

Memorandum of Understanding

This Memorandum of Understanding (hereinafter the „MOU“) is made on 30 October 2013 in Tbilisi, Georgia by and between the following parties.

On the one hand,

The Government of Georgia (hereinafter the “GOG”), represented by the Minister of Energy of Georgia Mr. Kakha Kaladze

And on the other hand

Royal Haskoning DHV (Pty) Ltd (hereinafter “the Company”) represented by Director Business Unit Industry & Energy Mr. Eric Tshwele.

1. Purpose

The purpose of this MOU is to ensure the feasibility study/analysis of the hydropower plant(s), set out in Annex No 1. of this MOU by the Company and then to build them according to this MOU and terms and conditions to be agreed by both parties afterwards.

2. Definitions

- 2.1 MOU – this Memorandum of Understanding
- 2.2 Project – feasibility study/analysis and construction of the hydropower plant(s), situated on the rivers within the range of elevations determined in Annex No 1 according to this MOU and terms and conditions to be agreed by both parties afterwards.

3. Terms and Conditions of the Project

- 3.1 The company within eighteen (18) months from the Effective Date of this MOU shall ensure:
 - a) According to the schedule of feasibility study (Annex No 2.) finalization of feasibility study/analysis of the hydropower plant(s) situated on the rivers within the elevations provided in Annex No 1;
 - b) Submission of the proposals to the GOG (also to The Ministry of Environmental and Natural Resources Protection of Georgia) on construction of hydropower plant(s) situated on the rivers within the elevations provided in Annex No 1, in case if conclusion of the feasibility study of the project will be positive.
- 3.2 In case the Company, as a result of implementing subparagraph ‘a’ of paragraph 3.1 of this MOU decides to build one or several hydropower plants, indicated in Annex No 1., the proposal to be submitted to the GOG (also to The Ministry of Environmental and Natural Resources Protection of Georgia) according to subparagraph ‘b’ of paragraph 3.1 shall include following:
 - a) the Company’s decision on construction respective hydropower plant(s);
 - b) Full technical parameters, including capacity and annual generation of the hydropower plant(s);

- c) Exact coordinates of allocation of the hydropower plant(s) and elevations of the river;
 - d) Dates of receiving construction permit, commencement and completion of construction works and commencement of operation of hydropower plant(s), also approximate investments required for each hydropower plant's construction;
 - e) Feasibility reports of construction of hydropower plant(s) and all related documents.
- 3.3 Within 2 months after submitting the proposal according to paragraph 3.2, the parties shall mutually consider the question of construction of the relevant hydropower plant(s) by the Company and make a mutual decision on construction or waiver thereof.
- 3.4 In case the parties decide to build one or several hydropower plant(s) according to paragraph 3.3 they shall draw up the implementation agreement (agreements) on build, own and operate of the relevant hydropower plant(s) within 2 sequent months after expire date of the term determined with paragraph 3.3.
- 3.5 In case the Implementation Agreement is signed the Company's Obligations are:
- a) On the day of the signing of the implementation agreement the Company, for the purpose of ensuring the construction of the hydropower plant(s) with determined terms and conditions shall submit to the GOG unconditional and irrevocable bank guarantee, one for each hydropower plant in amount of \$50,000 per MW if the total MW of all hydropower plants, to be constructed by the Company, exceed 100 MW or \$100,000 per MW if the total MW of all hydropower plants, to be constructed by the Company, is less than 100 MW. The bank guarantee shall be issued by any Bank in Georgia or abroad licensed by "Organization of Economic Cooperation and Development" (OECD) member country. The expiration date of bank guarantee shall exceed commencement of operation of the hydropower plant by 5 months.
 - b) For the first ten years of operation, beginning from the date of commencement of operation of the Facility (the „Initial Operation Period“), the 20 % of full power output of each Facility during the winter months of each year, (being the months of December, January, February and March (the „Winter Months“)) shall be sold exclusively for the purposes of meeting the internal demand of Georgia, which shall be reflected in the Electricity (Power) Balance of the respective year or other similar document.
 - c) For the purpose of subarticle „b“ of article 3.5 of the MOU, for the Initial Operation Period, During the Winter Months, the Company shall sell the generated power in accordance with the Guaranteed Power Purchase Agreement to be signed with ESCO, with a tariff negotiated by the parties but not more than 4.5 USD Cent per KWh at the inter connection point.

