



## DRAGON OIL TERMS & CONDITIONS FOR GOODS

**NOTE: THIS AGREEMENT CONTAINS PROVISIONS WHICH INDEMNIFY AND/OR RELEASE THE INDEMNIFIED AND/OR RELEASE A PARTY FROM THE CONSEQUENCES OF ITS OWN NEGLIGENCE AND OTHER FAULT.**

**It is agreed as follows:**

### **1. DEFINITIONS**

1.1 The following definitions and rules of interpretation apply in these conditions:

“**Affiliate**” means any subsidiary or holding company of any company or any other subsidiary or parent of any tier of such holding company. For the purpose of this definition, “subsidiary” and “holding company” shall have the meaning assigned to it under Section 736, Companies Act, 1985 (U.K.), as amended by Section 144, Companies Act 1989 (U.K.);

“**Agreement**” means the PO and these general terms and conditions of contract;

“**Agreement Price**” means the price for the supply of Goods as per the PO, inclusive of all taxes;

“**Claims and Losses**” means any and all claims, losses, causes of action, damages, costs (including legal costs and expenses incurred in defence of the Company), expenses and liabilities of whatever nature;

“**Company**” means the company on the face of the PO (and within the Dragon Oil plc group of companies that is counter-signing the PO with the Supplier), and its Affiliates, representatives, respective officers, directors, agents and employees (including agency personnel);

“**Confidential Information**” means any and all data, know-how and information contained in any tangible or intangible medium of expression as provided by a Party to the other Party pursuant to this Agreement, relating to the Goods or the business of either Party and shall include but not be limited to ideas, concepts, development plans for new or improved products or processes, data (including well data), materials, products, technology, manuals, business plans, marketing plans, financial information, formulae, techniques, designs, sketches, know-how, photographs, plans, drawings, specifications, samples, test specimens, reports, customer lists, price lists, findings, studies, computer programs, software, and technical documentation, trade secrets, diagrams, or inventions, and all information pertaining thereto;

“**Defects Liability Period**” means the earlier of twelve (12) months from the date of first use or installation of the Goods or eighteen (18) months from the date of delivery;

“**Delivery Point**” means, at the Company’s sole discretion and as notified to the Supplier in writing, either Company’s onshore base in Turkmenistan, or its nominated jetty at Hazar, Turkmenistan;

“**Force Majeure**” means, in relation to either Party, any circumstances beyond the reasonable control of that Party but shall not include financial distress of either Party, late delivery of materials, spares or the Goods (unless the same is itself caused by a Force Majeure event), shortage of manpower or materials (unless the same is itself caused by a Force Majeure event), and/or any failure to obtain or maintain any licence, permit or other authorisation;

“**Goods**” means the articles, raw materials and/or supplies provided by the Supplier pursuant to this Agreement along with all accompanying documentation;

“**PO**” means the Company’s purchase order setting out the details of the Goods to be supplied, the purchase price, delivery details and other key details of the Agreement;

“**Supplier**” means the person, firm or company to whom the PO is addressed and its Affiliates, representatives, respective officers, directors, agents and employees (including agency personnel);

“**Territory**” means Turkmenistan, whether onshore or offshore;

“**Turkmenistan Authorities**” means any government, regional or local authorities in the Territory having jurisdiction over the subject matter hereof;

“**Variation**” means such instructions or adjustments as set out in Clause 6.

1.2 All instructions, notices, agreements, authorisations, approvals, acknowledgements, correspondence and documents shall be in writing and in the English language.

1.3 No approval, comment, instruction or consent given by the Company, and no failure to make any comment or instruction in relation to the supply of the Goods upon inspection, examination or testing of, or witnessing of tests in relation to the Goods or any other action or failure to act by the Company shall relieve the Supplier of liability for, or modify, any of the Supplier’s duties and obligations under the Agreement.

