

CONTRACT

MADE BETWEEN

LTD “ GEORGIAN OIL AND GAS CORPORATION”

AND

TBILISI

2011

The present Contract was made on of 2011

between

Ltd “Georgian Oil and Gas Corporation” (hereinafter “GOGC”)

and

(hereinafter “Contractor”)

whereas

GOGC announced tender on of 2011 on construction of “Saguramo-Navtlugi” DN700 gas-main pipeline 10-20 km section and the Contractor submitted a bid.

The Contractor takes responsibility for carrying out construction work on Saguramo-Navtlugi DN700mm gas-main pipeline 10-20 km section, according to project documents, tender proposals and present agreement (hereinafter: “works”)/

The parties agree as to follows:

1. The Contract shall come into force immediately after its signing (“Date of Effectiveness”)
2. Pursuant to the present Contract against the payment foreseen by the terms and conditions of the present Contract the Contractor commits to execute and complete work, eliminate all the defects made during the work pursuant to the conditions of the Contract.
3. GOGC assumes obligation to pay to the Contractor cost of executed work according to the terms and conditions of the Contract.

In confirmation to the abovementioned the parties make the following Contract pursuant to the existing legislation in Georgia:

LTD “Georgian Oil and Gas Corporation”

Tbilisi, Kakheti highway N21

c/a 206237491

tel: + (995 32) 24 40 40

fax: + (995 32) 24 40 41

JSC “Bank of Georgia”

220101502

acc 145770000

Financial Director

A. Sakandelidze

PROVISIONS OF CONTRACT

1. Definitions

1.1. The terms and phrases of this contract will be defined as following:

1) **“Time schedule of execution of works”** means the time schedule, prepared by contractor, with indication of execution of individual works and their dates, representing a constituent part of contract – Attachment 2;

2) **“Supervisory (inspectors’) group”** means a group of persons, appointed by Georgian Oil and Gas Corporation, which will monitor on site the progress of works and execution of provisions, stipulated by contract;

3) **“Delivery-acceptance act”** means a document, signed by an authorized representative of the parties of contract, which confirms the volume of executed works. The delivery-acceptance act is based on the conclusion, submitted by the supervisory (inspectors’) group;

4) **“Completion date”** means the date of completion of the total volume of works, but not later than _____ 201____ .

5) **“Provisions of contract”** means the provisions, given in the present contract and its attachments;

6) **„Contract“** means the present document, its attachments and changes and/or amendments to it;

7) **„Appendices to contract“** means the documents, presented in paragraph 2.2, including changes in and/or amendments to it;

8) **„Contractor’s representative“** means an authorized representative appointed by contractor;

9) **„The cost of contract“** is _____ (_____) lari and covers all respective taxes and payments stipulated by Georgian legislation.

10) **„Contractor“** means _____ ;

11) **„Day“** means a calendar day;

12) **„Defect“** means a nonfulfilment or undue fulfilment of any such part of work, fulfilment of which is stipulated by the provisions of contract, design documentation or/and tender documentation;

13) **„Defect rectification act“** means a document, signed by an authorized representative of the parties of contract;

14) **„Guarantee period of executed works“** means, if something else is not stipulated by contract, a one-year period, calculation of which begins from the date of signing a delivery-acceptance act, confirming the completion of a total volume of works;

15) **“Drawings”** means a graphic image, representing a constituent part of design documentation;

