</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>B+C1</td>
<td>3,976,592</td>
<td>7,887</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Lower Coal Stratum</td>
<td></td>
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<tr>
<td>B</td>
<td>187,462</td>
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<td>5,292,305</td>
<td>7,288</td>
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<tr>
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<td>Upper Coal Stratum</td>
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<tr>
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<td>12,644</td>
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<td>B+C1</td>
<td>112,938,537</td>
<td>12,342</td>
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</table>

The coalmine investment costs cover the initial development costs and the costs of mine opening, as well as subsequent costs of the mine expansion (such are the costs of land purchase, expansion of the drainage system, etc). Investments for the development of mine are planned to be made in 2014 and 2015.

The total anticipated investment in the mine opening is estimated to amount to around EUR 530 million.

7. Information on property rights

Based on information received from the Real Estate Administration of Montenegro, the concession area includes the total of 610 cadastre parcels. Counting in the fringe parcels that only partially belong to the concession area, the total area of the space is 15,577.86 m². Of this:

- 11,825.49 m² or 76 % is under private ownership,
- 3,752,35 m² or 24 % is under state ownership.

All data relative to parcels and owners will be available in the Data Room.

By signing the Concession Contract the concessionaire acquires the right to use land under state ownership. The purchase of private land is the obligation of the concessionaire and the land will be purchased in phases based on the declared public interest by the state, in accordance with the Law on Expropriation.
8. Electricity and electricity market regulatory framework

Montenegro signed and ratified in the Parliament the Energy Community of South East Europe Treaty in October 2006 and thus has undertaken to apply relevant EU Directives (acquis communautaire) in the area of energy, renewable energy sources, competition and environment. Draft new law on energy whose adoption is envisaged by the end of 2009 covers the essence of the following EU directives in the area of electricity:

- Directive 2003/54/EC concerning common rules for the internal market in electricity,
- Directive 2001/77/EC on the promotion of electricity produced from renewable energy sources,
- Directive 2005/89/EC concerning the measures to safeguard security of electricity supply and infrastructure investment
- Directive 2004/8/EC on the promotion of congeneration

Regulatory Agency declared the electricity market in Montenegro open for all consumers except households from 1 January 2009, while the same is envisaged for all consumers, including households, no later than 1 January 2015.

The legal framework for electricity market opening is defined by:

- The current Energy Law,
- Directive 2003/54/EC concerning common rules for the internal market in electricity
- Regulation 1228/2003/EC on the conditions for access to the network for cross-border exchanges in electricity, and

Electricity market in Montenegro consists of the wholesale and retail market. Electricity wholesale market includes:

- long-term market, i.e. market based on bilateral agreements,
- mid-term – day-ahead market, which is non-existent in the initial period, but may be established at a specific stage of market development,
- short-term – balance market, and
- ex-post real-time activities – imbalance calculation and settlement.

Energy Regulatory Agency (Regulator) of Montenegro is a fully independent institution which is inter alia legally bound to define tariff methodologies, adopt tariffs, control the work of energy subjects according to issued licenses, functioning, development of market and consumer protection.
The Regulator has adopted necessary acts for functioning of the market that are compliant with the EU Directives 2003/54 and 1228/03, including:
- Rules for access of third parties to transmission and distribution network;
- Market rules;
- Rules for electricity supply.

Next step is harmonization of laws and enabling legislation with the EU “third package” directives.

In this moment EPCG is the only producer, importer and supplier of electricity in Montenegro.

In the second semester of 2009 the Regulator completed the enabling legislation that was required for licensing of new suppliers and vendors.

After the market has been opened, tariff consumers 1participate with about 30% in the total electricity consumption, however, there have been no qualified consumers that left the Public Supplier yet. Qualified consumers, namely, are entitled, but are not obliged to come out in the free market. They may remain in the segment of public supply as tariff consumers. So far, they haven’t been able to do so since there have been no other suppliers, but licensed suppliers are expected already in the middle of November.