### **2. ORDER**

2.1 The provisions of this Agreement shall govern the Agreement to the entire exclusion of all other terms or conditions and prevail over any inconsistent terms or conditions contained in or referred to in the Supplier’s quotation or acceptance or correspondence or elsewhere or implied by trade, custom or course of dealing.

2.2 The Agreement constitutes an offer by Company to purchase the Goods on the terms set out herein; accordingly, any counter-offer made by the Supplier to supply the Goods on other terms shall only be validly accepted if accepted in writing by Company.

2.3 The Supplier’s execution/signing and return of the Agreement, execution or commencement of work, manufacturing or delivery of the Goods constitutes the Supplier’s acceptance of the Agreement on the terms and conditions set out herein.

### **3. THE GOODS**

3.1 The Goods shall conform to the quality and description and other particulars of the Goods stated in the Agreement and to all samples, drawings, descriptions and specifications furnished, and all applicable codes and standards.

3.2 The Goods shall be new, of good quality, fit for their intended purpose and free from all defects and all Goods shall comply with all applicable laws and regulations.

3.3 The provisions of Clauses 3.1 and 3.2 shall not be discharged by any delivery, inspection, acceptance, payment or performance pursuant to the Agreement and shall extend to any replacement or repaired Goods provided by the Supplier.

3.4 The Supplier represents and warrants that, for the duration of the Defects Liability Period, the Goods furnished hereunder shall conform in all respects to the provisions of this Agreement. The warranty shall extend to any repaired or replacement Goods.

3.5 The Supplier shall be deemed to have satisfied itself, before entering into the Agreement, as to the specifications, the correctness and sufficiency of the rates and prices, general and local conditions, and all other matters which could affect manufacture and supply of the Goods.

3.6 Unless otherwise agreed in writing, the Supplier must deliver the exact quantities specified in the Agreement. Company reserves the right to reject incomplete deliveries and return excess quantities at the Supplier’s expense and risk.

3.7 Supplier shall ensure that all Goods are properly packed and secured in accordance with the Agreement and in such a manner so as to ensure that they reach their destination without damage.

3.8 Each advice note, bill of lading and invoice shall bear the Agreement number and any applicable component number, delivery date and the location to which the Goods are to be delivered. Supplier shall ensure that each delivery is accompanied by a delivery note which shows, among other things, the Agreement number, date of PO, number of packages and contents and, in the case of part delivery, the outstanding balance remaining to be delivered and marked with Company’s shipping mark as set out below. Supplier shall provide Company with any necessary declarations or documents stating the origin of the Goods.

3.9 All packages shall be marked on the outside with the following address:

Dragon Oil (Turkmenistan) Ltd, Khazar-Balkanabad High Road, 9th km.

Khazar 745030, Turkmenistan

Each item inside the package shall be separately packed and marked clearly with the following information where specified by Company:

PO No. :

Company’s P.O. Item No. :

Quantity of each item :

Manufacturer’s part no./ref. no. :

3.10 The Supplier will ensure that the Goods will comply with the requirements of law and to the extent that they contain toxic, corrosive or hazardous materials, the Supplier will ensure that a notice to that effect accompanies each consignment together with the appropriate care and handling instructions.

### **4. DELIVERY AND ACCEPTANCE**

4.1 Supplier shall carefully test and inspect the Goods prior to dispatch to ensure that they comply with the requirements of the Agreement and, if so requested by Company, give Company reasonable notice of such tests which Company shall be entitled to attend. Supplier shall provide Company with full details of all inspection and testing criteria, data and results traceable to international standards. At any time prior to delivery of the Goods to the Company the Company shall have the right to inspect and test the Goods (or engage a third party for carrying out the same) at all times at its cost, unless the Goods prove to be defective in which case the cost will be for Supplier’s account.

4.2 The Goods shall be delivered to the Delivery Point on the agreed date(s) of delivery set out in this Agreement, and where appropriate be accompanied with all original certifications and test reports. Time for delivery shall be of the essence.