- 16) **“Date of effectiveness of contract”** means the date of signing the contract;
- 17) **“GOGC”** means Georgian Oil and Gas Corporation Ltd.;
- 18) **“Materials to be transferred by GOGC”** means the materials, which GOGC will transfer to contractor for the execution of works in the amount, indicated in Attachment # 3 of contract;
- 19) **“Machinery and equipment”** means the contractor’s equipment, machinery and installations, placed and/or used on construction site for the execution of works;
- 20) **“Materials”** means all the materials, including consumable ones, used by contractor while carrying out the works;
- 21) **“Mobilization plan”** means a plan prepared by contractor, which describes the mobilization of personnel and machinery, and equipment, related to the commencement of works. Mobilization plan represents an attachment to contract;
- 22) **“Head of the supervisory (inspectors’) group”** means an authorized representative, appointed by GOGC, who has the authority to act, for the purposes of the present contract, on behalf of GOGC and give appropriate instructions to contractor during execution of works;
- 23) **“Section”** means a 10-20 km section of DN700 mm Saguramo-Navtlughi gas pipeline section, pursuant to the construction design;
- 24) **“Site”** means a section or its part, on which construction works are to be conducted;
- 25) **“Commencement date”** means the date of effectiveness of contract;
- 26) **“Subcontractor”** means a physical or legal person, under commitment to contractor to execute part of works stipulated by contract;
- 27) **“Supplier”** means a physical or legal person, under commitment to contractor to deliver goods and materials, which will be used by contractor for the execution of works;
- 28) **“Temporary works”** means auxiliary construction, mounting and dismantling works of temporary nature, conducted by contractor on its own account for the execution of works, stipulated by contract;
- 29) **“Works”** means contractor’s activity stipulated by contract, which is described in detail in design documentation and is regulated in detail by respective construction rules, norms and standards, and covers, but is not limited to, any earth and concrete works, installation of pipelines and valves, welding, insulation, all types of testing, as well as the execution of the same or similar type of works during rectification of defects;
- 30) **“Construction dates”** are determined by the time schedule of execution of works prepared by contractor. Completion date of construction shall not be in excess of _____ 20 ____.

2. Interpretation of contract

2.1. For the interpretation of the present provisions of contract titles bear no significance. For the interpretation of the provisions words given in the articles of contract have their normal meaning according to the language of contract. Only GOGC has the right to issue interpretations of the provisions of contract.

2.2. The contract consists of the following documents, and each of them shall be read and understood as the constituent part of contract:

- a) Provisions of contract;
- b) Attachment 1: Cost estimate;
- c) Attachment 2: Time schedule of execution of works;
- d) Attachment 3: A list of materials to be transferred to contractor for the execution of works;
- e) Attachment 4: Design documentation;
- f) Attachment 5: Mobilization plan.

2.3. The original of design documentation is kept in GOGC. Its one copy is transferred to contractor free of charge.

2.4. GOGC has the right to periodically transfer to contractor additional design documentation and instructions, which may be required for due and proper execution and completion of works, and for the rectification of defects. Contractor shall ensure the execution of works in accordance with the above indicated design documentation and instructions.

3. Language of the Agreement and regulating legislation

3.1. The Agreement is made in two copies in Georgian language. The Agreement is regulated by the legislation of Georgia and any dispute between the parties shall be resolved pursuant to the legislation of Georgia.

3.2. The Contractor shall provide at its own cost and risk for receipt from the relevant authorized bodies (entity) of all necessary permits, licenses necessary for conduct of work as well as payment of all payments, which are connected with:

- a) execution of the requirement of anybody (entity), law, by-law having corresponding authorization and connected with the execution of work and their completion, also elimination of defects and
- b) Payment of any penalties and/or meeting obligations in relation to third persons, connected with the execution of work, which may appear due to the damage to property or violation of lawful rights.

4. Supervisory (inspectors') group

4.1. GOGC shall set up a supervisory (inspectors') group headed by the group leader for exercising control over the discharge of its obligations by the Contractor assumed by the present Contract in a timely and due way. The head of supervisory (inspectors') group is authorized to give directions and instructions to the Contractor and/or issuing to the Contractor notification concerning elimination of defects, that may be necessary for timely and due execution of work, and/or hold up of any part of work if requirements of civil design standards are not observed and/or provisions of contract and demand from the Contractor their fulfillment without any additional charge from GOGC. It is obligatory for the Contractor to fulfill instructions mentioned in the notification referring to the elimination of shortcomings.

