

CONTRACTED-OUT SERVICES FOR THE INTEGRATED GEOSCIENTIFIC SURVEY

KNOW ALL MEN BY THESE PRESENTS:

This CONTRACTED-OUT SERVICES FOR THE INTEGRATED GEOCIENTIFIC SURVEY (hereinafter referred to as "Contract"), made and entered into this 13th day of December, 2013 at Energy Center, Rizal Drive, cor. 34th st., Bonifacio Global City, Taguig City, Metro Manila, Philippines by and between:

The DEPARTMENT OF ENERGY, a government agency, created by virtue of Republic Act No. 7638, with office address at Energy Center, Rizal Drive cor. 34th st., Bonifacio Global City, Taguig City, Metro Manila, Philippines, represented herein by its Secretary, Mr. Carlos Jericho L. Petilla, hereinafter referred to as the "DOE".;

-and-

FEDS Energy Resources and Development Services, Inc., a private corporation created and operating under the laws of the Philippines, with its office address at Unit 404, Angelus Plaza, 104 V. A. Rufino st., Legaspi Village, Makati City, Metro Manila, Philippines represented herein by its Chairman, Mr. Bernardo S. Tolentino, hereinafter referred to as the "GEO-SERVICES CONTRACTOR".

The DOE and GEO-SERVICES CONTRACTOR shall be referred to either individually as a "Party" or collectively as "Parties".

WITNESSETH: That

WHEREAS, this Contract for Technical Services is made to evaluate the potential of the Geothermal Prospect located in Maricaban Island, Batangas for power and non-power application;

WHEREAS, geological investigation is to be conducted to determine the lithology, stratigraphy, structural orientation, volcano-tectonic setting in the area and to map and document all the thermal manifestations present;

WHEREAS, geochemical survey will be conducted in order to determine the type, nature and origin of the thermal waters in the area and derive from its laboratory analysis the subsurface temperature and chemical characteristics of the geothermal reservoir;

WHEREAS, the geophysical survey, either employing the DOE-owned Controlled Source Magneto-Telluric (CSMT) equipment or any other geophysical instrument, will be conducted to determine the low resistivity anomaly zones which may indicate presence of geothermal brines or of hydrothermally altered areas at the said Geothermal Prospects;

WHEREAS, a generalized conceptual model of the geothermal reservoir in the area shall be developed based from existing data and on the data gathered from the integration of the above stated surveys;

WHEREAS, an interpretation regarding the potential of the prospect for power and non-power application shall be deduced from the above stated integrated geoscientific study;

NOW, THEREFORE, it is hereby agreed, by and between the Parties hereto as follows:

ARTICLE 1

SCOPE OF SERVICES

Section 1. The work to be performed under this Contract (hereinafter referred to the "Services") shall be as outlined in the Proposal submitted by the GEO-SERVICES CONTRACTOR herein attached and considered part of this Contract.

Section 2. In rendering the above Services, the GEO-SERVICES CONTRACTOR shall provide the DOE with its best skill and judgment in attaining the objectives of this Contract in accordance with internationally accepted professional standards in effect at the time such services are rendered. It shall exercise utmost care, diligence and efficiency in the discharge of its duties and shall always work for in the best interest of the DOE.

Section 3. The Services in the Philippines shall be carried out by the personnel of the GEO-SERVICES CONTRACTOR listed in the Project Proposal, in close coordination and cooperation with the designated personnel of the DOE. Substitution of any personnel of the GEO-SERVICES CONTRACTOR may be made during the execution of the project and only with the prior approval of the DOE. Such substitution shall only be made if the personnel concerned become unavailable for reasons beyond the control of the GEO SERVICES CONTRACTOR and the substitute shall have an equivalent or higher expertise to the work to be performed.

Section 4. Minor adjustments in the scope and nature of the work may become necessary as the work progresses and the necessary adjustments may be recommended by the GEO SERVICES CONTRACTOR and the same become effective only after the approval by the DOE. On the other hand, the DOE may, by written order, require the GEO-SERVICES CONTRACTOR to make such changes as may be necessary for the best interest of the Project. Such changes, if they mean additional cost shall be for the account of the DOE, subject to availability of funds.

Section 5. When the Services contemplated in this Contract are carried out in the Philippines, the GEO-SERVICES CONTRACTOR and its personnel shall observe applicable existing laws, rules and regulations of the country.

ARTICLE 2

RESPONSIBILITIES OF THE GEO-SERVICES CONTRACTOR

Section 1. For the Services to be undertaken, the GEO-SERVICES CONTRACTOR recognizes that one of the important aspects of its work is to impart professional knowledge to the DOE personnel in conducting geoscientific investigation and resource evaluation of a geothermal prospect.