4.3 Supplier shall promptly notify Company of the dispatch of the Goods along with the full shipping details applicable to the Goods and their transportation and the anticipated date of arrival of the Goods at their destination.

4.4 Property, risk and title in the Goods shall pass to Company on delivery at the Delivery Point, without prejudice to any right of rejection Company may be entitled to under this Agreement or otherwise.

4.5 Goods supplied which are contaminated beyond use at the time of delivery shall be regenerated or disposed of by the Supplier. Title and risk to such Goods will transfer to the Supplier at the time that contamination is identified and notified to the Supplier who will bear all expenses for the said processes. In the event that the Company contaminates the Goods, the Company will be liable for the processes of regeneration and disposal.

4.6 If the delivery date(s) cannot be met by the Supplier, the Supplier shall notify Company as soon as reasonably possible and Company shall be entitled to (a) charge the liquidated damages at

Clause 5 below, and (b) if the maximum amount of liquidated damages is reached, cancel the Agreement without Company being liable to the Supplier, and/or (c) acquire replacement Goods from another source, with the Supplier paying Company for any additional, direct costs reasonably incurred by Company in doing so.

4.7 The costs for wrapping, packing, cartons, boxes, crating, containers or carriage is deemed to be included in the Agreement Price.

4.8 Partial delivery of Goods will not be accepted unless it is agreed between the Parties in writing.

4.9 Where the Goods or any part thereof do not comply with the requirements of the Agreement at any time during the Agreement including on delivery or during the Defects Liability Period, the Company shall have the right to:

4.9.1 reject the Goods concerned, specifying the reasons for doing so and return any rejected Goods to the Supplier at Supplier’s risk and expense to the Delivery Point on the basis that a full refund for the Goods so returned shall be paid forthwith by the Supplier;

4.9.2 request the Supplier repair or replace Goods so rejected or found to be defective at the Supplier’s expense so that the Goods conform to the Agreement; and/or

4.9.3 if the Supplier fails or refuses to repair or replace any rejected Goods as required by Clause 4.9.2 and Company has given reasonable notice of such intention, Company shall be entitled to acquire replacement Goods from another source or engage a third party to repair the Goods and the Supplier shall pay Company for any additional, direct costs reasonably incurred by Company in doing so.

4.10 Notwithstanding Clause 4.9, the Supplier shall not be liable for the costs of correcting any defective Goods which result from (a) incorrect operation or use by the Company which is not in accordance with the specifics set out in the Agreement; or (b) defects in data, information, materials or equipment supplied by the Company which could not reasonably have been discovered by the Supplier.

### **5. LIQUIDATED DAMAGES**

5.1 In the event of late delivery, Company reserves the right to apply liquidated damages at a rate of one percent (1.0%) of the aggregate value of the Agreement amount per week, or part thereof, up to a maximum of ten percent (10%) of the Agreement Price.

5.2 The Parties agree that the levels of liquidated damages specified in this Clause 5 represent a reasonable pre-estimate of the losses likely to be suffered by the Company if the date(s) of delivery are not met.

### **6. VARIATIONS**

6.1 The Company has the right to issue instructions to the Supplier at any time to make any variations to the Goods which are within the capability and resources of the Supplier. The Supplier shall proceed immediately as instructed in writing by the Company’s duly authorised representative.

6.2 Any adjustment to the Agreement Price resulting from any agreed variation shall be valued at the appropriate rates and prices included in the Agreement or, in the absence of any appropriate rates and prices, a fair and equitable valuation shall be made.

### **7. FORCE MAJEURE**

7.1 If any Party is affected by Force Majeure which affects or may affect the performance of any of its obligations under this Agreement, it will as soon as practicable advise the other Party of the nature and impact of the Force Majeure event. A Party subject to a Force Majeure event will not be deemed to be in breach of its obligations under this Agreement to the extent that it is prevented or delayed from performing those obligations by that Force Majeure event. Save as otherwise expressly provided in the Agreement, no payments of whatever nature shall be made in respect of a force majeure occurrence.