4.2. The Supervision group shall check up progress of works, quality of its execution, terms and correspondence with the Agreement.

4.3. Handover report on the total volume of work or its part shall be made only after positive conclusion of the supervision group.

5. Notifications

5.1. Notifications sent by the parties are valid only if they are done in a written form and are passed to the other part of the Agreement. In case of Contractor, notifications can be passed to the contractor as well as to its authorized representative, at the same time it shall be considered that the notification given to the representative is the same as given to the Contractor.

6. Delegation of authorization

6.1. Without preliminary approval of GOGC contractor shall not hand over power on the contract or its any part, or any benefit or interest outcoming from the contract. Violation of any norms stipulated by this article shall be unconditionally considered violation of the agreement, and any relevant contract, agreement or some other similar document shall be considered void.

7. Conclusion of sub-contracts

7.1. Contractor shall not be authorized to make a sub-contract on the execution of the whole work or any of its part if there is no approval from the GOGC in the form of written notification. Such a notification shall not free contractor from the obligation assigned to him according to the contract and the contractor shall be responsible for any action performed by the sub-contractor and its personnel, for any shortcomings and damage or negligence in the performed work. The contractor is responsible to ensure fulfillment of contractual obligations by the sub-contractor.

8. Other contractors

8.1. The contractor shall cooperate with the representatives of the company, communal organizations and GOGC and divide the section and/or construction ground with other contractors (if there are any).

9. Personnel

9.1. The contractor shall hire a personnel selected according to the functions to be carried out and their obligations. During hiring process the contractor in case of equal qualification and experience shall give priority to the citizens of Georgia against the citizens of other countries.

9.2. The contractor shall in connection with the execution and finalization of work in order to eliminate any shortcomings made during execution of work ensure recruiting of only such technical personnel that is experienced and qualified in relevant specialty and hiring of such executor and supervisor of works, who can provide for relevant supervision over the performed works.

9.3. If the head of supervisory (inspectors') group addresses contractor about elimination of shortcomings which concerns a specific member of contractor team or work group and points to the restriction of work by such a person and can justify the fact, the contractor shall ensure immediate dismissal of the mentioned person with no further prospect for relations to the work foreseen by the contract.

9.4 The contractor provides its personnel with accommodation, remuneration, meals and transport.

9.5. The contractor shall ensure observance of relevant safety rules during conduct of work.

10. Contractor's representative

10.1 The representative of the contractor can receive all instructions and indications on behalf of the contractor issued by the head of supervisory (inspectors') group /

10.2. The contractor shall not replace contractor's representative without preliminary approval of GOGC. Such approval shall not free contractor from the liabilities assigned to him by the contract.

11. Risks of GOGC

11.1. From the date of commencement of works till drawing up of delivery-acceptance act on the total volume of works, GOGC is liable for the risk for the damage and/or death of the personnel caused by violation of the obligations by GOGC.

12. Risks of the Contractor

12.1. From the date of commencement of work till handover of the full volume of work contractor is imposed a responsibility for injuring, death and loss of property or its damage (including works, equipment, materials, installations and other materials provided by GOGC), also in the case of loss incurred to the third person and pollution of environment. The contractor is imposed responsibility for all the risks, which are not GOGC risks.

13. Guarantee Period of executed works

The contractor guarantees that during one-year period from signing the delivery-acceptance act for the performed work no defects/shortcomings shall be revealed in the executed work and in case of their appearance contractor shall at its own expense and responsibility rectify them within the definite period.

14. Responsibility for the reparation of damages and rectification of defects

14.1. Contractor shall on its own account rectify any damage and repair any defect, so that the executed work is in full compliance with the provisions of contract. Contractor assumes full responsibility for all the damage or loss inflicted on the pipeline during its operations within the guarantee period of works.