Section 2. The GEO-SERVICES CONTRACTOR shall perform the necessary studies, due diligence, field investigations and related work in order to achieve the objectives pursued by this contract. In the conduct of the work, the GEO-SERVICES CONTRACTOR shall cooperate fully with the DOE.

Section 3. The personnel of the GEO-SERVICES CONTRACTOR shall not have any direct or indirect interest in the procurement of materials or contracts for the work or services resulting out of this Contract. The GEO-SERVICES CONTRACTOR shall replace immediately any of its personnel whose activities and behavior are inimical to the interest of the DOE or whose health and other limitations prevent him from performing the assigned services efficiently. In case a replacement of this nature becomes necessary, the GEO-SERVICES CONTRACTOR shall immediately furnish the curriculum vitae and other information on the substitute to the DOE for approval.

Section 4. The GEO-SERVICES CONTRACTOR shall appoint a Project Coordinator who shall be authorized and empowered throughout the duration of his appointment to maintain the necessary contracts with the DOE on such matters as logistical, administrative and other needs of the Services and to make and implement decisions thereon.

Section 5. The GEO-SERVICES CONTRACTOR shall submit a monthly report on the progress of the work and the program to be performed during the succeeding months. This report shall include pertinent information and/or recommendations that may enable the DOE to make any decision necessary in the conduct of the Services. Other reports to be submitted by the GEO-SERVICES CONTRACTOR are specified in the Project Proposal.

Section 6. The GEO-SERVICES CONTRACTOR, shall be an independent contractor, hence its personnel assigned to the Project are not considered employees of the DOE. It shall have responsibility for and control over details and means for performing the services described herein. It shall however be subject to the directions of the DOE only with respect to the scope of the services and the general results required.

ARTICLE 3

RESPONSIBILITIES OF THE DEPARTMENT OF ENERGY

Section 1. The Geothermal Energy Management Division (GEMD) of the DOE, throughout the project duration, shall be involved in all undertakings either as a form of an on-the-job training or project monitoring routine. Any cost attributed to the trainees or monitoring personnel shall be borne solely by the DOE.

Section 2. The DOE shall designate a counterpart Project Director with authority to make and implement decisions on the technical aspects and similar matters brought to his attention by the Project Coordinator of the GEO-SERVICES CONTRACTOR in order to assure the timely completion of the Services according to the schedule. The Project Director shall be designated before the start of the Services.

Section 3. The DOE will supply the GEO-SERVICES CONTRACTOR without charges all existing pertinent data and information required to carry out its duties under this Contract.

Section 4. The DOE will give its decision on all reports, recommendations and other matters within a reasonable time in order not to delay or disrupt the performance of the GEO-SERVICES CONTRACTOR's Services related to the Project.

ARTICLE 4

TERMS OF PAYMENT

Section 1. The DOE shall pay the GEO-SERVICES CONTRACTOR a maximum amount of Nine Million Eight Hundred Seventy Eight Thousand and Four Hundred Pesos (PhP 9,878,400.00) for the Services to be rendered in the fulfillment of the objectives as specified in the Project Proposal.

Section 2. The DOE shall pay the service contractor under the following terms:

1. A technical presentation or an inception workshop report shall be held by the service contractor to DOE personnel. Upon acceptance and approval by the DOE, ten percent (10%) of the total contract price (inclusive of all taxes) shall be released to them.
2. Upon completion and submission of reports on the results of the geological and geochemical survey and its acceptance and approval by the DOE, twenty percent (20%) of the contract price (inclusive of all taxes) shall be released to them.
3. Upon completion and submission of reports on the results of the geophysical survey and its acceptance and approval by the DOE, twenty five percent (25%) of the contract price (inclusive of all taxes) shall be released to them.
4. Upon submission of preliminary resource assessment report together with a technical presentation and its acceptance and approval by the DOE, twenty five percent (25%) of the contract price (inclusive of all taxes) shall be released to them.
5. Upon submission of the final integrated resource assessment and geothermal model report and its acceptance by the DOE, twenty percent (20%) of the contract price (inclusive of all taxes) shall be released to them.
6. Ten percent (10%) shall be retained from the contract payment from every payment milestone to ensure that the service contractor will comply and completes all the agreed terms and conditions of contract. It shall be released upon final acceptance and approval by the DOE in accordance with internationally accepted professional standards of all the deliverables indicated in the Terms of Reference.

Section 3. The GEO-SERVICES CONTRACTOR shall bill the DOE the amount due them as stipulated in Article 4 Section 2 with attached corresponding progress/final evaluation report of the Project.