- 3.6 The GOG, within 18 months after the Effective Date of this MOU shall not give the right to other party to build, own and operation of the hydropower plants, situated on the rivers within the elevations provided in Annex No 1 without Company's written consent.
- 3.7 Before the expiration of the term of signing of implementation agreement (if applicable) the GOG, without written approval of the Company shall not give the right to other party on build, own and operation of that hydropower plant(s), indicated in Annex No 1. for which construction the Company had submitted the proposal to the GOG under this MOU and of which construction the parties had made a decision.
- 3.8 Following request the Company is obliged to submit to the GOG the feasibility studies and all related documents that it possesses, completely, free of charge, of which:
- a) the Company had not submitted the proposal to the GOG for construction according to paragraph 3.2,
 - b) the Company had applied to the GOG for construction according to paragraph 3.2 but he parties failed to make a decision on construction according to paragraph 3.3,
 - c) the Company had applied to the GOG for construction according to paragraph 3.2, the parties made a decision on construction under paragraph 3.3 but the implementation agreement on build, own an operation was not signed between the GOG and the Company under paragraph 3.4 of the MOU.
- 3.9 The GOG is entitled to request and the Company is obliged to agree to remove hydropower plants situated on the rivers within the elevations provided in Annex No 1 to which:
- a) the Company had not submitted the proposal to the GOG for construction according to paragraph 3.2;
 - b) the Company had applied to the GOG for construction according to paragraph 3.2 but the parties failed to make a decision on construction according to paragraph 3.3;
 - c) the Company had applied to the GOG for construction according to paragraph 3.2, the parties made a decision on construction under paragraph 3.3 but the implementation agreement on build, own and operation was not signed between the GOG and the Company under paragraph 3.4 of the MOU;
 - d) In case one or more subparagraph of paragraph 3.8 occurs.

4. Rights on Land Plots and Construction Permits

- 4.1 For the purpose of implementation of the project, in case of necessity the GOG shall ensure to provide the Company with ownership right of respective state owned land plots with normative prise according to Georgian applicable legislation.
- 4.2 The GOG shall use its best endeavours within its authority to assist the Company with obtaining construction permit(s), providing the Company meets the relevant requirements under the Georgian legislation.

5. Project Expenses, Providing Information

- 5.1 The expenses related to the implementation of the Project shall be fully borne by the Company.
- 5.2 The Company is obliged to submit to the Ministry of Energy of Georgia, on quarterly basis, a progress report of the fulfilment of the conditions set out under the MOU, including but not limited full and detailed information about fulfilment of schedule of feasibility study (Annex No 2.) by the Company.

6. Effectiveness of the MOU

- 6.1 This MOU enters into force on the day of signing this MOU.
- 6.2 The MOU shall be terminated in the following cases:
- a) Upon agreement of parties
 - b) The GOG is entitled to terminate the MOU within part of one or more hydropower plant situated on the rivers within the elevations provided in Annex No 1. of which:
 - b.a) The Company had not submitted the proposal to the GOG on construction according to paragraph 3.2 – for the respective hydropower plant only - on the expire of the term under paragraph 3.1
 - b.b) The Company had applied to the GOG for construction according to paragraph 3.2 but the parties failed to make a decision on construction under paragraph 3.3 – for the respective hydropower plant only - on the expire of the term under paragraph 3.3;
 - b.c) The Company had applied to the GOG for construction according to paragraph 3.2, but the parties made a decision on construction under paragraph 3.3 but the implementation agreement on build, own and operation was not drawn up between the GOG and the Company before the expiration date of the term set out under paragraph 3.4 of the MOU – for the respective hydropower plant only - on the expiration of the term under paragraph 3.4;
 - c) In other cases determined by Georgian applicable legislation.
- 6.3 In case the Company fails to carry out the obligations under this MOU the issue of effectiveness of the MOU and the responsibilities of the Company shall be regulated according to the MOU and Georgian applicable legislation.
- 6.4 Notwithstanding partial or complete termination of the MoU the Company is obliged to submit the GoG the complete or partial feasibility studies already created by the Company in accordance with sub article “a” of article 3.1. of this MOU before the date of termination.

7. Amendments

This MOU may be amended by written agreement of the parties. If any provision of this MOU becomes invalid or unenforceable, the validity of other provisions shall not be affected.

8. Notifications

Any correspondence sent by the parties within the framework of this MOU shall be made in writing and shall be sent by mail, courier service or facsimile

transmission (with the original to follow). The notification shall enter into force immediately upon its receipt by the recipient.

9. Governing Law and Dispute Resolution

9.1 This MOU shall be governed by the law of Georgia

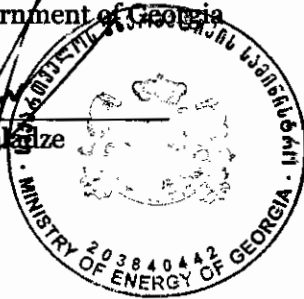
9.2 All disputes arising from this MOU shall be resolved by common courts of Georgia, in accordance with the applicable legislation of Georgia.

10. Counterparts, language of MOU

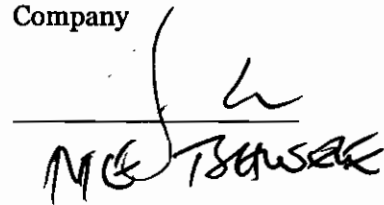
This MOU is prepared in English language, two original counterparts.