14.2. All works executed by contractor for the purpose of rectification of defects shall be conducted according to the provisions of contract, so that contractor keeps GOGC immune from any claim, damage, expense and assize, which might be initiated by the third party against the corporation.

15. Execution of works by contractor

15.1. Contractor shall plan, implement and complete works pursuant to the provisions of contract (and within its framework) and with due diligence, and rectify any defect in connection with them.

15.2. Contractor shall ensure total monitoring of works, hiring of work force, provision of necessary materials and equipment, and all other works, temporary or permanent, required for the fulfilment of contractual obligations assumed by contractor.

15.3. Contractor conducts construction works in accordance with the design documentation. Contractor immediately, but within 2 days at the latest, shall notify GOGC about any error, defect or fault in the design documentation.

15.4. Contractor assumes full responsibility for the adequacy, consistency and safety of all works to be executed on site, for the observance of building rules, norms and standards.

15.5. Contractor shall fully comply with and act in accordance with the instructions given by the supervisory (inspectors') group with regard to any issue related to works. Contractor shall receive instructions from GOGC (or its authorized agent) and no other person.

15.6. Contractor assumes full responsibility for the works and materials supplied by GOGC from the moment of commencement of works till the date of execution of delivery-acceptance act for the total volume of works (except for the obligation referred to the guarantee, the one-year period of effectiveness of which will be calculated from the date of execution of delivery-acceptance act for the total volume of works).

15.7. Should any damage be inflicted on the materials supplied by GOGC during the contractor's liability period contractor shall rectify defects and indemnify loss on its own account, so that the executed works fully comply with the provisions of contract.

16. Terms for execution of work

16.1 The contractor ensures execution of work within time limits indicated in the time schedule of execution of works (Attachment 2).

16.2 If contractor fails to carry out work within time limit stipulated by the time schedule for execution of work, contractor shall receive notification with indication of works not carried out according to the schedule and deadlines for their finalization. Non-fulfillment of work within the time limit indicated in the notification shall be considered a major breach of the terms and conditions of the contract.

17. Temporary works

17.1. The contractor shall agree temporary works with GOGC.

18. Health protection and safety issues

18.1. The contractor bears responsibility for safe conduct of works at the construction site and for health protection according to effective legislation and standards acting in the construction sphere.

19. Environment protection, cultural heritage and social impact issues

19.1. The Contractor, according to the current legislation of Georgia bears responsibility for all negative impacts that the current work can have on environment, social environment, cultural heritage and community.

19.2. The contractor and sub-contractor (if there is one) have to comply with the requirements of relevant laws and regulations, that are connected with the issues of impact on environment, social environment, cultural heritage and community (that on their turn imply prevention of environment pollution without any restrictions, protection of cultural heritage and other immediate actions).

19.3. During the whole period of the execution of work and by the moment of their completion, also during defect rectification, contractor shall use all the endeavors to keep safe nearby environment, social environment, cultural heritage and community from negative impact and individual persons from disturbance and their property from damage connected with environment pollution or some other reasons.

20. Environment pollution

20.1 During and after the end of work contractor ensures removal of remaining debris and waste, which appeared during work process. Contractor shall abide to the requirement of GOGC according to which it is foreseen to carry out such cleaning measures.

20.2 After completion of work contractor shall immediately remove from the construction ground equipment, materials, scaffolding, temporary construction and other similar structures.

20.3. The contractor warrants to protect soil and water from pollution caused but is not confined with spill, drainage of petrol, or lubricant stuff, paints, grounding (coating) materials, spilled solvents, waste, debris and other materials, that are in possession of contractor or sub-contractor or under their control and

assumes obligation for their removal and to keep safe GOGC (“party protected from damage”) against all claims, demands, costs, proceedings, loss and other expenses, that appeared due to contractor’s negligence or during breach of the third person rights.

20.4. Contractor shall ensure separate collection of waste that appeared after work (hazardous and non-hazardous), their recording, temporary storage and its sending for processing, to the organization that possesses environment impact permit.