Section 4. The DOE shall pay the GEO-SERVICES CONTRACTOR upon receipt of the billing statement for the performance of the Services, subject to the usual government accounting and auditing procedures.

Section 5. The DOE shall make its payment to the GEO-SERVICES CONTRACTOR or its duly authorized representative upon showing a Special Power of Attorney therefore.

ARTICLE 5

FINANCING OF THE PROJECT

Section 1. The GEO-SERVICES CONTRACTOR shall bear the expenses for salaries, living expenses and transport of its personnel, cost of equipment, direct costs and expenses, laboratory analysis and incidental expenses required by the Project as specified in the Terms of Reference.

Section 2. The DOE's financial contribution to the Project shall include all the costs relative to this Project for living and transport expenses of its personnel and other staff required by the Project as specified in the Terms of Reference.

ARTICLE 6

PERFORMANCE BOND

Section 1. Prior to the signing of the Contract, the GEO SERVICES CONTRACTOR shall post in favor of the DOE, a performance bond equivalent to thirty percent (30%) of the total Contract price, in the amount of Two Million Nine Hundred Sixty Three Thousand and Five Hundred Twenty Pesos (PhP 2,963,520.00) in the form of surety bond which shall be effective for the entire duration or term of this Contract. This shall be callable on demand by and forfeited in favor of the DOE should there be any breach of Contract on the part of the GEO-SERVICES CONTRACTOR.

Section 2. If there will be an increase in the Contract price due to justifiable reasons, the amount of the performance bond shall, likewise be adjusted to an amount equal to 30% of the total increased Contract price.

Section 3. If the successful bidder fails to post a performance bond, the bid security shall be forfeited in favor of the DOE, and the bidder shall be subject to appropriate sanctions pursuant to Section 40, Rule XI of the revised IRR of R.A. 9184.

Section 4. The performance bond shall guarantee the GEO-SERVICES CONTRACTOR's faithful compliance of its obligations under this Contract. The performance bond shall be released by the DOE sixty (60) days after completion and final acceptance by the end-user of the services specified under this Contract.

ARTICLE 7

AUTHORITY TO SET OFF

Section 1. It is expressly agreed upon that in the event of breach of any provision of this Contract by the GEO-SERVICES CONTRACTOR, the DOE shall have the irrevocable authority to automatically set-off and apply, without notice, all funds, credits, moneys and/or accounts receivable that may be due or owing to the GEO-SERVICES CONTRACTOR.

ARTICLE 8

FORCE MAJEURE

Section 1. The GEO-SERVICES CONTRACTOR shall promptly notify the DOE in writing of the occurrence of any event of force majeure. As used herein, the term "force majeure" shall mean events attributable to the causes specified hereunder including but not limited to:

Section 1.1 Natural causes, such as earthquakes, typhoons, storms, floods, epidemic and other similar phenomena affecting the project to the extent that would make it impossible or impracticable for the GEO-SERVICES CONTRACTOR to carry out, in whole or in part, its obligations under this Contract.

Section 1.2 Human causes, including but not limited to the following, such as war, armed invasion, revolution, insurrection, blockades, riots, civil disturbances, strikes or other analogous or similar causes, including the occurrence of a national banking moratorium to the extent that would make it impossible or impracticable for the GEO-SERVICES CONTRACTOR to carry out in whole or in part, its obligations under this Contract.

Upon the giving of such notice the GEO-SERVICES CONTRACTOR as of the date of such notice, shall be relieved from liability for the failure to carry out its obligations due to the occurrence of any event of force majeure. If such event continue for a period of fifteen (15) days after notice thereof has been given to the DOE as herein before provided, either Party may terminate this Contract not earlier than sixty (60) days from receipt of notice. Upon receipt of such notice of termination, the GEO-SERVICES CONTRACTOR shall take immediate steps to bring the work of such notice in a prompt and orderly manner and to reduce expenditures to a minimum as far as practicable.

Section 2. Upon termination of this Contract pursuant to the foregoing provisions of Section 1 of Article 8, the GEO-SERVICES CONTRACTOR shall give the DOE all data compiled, drawings and preliminary conclusions reached up to the date of termination. Notwithstanding the foregoing, the GEO-SERVICES CONTRACTOR shall be paid for services performed prior to the termination of this Contract.

ARTICLE 9

MISCELLANEOUS PROVISIONS

Section 1. The GEO-SERVICES CONTRACTOR shall not assign, transfer, pledge or make disposition of this Contract without first obtaining the written consent of the DOE.

Section 2. Upon completion of the Services, all studies done, procured and compiled data, software, hardware, tools and equipments, plans drawn, working papers made and reports written in accordance with the Project Proposal shall become the property of the DOE.