Prices remain regulated for:
- transmission and distribution of electricity;
- system operation services by Transmission Network Operator;
- electricity that the Public Supplier takes over from domestic sources;
- electricity bought by consumers that are supplied by the Public Supplier;

With the development of the market it is expected that majority of electricity consumption in Montenegro will be serviced through the Public Supplier which will procure such electricity from domestic producers at the price proposed by the producer. Qualified consumer is entitled at any time, with previous notice, to leave the Public Supplier, and domestic producer is legally bound to supply energy only for tariff consumers.

9. Energy sector features

The main characteristic of the energy balance in Montenegro was a significant shortage of electricity that resulted in import of electricity.

1 tariff consumer is the consumer for which the Regulator determines the price
<table>
<thead>
<tr>
<th></th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
</tr>
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<tbody>
<tr>
<td>Total consumption of the system GWh</td>
<td>4.636</td>
<td>4.647</td>
<td>4.803</td>
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<tr>
<td>Electricity generation in MNE</td>
<td>2.819</td>
<td>2.045</td>
<td>3.140</td>
</tr>
<tr>
<td>Net import from other systems</td>
<td>1.607 (35%)</td>
<td>2.112 (45%)</td>
<td>1.663 (35%)</td>
</tr>
</tbody>
</table>

Energy Development Strategy in MNE until 2025 (mid-term scenario) estimates the electricity consumption growth at the rate of 1.22% which means that by 2025 the annual consumption will reach about 5.800 GWh.

Energy system maximum peak load registered during the winter months is about 790MW, and the lowest peak load registered during the summer months, i.e. in July is about 460MW (May - 334MW).

**10. Transmission system**

Prenos AD (joint stock company) which is 70% under the state ownership has been the Transmission Network Operator since April 2009. Prenos AD performs the activity of electricity transmission through 400kV, 220kV and 110kV network, operates the electricity system of Montenegro (electricity transmission system operator), as well as maintenance and development of the transmission network at the territory of the state. In the middle of 2009 Prenos AD became a member of the European Network of Transmission System Operators for Electricity (ENTSO-E).

The transmission network of Montenegro is characterized with radial structure of all the three voltages (400 kV, 220 kV and 110 kV) and interconnection with Kosovo (400 kV), Serbia (220 kV), Albania (220 kV), and Bosnia and Herzegovina (through 400 kV, 220 kV and 110 kV overhead power-lines).

A new 400 kV power line with Albania is under construction. A submarine cable with voltage level of 500 kV DC with transmission capacity of 1,000 MW is estimated for the needs of energy connecting of Montenegro and Italy.

Prenos AD technical services estimate that it is possible to connect a power plant of total capacity 2x250 MW to a high voltage network of Montenegro without prior increase of the capacity of the high-voltage network. The option with 2 units also provides for better stability of the system, enables better operational flexibility of the power plant and better reserve for the system.
11. Data Room

Data Room shall be opened after the list of Qualified Tenderers has been published. The access to the information from the Data Room shall be regulated by an instruction to be delivered to all Qualified Tenderers. The fee for access to the Data Room shall be set in the Tender Documentation.

The Data Room shall include all currently available data considered necessary for qualitative evaluation of the Project by an interested Tenderer.

12. Environmental protection

The Concessionaire is obliged (for both the mine and the power plant) to undertake all activities in accordance with the Law on Environmental Impact Assessment, and in accordance with other regulations relative to the area of environmental protection in Montenegro.
With regard to GHG emission, Montenegro is a signer of Kyoto Protocol, Annex 2.

13. Business benefits of capital investments in Montenegro

- 9% profit tax.
- Monetary stability (Euro-tender currency)
- Political stability
- Low inflation rate
- Agreement on avoiding double taxation signed with several countries
- Montenegro signed and ratified the South East Europe Energy Community Treaty, and thus has accepted and undertaken to transpose the relevant regulations in the area of *acquis* for energy (electricity and gas), competition, environment and renewable energy sources and thus created conditions for a single electricity market
- With the current transmission network, interconnections with neighbours and particularly with the construction of the submarine cable to Italy, Montenegro is becoming a very significant subject in electricity transmission from the region to Italy as well as among the countries in the region.