20.5. Any damage or loss incurred to the property of the third party during construction works shall immediately be restored by the contractor to initial state or/and replaced by a better one or/and reimbursed by relevant cost. The issue is subject to negotiations between the contractor and the third party(ies) under the impact.

20.6 After restoration of land plots that appeared under the impact of work s contractor shall make a special handover act with land owner, signed by the third person also by authorized person of the contractor.

21. Materials supplied by GOGC

21.1. GOGC will transfer to contractor materials, the list and location of which are given in Attachment # 3 to the present agreement.

21.1.1. Upon the transfer of materials by GOGC to contractor a delivery-acceptance act is executed, in which the name, amount, technical characteristics and condition of materials delivered by GOGC and received by contractor are indicated.

21.2. Contractor on its own account and at its own risk provides for the transportation, loading, unloading, processing, storing and protection of materials, stipulated by paragraph 21.1, from GOGC warehouse to the construction site.

21.3. All risks in connection with safe-keeping, storage and proper utilization of materials delivered to contractor are passed on to contractor from the moment of execution of delivery-acceptance act by the parties.

21.4. Contractor shall keep materials separately, observing conditions required for the storage of respective materials.

21.5. Contractor is responsible before GOGC for the materials supplied by the latter and shall submit to GOGC an appropriate document on their proper utilization and location, with a view to other materials to be issued to contractor. If a discrepancy occurs between the amount and quality of materials received by contractor from GOGC and the amount and quality of materials actually available to contractor, which should be confirmed by an appropriate act, contractor shall on his own account rectify the shortage or/and discrepancy by supplying materials with the same qualitative characteristics as the ones delivered by GOGC or, based on mutual agreement of parties, by the reimbursement of cost of respective materials.

21.6. Unused materials out of those, transferred by GOGC, and the remnants of materials are returned to GOGC in full.

21.6.1. The return to GOGC of unused materials and the remnants of materials is effected by contractor on its own account and at its own risk.

21.7. Contractor shall coordinate with GOGC the purchase of all materials and equipment, which are envisaged by construction design and were not transferred by GOGC, and are necessary for the execution of works.

22. Permits and Licenses

22.1. GOGC shall issue to the contractor construction permits obtained from state bodies and land owners.

22.2. The contractor at its own risk and cost obtain rights, permits and licenses, except permits, provided by GOGC.

23. Time schedule for execution of work

23.1. Control over the terms of work conduct is exercised on the basis of schedule, presented as an Attachment N2 to the present Contract.

24. Notification

24.1 Contractor shall notify GOGC about expected events and circumstances, which can adversely affect conduct of work.

25. Work Quality and Inspection

25.1. Quality of work shall correspond to the quality stipulated by the contract and requirements of GOGC. Work quality shall be periodically checked by GOGC on the construction site itself or other selected territory. Contractor shall ensure provision of works and materials with all necessary means, techniques and consumables that are necessary for carrying out tests, also issue relevant notification (not later than 48 hours before conducting test), which shall enable GOGC to be present at any kind of inspection and testing.

25.2. All work shall undergo systematic inspection and quality control. Contractor shall provide GOGC with daily quality control report and if necessary take measures for elimination of the existing problems. Documentation and reports concerning shortcomings, including shortcomings connected with environment protection and safety issues shall be handed to GOGC.

25.3. All the defects/violations revealed on the basis of quality control shall immediately but not later than 24 hours from the moment of appearance of such defect and/or violation be revealed to the head of supervisory (inspectors') group and an instruction shall be given for carrying out elimination measures. If there is a defect found in the activity of the contractor, contractor is responsible to eliminate the mentioned defect within the period defined in the notification of supervisory (inspectors') group manager.

25.4. If violations are found by supervisory (inspection) group or invited quality assessment person (if there is one) they shall immediately notify about them the parties.