Section 3. It is agreed that any notice, communication, report and document under this Contract shall be in English.

ARTICLE 10

COMMENCEMENT AND DURATION OF THE CONTRACT

Section 1. This Contract shall become effective fifteen (15) days after the date of receipt by the GEO-SERVICES CONTRACTOR of the notification that this Contract has complied with all legal requirements and has been approved by the appropriate authorities of the Philippine Government, and shall remain in force until the completion of the Project activities. The starting date of the Services/activities as indicated in the Project Proposal shall be the date when such Services actually start as may be agreed upon by both Parties.

Section 2. The time schedule of the activity as cited in the Term of Reference is for a period of one hundred fifty (150) man-days from effectivity of the Contract. If, for any reason independent of the will of the parties, the activity schedule cannot be followed, a new time schedule shall be agreed upon.

ARTICLE 11

PATENT AND COPYRIGHTS

Section 1. The GEO-SERVICES CONTRACTOR agrees to indemnify, hold or save harmless the DOE its officials and employees, against any liability for the use or violation of any copyrighted materials, patented inventions, article or appliance supplied by the GEO-SERVICES CONTRACTOR in the execution of its Services under this Contract without permission from the owner of such copyright, invention, article or appliance.

ARTICLE 12

ARBITRATION

Section 1. Any dispute which cannot be amicably settled between the Parties arising out of the Contract or any amendment thereof, shall be submitted for arbitration to a committee of three (3) in accordance with the provisions of the laws of the Philippines. One (1) member shall be designated by the DOE, another by the CONSULTANT, and a third by mutual agreement of the Parties. The arbitration shall take place in the Philippines, and procedures shall be in accordance with the laws of the Republic of the Philippines. The resulting award which shall be final and binding on the Parties be in lieu of any other remedy.

ARTICLE 13

GIVING OF NOTICE OR REQUESTS

Section 1. Any notice or request or permission to be given or made under this contract shall be in writing. All such notices shall be addressed as follows:

CARLOS JERICHO L. PETILLA
Secretary
Department of Energy
Energy Center, Rizal Drive cor. 34th st.,
Bonifacio Global City, Taguig City
Metro Manila

BERNARDO S. TOLENTINO
Chairman
FEDS Energy Resources and Development Services, Inc.
Unit 404, Angelus Plaza, 104 V. A. Rufino st.,
Legaspi Village, Makati City,
Metro Manila

ARTICLE 14

WARRANTY CLAUSE

Section 1. The GEO-SERVICES CONTRACTOR hereby warrants that it or any of its official(s) or representative(s) has/have not given or promised to give any money regarding the awarding of this Contract, and further warrants that the GEO-SERVICES CONTRACTOR or its official(s) or representative(s) has/have not exerted or utilized any unlawful influence on any employee/official of DOE to solicit or secure this Contract, through an agreement to pay a commission, percentage, brokerage or contingent fee. The GEO-SERVICES CONTRACTOR hereby agrees that breach of this warranty shall be sufficient ground for the DOE at its discretion, either to terminate or cancel this Contract or to deduct such commission, percentage, brokerage or contingent fees from the contract price without prejudice to the GEO-SERVICES CONTRACTOR's or any other person's civil or criminal liability under the Anti-Graft Law and other applicable laws.

ARTICLE 15

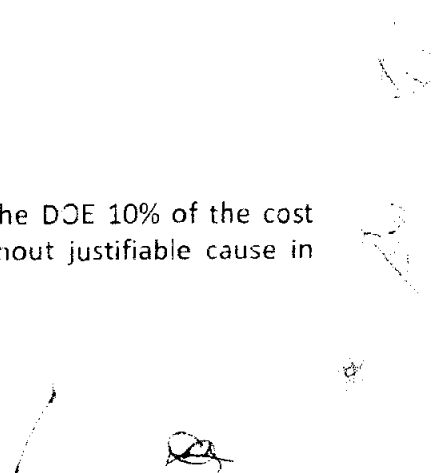
LIABILITY CLAUSE

Section 1. The GEO-SERVICES CONTRACTOR shall hold the DOE safe and free from any and all liabilities, suits, actions, demands, damages, costs of fees on account of death, injuries to its misconduct of the GEO-SERVICES CONTRACTOR, its employees, agents or subcontractors.

ARTICLE 16

PENALTY CLAUSE

Section 1. The GEO-SERVICES CONTRACTOR shall pay the DOE 10% of the cost per activity (i.e. geological survey) for each month of delay without justifiable cause in complying with the technical reporting requirements of the project.