7.2 Following notification of a Force Majeure event, the Parties shall meet without delay with a view to agreeing a mutually acceptable course of action to minimise any effects of such Force Majeure event.

### **8. TERMS OF PAYMENT**

8.1 For the supply of the Goods, the Company shall pay or cause to be paid to the Supplier the Agreement Price within thirty (30) days from receipt of a correctly prepared and adequately supported invoice by the Company. The Supplier shall submit to the Company its invoice(s)

within twenty (20) days of the end of each calendar month. The Company shall authorise payment in respect of such invoices of the due amount into the bank account of the Supplier specified in the Agreement or otherwise notified by the Supplier, using telegraphic transfer.

8.2 The Supplier shall provide a separate invoice for each individual consignment delivery of Goods and all invoice(s) shall show the PO number, unit price, quantity and delivery destination and shall be supported by: (a) any appropriate inspection and/or testing certificates, (b) a delivery receipt signed by a Company employee, and (c) such other documentation as Company may reasonably require.

8.3 The Supplier will not be entitled to receive any payment on any invoice received by the Company after expiry of a period of ninety (90) days from the due date, being the latest time for receipt of invoices. Nevertheless the Company may, at its sole discretion, make payment against any such invoice but will only do so under exceptional circumstances, with a detailed and reasonable explanation in writing for the delay. THE SUPPLIER HEREBY IRREVOCABLY WAIVES, RELEASES AND DISCLAIMS ANY RIGHT TO CLAIM OR RECEIVE (UNDER ANY LEGAL OR EQUITABLE THEORY) ANY COMPENSATION IN RESPECT OF ANY GOODS FOR WHICH INVOICES WHICH ARE NOT SUBMITTED IN CONFORMANCE WITH THIS CLAUSE.

8.4 If the Company disputes any invoice in whole or in part for whatever good reason, the Company shall notify the Supplier of the reasons and request the Supplier to issue a credit note for the unaccepted part or whole of the invoice. Upon receipt of such credit note, the Company shall be obliged to pay the undisputed part of the invoice. On settlement of any dispute, the Supplier shall submit an invoice for sums due and the Company shall make the appropriate payment in accordance herewith.

8.5 Neither the presentation nor payment nor non-payment of an invoice shall constitute a settlement of a dispute or otherwise waive or affect the rights of the Parties hereunder and the Company may correct or modify any sum previously paid if any such sum was incorrect and/or any work in respect of which payment has been made does not comply with the Agreement.

8.6 If the Company at any time incurs costs which, under the provisions of the Agreement, the Company is entitled to recover from the Supplier, including any liquidated damages pursuant to Clause 5, the Company may either invoice the Supplier for such costs or deduct the amounts owing from the Supplier to Company. The Supplier shall pay the Company within thirty (30) days of receipt of invoice any sums outstanding after such deduction.

#### **9. TAXES AND TAX EXEMPTION CERTIFICATES**

9.1 The Agreement Price is inclusive of all taxes and duties which may be levied by the Turkmenistan Authorities.

9.2 Profits/withholding taxes are not applicable to (a) any Goods component in the Agreement, (b) suppliers with a valid commercial and tax registration in the Territory, and/or (c) suppliers operating from a country with a valid double taxation agreement with the Turkmenistan Authorities.

9.3 The Company shall provide the Supplier with all reasonable assistance in dealing with the Turkmenistan Authorities to obtain the benefit of any tax and duty exemptions available to the Company and which can be extended to the Supplier or to the Supplier's personnel under applicable legislation.