25.5. No covered-up work, also any part of the covered-up work shall be finalized and be finalized without control and inspection from GOGC, also drawing up of covered-up work act. The contractor shall

notify GOGC about time of start-up of covered-up work (part of covered up work) commencement and completion 2 days earlier before its commencement and respectfully by the completion of such works.

25.6. The Contractor shall according to the indication of GOGC make available inspection of the works. The contractor shall ensure fulfillment of any part of the work according to requirements of GOGC.

25.7. GOGC and other authorized person, pursuant to contract, decree and regulating legislation have authorization to inspect conduct of work and materials for conduct of works, contractor or its supplier or sub-contractor (in case of its existence) also buildings at a reasonable time for such inspection. Contractor shall ensure provision of corresponding, safety and relevant measures.

25.8. Elimination of shortcomings found out by the GOGC by the contractor shall be executed immediately, through use of contractor's funds. No handover act shall be made between the parties before contractor eliminates all defects fully and correspondingly. If contractor can not or shall not eliminate all the defects within the period indicated in the notification on elimination of defects, then this shall be considered to be substantial breach of the terms and conditions of contract.

26. Testing

26.1. If it is not explicitly formulated in project documentation, contractor during conduct of work shall additionally, without additional charges from GOGC carry out all tests specified by the present contract. GOGC shall be notified not less than two (2) days prior the date when the contractor or its sub-contractors are going to conduct a test so that GOGC could attend the test. Notwithstanding the fact whether GOGC attends the test or not contractor shall not be released from responsibility that is attributed to him in relation to materials or works in relation to defects.

26.2. Contractor shall at its own cost ensure provision of all necessary test samples to GOGC.

26.3. All the tests stipulated by the present contract shall be carried out at the expense of contractor. Cost of additional testing which is required by GOGC shall be covered by contractor when testing reveals that the quality of materials and work does not correspond to the terms and conditions stipulated by the contract.

26.4. Contractor shall notify GOGC about intended testing at least two (2) days earlier. GOGC shall confirm that the works are in such a phase that it is possible to carry out test and shall organize attendance of other persons at testing, if it is considered necessary. Results of testing without such approval of GOGC shall not be taken into account by the parties. Results of testing shall be recorded in the way acceptable for GOGC and a signature shall be applied to it in confirmation that both parties, contractor and GOGC recognize validity of the record.

26.5. If the results of testing of any materials or inspection appear to be unsatisfactory, then the contractor shall ensure renewal or its replacement. The contractor shall pursuant to the procedures stipulated by article 26.4 and at its own expenses repeat testing.

26.6. GOGC can demand carrying out test out of the site territory which is not determined by the contract in order to establish relevance of the work, material or technique with the conditions of the contract.

GOGC shall notify contractor in advance about such requirement, in order to enable the latter to carry out such a test and at the same time not to delay carrying out other obligations.

27. Elimination of Defects

27.1. After completion of works foreseen by the contract, till finalization of the warranty period for works, GOGC shall notify contractor concerning any detected defect.

27.2. The contractor shall eliminate any defect after receiving notification about their discovery during time allocated for it. Violation of the time limit represents a substantial breach of contract.

28. Mobilization Plan

28.1. Mobilization plan including mobilization of machines and equipment and personnel was developed on the basis of tender requirements and a bid presented by the contractor.

29. Changes

29.1. Only GOGC can make amendments to the scope of work, including amendments, initiated by the contractor. These changes may include additions, reductions, cancellation, replacement or other type of changes, including amendments to the contract. Such amendments shall not influence legal force of the contract.

29.2. Contractor shall provide for preparation of estimates for amendments required by the GOGC, also preparation of other attachments to the contract, which shall be based on unit cost of work.

30. Amendments and payment

30.1. Amendments agreed between the parties shall be executed on the basis of changes introduced into the contract. All the amendments shall be made in writing, shall be executed by both parties and be effective after their signature.