ARTICLE 17

TERMINATION BY DOE

Section 1. The performance of work under this Contract may be terminated by DOE in accordance with the clause in whole, or from time to time, in part:

- a) Whenever the GEO-SERVICES CONTRACTOR defaults in the performance of this Contract in accordance with its terms including in the term "default" any such failure by the GEO-SERVICES CONTRACTOR to make a progress in the execution of the work hereunder as endangers such performance and shall fail to cure default within a period of ten (10) days after receipt from DOE as notice specifying the default. In this situation, the DOE can claim the appropriate damages to enforce or protect its right against the GEO-SERVICES CONTRACTOR. In addition, the DOE can contract the services of another party to execute the work under this Contract and charge the costs of such services against the GEO-SERVICES CONTRACTOR.

Whenever, for any reason, DOE shall determine that such termination is in the best interest of DOE. Any such termination shall be effected by delivery to the GEO-SERVICES CONTRACTOR of a notice of termination specifying whether termination is due to the default of the GEO-SERVICES CONTRACTOR or for the convenience of the DOE in which latter case, the GEO-SERVICES CONTRACTOR shall be paid for work completed to date of termination.

Section 2. Upon receipt of a Notice of Termination of this Contract under Section 1(a) and (b) of Article 17 hereof, the GEO-SERVICES CONTRACTOR shall take proper steps to bring the Services to a close in a prompt and orderly manner and reduce expenditures to a minimum.

ARTICLE 18

GENERAL PROVISIONS

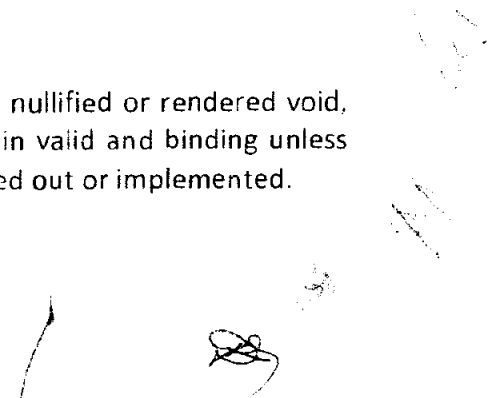
Section 1. No modification of this Contract shall be made except in writing signed by the Parties.

Section 2. Applicable Law. This Contract shall be a contract made under, and shall be governed solely and construed in accordance with the laws of the Republic of the Philippines.

ARTICLE 19

VALIDITY/SEPARABILITY CLAUSE

Section 1. If any term or condition in this Contract is nullified or rendered void, the other terms and conditions not affected thereby shall remain valid and binding unless the basic and real intentions of the Parties herein cannot be carried out or implemented.



IN WITNESS WHEREOF, the parties hereto have signed this Contract in Manila as of the day and year first and above written.

DEPARTMENT OF ENERGY

BY:

CARLOS JERICO L. PETILLA

Secretary



Republic of the Philippines
DEPARTMENT OF ENERGY

IN REPLYING PLS CITE:

SOE-JLP-13006995



FEDS Energy Resources and
Development Services, Inc.

BY:

BERNARDO S. TOLENTINO

Chairman

SIGNED IN THE PRESENCE OF:

MARIO C. MARASIGAN

Director IV, REMB
Department of Energy

RICARDO G. POBLETE, Jr.

Managing Director
FEDS Energy Resources and
Development Services, Inc.

ARTURO M. CUDIA

OIC Chief, Accounting Division
Department of Energy

OR # 157-13-12-654 P 11, 022, 422

OR # 157-13-12-654

ACKNOWLEDGMENT

Republic of the Philippines
Taguig City, Metro Manila
M. N. N. N.

BEFORE ME, this ___ day of February 2013, 2013 personally appeared:

Carlos Jericho L. Petilla with (Passport Number or any other government-issued I.D.)
No. EB4810205 issued at DFA Tacloban on February 27, 2012 in his capacity as Secretary of
Department of Energy;

and

Bernardo S. Tolentino with (Passport Number or any other government-issued I.D.)
No. EB3048178 issued at DFA Manila on June 14, 2011 in his capacity as Chairman of FEDS
Energy Resources and Development Services, Inc.

Both known to me and to me known to be the same persons who executed the
foregoing instrument and they acknowledge to me that the same is their free and voluntary
act and deed and that of the entities they represent.

This instrument consisting of eleven (11) pages including the page on which this
acknowledgement is written, has been signed by the Parties and their instrumental
witnesses on each and every page thereof and sealed with my notarial seal, refers to as
Contracted-Out Services for the Integrated Geoscientific Survey.

[Handwritten signature]

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[Faint notarial seal and text]

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