#### **10. LIABILITY AND INDEMNITY**

10.1 The Supplier shall save, indemnify, defend and hold harmless the Company from all Claims and Losses in respect of loss of or damage to property and personal injury including death or disease arising out of or in connection with the performance of the obligations of the Supplier under the Agreement, to the extent caused by the acts or omissions of the Supplier under this Agreement, provided that the Supplier's total liability for such Claims and Losses under this Agreement shall not exceed US\$2,000,000 (United States Dollars Two Million) in aggregate.

10.2 If the Supplier becomes aware of any incident likely to give rise to a claim under the above indemnity, it shall notify the Company immediately.

#### **11. INSURANCE BY SUPPLIER**

11.1 The Supplier shall arrange as a minimum (a) Employers Liability and/or Workmen's Compensation insurance to the minimum value required by any applicable legislation; (b) General Third Party Liability insurance in an amount not less than US\$2,000,000 (US Dollars Two Million); and (c) Third Party and Passenger Liability insurance and other motor insurance as required by applicable jurisdiction (if relevant).

11.2 At any time during the term of the Agreement, if requested to do so, the Supplier shall provide Company with an insurance certificate evidencing full compliance with the requirements of this Clause 11.

#### **12. CONSEQUENTIAL LOSS**

12.1 For the purposes of this Clause 12, the expression "Consequential Loss" shall mean: consequential or indirect loss under English law; and loss and/or deferral of production, loss of product, loss of use, loss of revenue, profit or anticipated profit (if any), in each case whether direct or indirect, and whether or not foreseeable at the commencement of the Agreement.

12.2 Notwithstanding any provisions contrary elsewhere in the Agreement and except to the extent of any agreed liquidated damages or any termination fees provided for in the Agreement, each Party shall save, indemnify, defend and hold harmless the other Party from its own Consequential Loss.

#### **13. TERMINATION**

13.1 The Company shall have the right by giving notice to terminate all or any part of the Agreement at such time or times as the Company may consider necessary for any or all of the following reasons:

13.1.1 to suit the convenience of the Company;

13.1.2 in the event of any material default on the part of the Supplier;

13.1.3 in the event of the Supplier becoming bankrupt or making a composition or arrangement with its creditors or a winding-up order of the Supplier being made or (except for the purposes of amalgamation or reconstruction) a resolution for its voluntary winding-up passed or a provisional Liquidator, Receiver, Administrator or Manager of its business or undertaking appointed or presenting a petition or having a petition presented applying for an administration order, or possession being taken by or on behalf of the holders of any debenture secured by a floating charge of any property comprised in or subject to the floating charge.

13.2 Upon receipt of a notice of termination from the Company by Supplier, the Supplier shall immediately cease manufacture of the Goods as may be specified in the notice.

13.3 In the event of termination of all or part of the Agreement in accordance with Clause 13.1.2 or Clause 13.1.3 (a) the Company shall have the right to obtain completion of the Goods or the part thereof by other suppliers, (b) the Supplier shall cease to be entitled to receive any money or monies on account of the Agreement until the costs of completion and all other costs arising as a result of the Supplier's default have been finally ascertained, and (c) thereafter and subject to any deductions that may be made under the provision of the Agreement, the Supplier shall be entitled to payment only for the part of the Goods delivered per the Agreement up to date of termination.

13.4 In the event of termination under this Clause the Parties shall not be relieved of any continuing obligations or liabilities under the Agreement or at law.

#### **14. RESOLUTION OF DISPUTES**

14.1 Any dispute arising out of or in connection with this Agreement, including any question regarding its existence, validity or termination, shall be referred to and finally resolved by arbitration under the London Court of International Arbitration Rules, which Rules are deemed to be incorporated by reference into this Clause. The number of arbitrators shall be one. The seat, or legal place, of arbitration shall be London. The language to be used in the arbitral proceedings shall be English. The governing law of the Agreement shall be the substantive law of England.

14.2 Whilst any matter or matters are in dispute, both parties agree to continue to comply with all the provisions of the Agreement.