30.2. Contractor is imposed responsibility to cover all additional expenses, the necessity of which are due to the changes stipulated by article 30.1 of the present contract, if contractor had not notified GOGC in writing about them in advance.

30.3. Total cost of works specified by the contract taking into account cost of introduced amendments, shall not exceed cost of contract.

31. Delivery acceptance of works

31.1. The work or its part shall be considered accepted only after signing acceptance act.

31.2. The contractor shall submit to GOGC at the last day of each month after signing the contract detailed information about executed work, including detailed cost estimate for the specified month (form N 2) and an acceptance act for the fulfilled work. The acceptance act shall be signed within 10 (ten) working days after presentation of the act, if GOGC has no remarks towards the acceptance act or documents attached to the act.

31.3. The contractor shall at its own expense ensure elimination of the discovered defect during acceptance and/or final inspection of the rendered work (or of its part).

31.4. GOGC shall in due time notify the contractor in writing about the results of inspection with detailed indication of rejected work.

31.5. Acceptance act is signed by relevant authorized parties of the contractor and GOGC on the basis of the results of the inspection group.

32. Payment

32.1. As an advance payment GOGC will pay to contractor 20% (twenty percent) of the total cost of contract during 10 (ten) calendar days from the date of submission by contractor to GOGC of a bank guarantee for the amount of advance payment indicated in article 39.

32.2. Payment to contractor for the executed works is made through the bank transfer based on a detailed cost estimate of works (Form # 2), submitted according to paragraph 31.2, and an invoice.

32.3. For the purposes of payment contractor shall submit to GOGC documentation, stipulated by paragraph 31.2, and an invoice.

32.4. Payment to contractor is effected during 30 (thirty) calendar days from the date of submission by contractor of full documentation, indicated in paragraph 31.2.

32.5. In making payment to contractor, prior to withholding the total volume of paid advance, GOGC will withhold from the sum payable to contractor 20% (twenty percent) of the amount indicated in the invoice and detailed cost estimate of works (Form # 2).

33. Contract

33.1. All payments foreseen by the contract between the resident physical or legal person shall be carried out in Georgian national currency – Georgian lari.

34. Contractor's responsibility

34.1. If contractor can not carry out all the work stipulated by the contract and draw up an acceptance act before the date of finalization of works with GOGC, then the contractor shall pay to GOGC a fine for in the amount of zero and one tenth percent (0,1%) from the summary cost of the contract for each overdue day. GOGC can deduct this amount from the sum due to the contractor.

34.2. Contractor shall from commencement of work till its end shall eliminate all shortcoming and defects at its own cost.

34.3. In case of breach of the terms and conditions of the contract pursuant to article 37.2 GOGC is authorized to cancel the contract and use the bank guarantee presented by the contractor for securing the contract

35. Execution of work

35.1. Works shall be considered executed after acceptance act is signed on full cope of works.

36. Operation and Maintenance Manuals

36.1. Before drawing up of acceptance act for the full scope of work contractor shall submit to GOGC construction and execution drawings and other relevant technical documentation.

36.2. If contractor can not submit construction and execution drawing to the GOGC before signing acceptance act on the full scope of works and other technical documentation, GOGC can cancel drawing up of the delivery acceptance act.

37. Discontinuation of the Contract

37.1. The contractor can discontinue the Contract is GOGC does not meet obligations assumed by the present agreement.

37.2. GOGC can discontinue the Contract if the Contractor fails to meet contractual obligations, including:

37.2.1. The Contractor can not mobilize machinery and equipment and personnel within the time period allocated by the mobilization plan;

37.2.2. The contractor could not or did not meet requirements given in Defect Rectification Act;

37.2.3. The contractor carries out work in violation of the conditions stipulated by project documents;

37.2.4. If the amount of penalty to be paid is 5% more than the cost of contract;

37.2.5. The contractor can not extend the term of bank guarantee duration of which shall be the same as the warrantee period of the executed work;

37.2.6. The contractor is behind the schedule of execution of work given in attachment 2;

37.3. GOGC and Contractor can on the basis of mutual agreement discontinue bilaterally the present agreement at any stage of its activity.

37.4. In case of discontinuation of the contract the contractor shall immediately stop works, ensures safety of the object and based on reasonable time limits agreed between the Contractor and GOGC leaves the object.

38. Contract (Agreement) Security Bank Guarantee

38.1. Unconditional and irrevocable bank guarantee of a 5% (five percents) contract submitted by a contractor to the GOGC shall be in force from the date of issuance and effective during a year from the date of completion of works by the contractor;

38.2. The bank guarantee given in Paragraph 38.1 of the contract considers the bank's unconditional obligation concerning reimbursement of the full or partial amount of the guarantee to the GOGC;

38.3. Payment through the contract security bank guarantee does not liberate the contractor from obligation to reimburse the damage caused to the GOGC in the result of failure to execute the contract and the loss (damage) not reimbursed by the guarantee amount;

38.4. If the contractor is not able to complete the works in full by the completion date, the contractor shall, in 5 calendar days from the GOGC's notification, extend the term of effectiveness of the contract (agreement) security bank guarantee so that the period pointed out in Paragraph 38.1 is observed.

39. The Bank Guarantee to Be Submitted to GOGC for Advance Payment

39.1. An unconditional and irrevocable bank guarantee submitted by the contractor to the GOGC for advance payment shall be effective to December 31, 2011 (inclusive). The minimum rating of the organization having issued the guarantee shall be granted according to "BBB" Fitch rating or an equivalent granted by any other international rating agency. Otherwise, the bank guarantee shall be issued by JSC "Bank of Georgia". GOGC ("Georgian Oil and Gas Corporation" Ltd.) shall be pointed out as a beneficiary in the bank guarantee;

39.2. The bank guarantee given in Paragraph 39.1 of the contract considers the bank's unconditional obligation related to reimbursement of the full or partial amount of the bank guarantee;

39.3. GOGC shall return the advance bank guarantee to the contractor from the amounts to be paid for execution of works upon settlement of the whole amount of the advance during 15 calendar days.

40. Force Majeure

40.1. None of the parties shall be liable against the other on the basis of the contract and they shall be released from the responsibility related to non-execution or insufficient (partial) execution of its obligation if the reason is some special unavoidable power for which the parties to the contract are not responsible and existence or creation of which power could not be known for them at the moment of contract conclusion;

40.2. The following can be considered to be an unavoidable power:

- a) natural calamities (fire, flood, earthquake), among them, complicated meteorological conditions which, in the case of work execution, shall be hazardous for the personnel's life and health, mobilized equipment and machines, materials allocated by GOGC;
- b) declared or non-declared war, civil disorder, any kind of military actions, occupation, annexation, declaration of the state of emergency on the territory of work execution or in its direct vicinity;
- c) epidemics;
- d) issuance of a decision or normative act by any unit of authority or the body authorized by the state, which affects execution of obligations assumed by the parties and changes, cancels or suspends the contract's provisions and conditions;

40.3. The party shall immediately notify the other party on emergence of force majeure through the available means of communication (phone, post, fax, email, courier, etc.) and by a letter signed by an authorized person not later than the next day after the day of their emergence;

40.4. Existence of the force majeure conditions does not cause automatic cancellation of the contract. The parties shall resolve the problem of adjustment of the contract to the force majeure conditions;

40.5. As soon as the force majeure conditions cease acting the parties shall immediately continue execution of their obligations assumed on the basis of the contract;

40.6. During the force majeure conditions the period of execution of obligations will be suspended for the duration of the force majeure conditions if the parties do not agree otherwise.

41. Term of the Contract

41.1. The contract shall be valid from the moment of its signature and effective until full execution of the obligations by the parties to the contract.

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