#### **15. CUSTOMS AND DUTIES**

15.1 The Parties shall each develop with governmental authorities, customs procedures for their respective import to the Territory and re-export from the Territory of all Goods to be provided under the Agreement and shall each respectively be accountable and liable for compliance with customs procedures based on each Party being a customs authorised trader and who is in possession (not ownership) of the items subject to customs control at any given time.

15.2 Good imported into the Territory for Company qualify for duty exemption and a letter of exemption may be issued by Company upon receipt of the all relevant information from the Supplier.

#### **16. GENERAL LEGAL PROVISIONS**

16.1 During the term of the Agreement and for a period ending two (2) years thereafter, the Company or its duly authorised representative shall have the right to audit at all reasonable times and, upon request, take copies of all of the Supplier's records (including data stored on computers), books, personnel records, accounts, correspondence, receipts, vouchers and other papers of every kind relating to (a) all invoiced charges made by the Supplier on the Company, and (b) any provision of this Agreement under which the Supplier has obligations the performance of which is capable of being verified by audit.

16.2 The failure of a party to exercise or enforce any right under this Agreement shall not be deemed to be a waiver of that right nor operate to bar the exercise or enforcement of it at any later time. No Party may waive any of the terms or conditions of this Agreement, except by duly signed written document referring to the specific provision to be waived.

16.3 The Supplier shall comply with all applicable laws, rules and regulations of any governmental or regulatory body having jurisdiction over the manufacture or supply of the Goods.

16.4 Save that the Company is entitled to assign the Agreement or any part of it to an Affiliate, neither Party may assign the Agreement or any part of it to any third party, without the prior approval of the other Party which shall not unreasonably be withheld or delayed.

16.5 The Supplier shall not claim any lien, charge or the like on the Goods or on any property of the Company and shall immediately notify the Company of any possible lien, attachment, charge or claim which may affect the Goods or any part thereof. If at any time there is evidence of any lien, attachment, charge or claim, the Company has the right to withhold and/or set off or otherwise recover from the Supplier such sum of money as will fully indemnify the Company against any such lien, attachment, charge or claim.

16.6 The Agreement and all Confidential Information are confidential and neither Party may disclose or use such information for any purpose other than for the performance of its obligations under the Agreement without the other Party's prior written consent. Supplier shall not without the prior written consent of Company advertise or publish in any way whatsoever the fact that the Supplier has contracted to supply the Goods to Company.

16.7 Neither Party shall have the right of use other than for the purposes of the Agreement, whether directly or indirectly, of any patent, copyright, proprietary right or confidential know how, trademark or process provided by the other Party.

16.8 If execution of this Agreement requires any license or other permit to be issued in the Territory or in the country of origin, completion of the Agreement shall be subject to the responsible Party obtaining the required license or permit.

16.9 The Supplier shall act as an independent contractor with respect to the Agreement.

16.10 All notices in respect of the Agreement shall be given in writing and delivered by hand, by fax or by international courier to the addresses specified in the PO and copied to such other office or offices of the parties as shall from time to time be nominated by them in writing to the other. Such notices shall be effective (a) if delivered by hand, at the time of delivery; (b) if sent by fax, on the first working day at the recipient address following sending; or (c) if sent by international courier, 48 hours after the time of posting.

16.11 This Agreement constitutes the entire agreement between the Parties relating to the subject matter of this Agreement and any changes to this Agreement must be made in writing and signed by or on behalf of both Parties.

16.12 The Supplier shall give preference to suitably qualified and experienced national subsuppliers as well as equipment and supplies offered in the Territory, to the extent reasonably possible.

16.13 No provision of this Agreement shall be enforceable by any third party under the Contracts (Rights of Third Parties) Act 1999 or otherwise.

16.14 If any provision of this Agreement is determined to be illegal or unenforceable, it shall be deemed to have been deleted without affecting the remaining provisions.

#### **END OF GENERAL TERMS AND CONDITIONS**