The Government of Georgia


Kakha Kaladze



Company


NCB TSENSEK

Annex N 1

N	Name of the Project	Name of the River	River Elevation	Estimated MW	Estimated Annual Capacity
1	Lechekha HPP	Tekhuri	1300.5-945.0	18.4	90.8
2	Erjia HPP	Tekhuri	940.5-663.0	29.1	133.7
3	Tskhimra HPP	Tekhuri	660.0-502.0	27.6	134.4
4	Nobulevi HPP	Tekhuri	500.0-312.0	42.0	197.4

The Government of Georgia

Kakha Kalidze



Company

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ME Tskwale

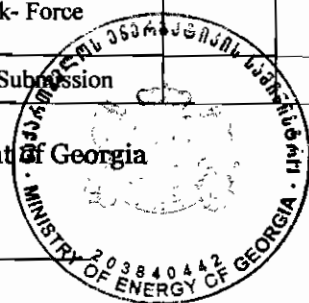
Annex N-2

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<u>Name of HPP: Tekhuri Cascade</u>	3 months after signing MOU	6 months after signing MOU	9 months after signing MOU	12 months after signing MOU	15 months after signing MOU	18 months after signing MOU
Sites and main parameters definitions	X					
Topographical Surveys and Preparation of Maps	X		X	X		
Geological, Geophysical	X	X	X	X		
Seismic Risk analysis	X	X				
Construction Materials Survey	X	X				
Meteorological and Hydrological Studies	X		X	X		
Hydraulic Studies	X		X	X		
Alternative Analysis		X				
Technical Design		X	X	X		
Infrastructure			X			
Power Generation and Utilization			X			
Transmission System Associated			X			
Environment Impact and Social Risk Assessment				X	X	X
Bills of Quantities				X		
Construction Organization				X	X	
Economic Analysis.				X	X	
Financial Analysis.				X	X	
Procurement Planning and Execution Scheme					X	
Timetable of Work- Force Training					X	X
Feasibility Study Submission					X	X

The Government of Georgia

Kalika Kaladze



Company

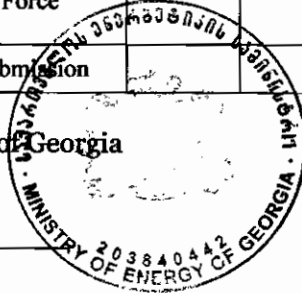
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<u>Name of HPP: Lechekha HPP</u>	3 months after signing MOU	6 months after signing MOU	9 months after signing MOU	12 months after signing MOU	15 months after signing MOU	18 months after signing MOU
Sites and main parameters definitions	X					
Topographical Surveys and Preparation of Maps	X		X	X		
Geological, Geophysical	X	X	X	X		
Seismic Risk analysis	X	X				
Construction Materials Survey	X	X				
Meteorological and Hydrological Studies	X		X	X		
Hydraulic Studies	X		X	X		
Alternative Analysis		X				
Technical Design		X	X	X		
Infrastructure			X			
Power Generation and Utilization			X			
Transmission System Associated			X			
Environment Impact and Social Risk Assessment				X	X	X
Bills of Quantities				X		
Construction Organization				X	X	
Economic Analysis.				X	X	
Financial Analysis.				X	X	
Procurement Planning and Execution Scheme					X	
Timetable of Work- Force Training					X	X
Feasibility Study Submission					X	X

The Government of Georgia

Kakha Kladze



Company

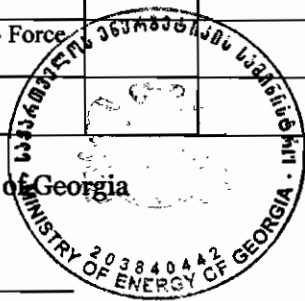
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M&B GROUP

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<i>Name of HPP: Erjia HPP</i>	3 months after signing MOU	6 months after signing MOU	9 months after signing MOU	12 months after signing MOU	15 months after signing MOU	18 months after signing MOU
Sites and main parameters definitions	X					
Topographical Surveys and Preparation of Maps	X		X	X		
Geological, Geophysical	X	X	X	X		
Seismic Risk analysis	X	X				
Construction Materials Survey	X	X				
Meteorological and Hydrological Studies	X		X	X		
Hydraulic Studies	X		X	X		
Alternative Analysis		X				
Technical Design		X	X	X		
Infrastructure			X			
Power Generation and Utilization			X			
Transmission System Associated			X			
Environment Impact and Social Risk Assessment				X	X	X
Bills of Quantities				X		
Construction Organization				X	X	
Economic Analysis.				X	X	
Financial Analysis.				X	X	
Procurement Planning and Execution Scheme					X	
Timetable of Work- Force Training					X	X
Feasibility Study Submission					X	X

The Government of Georgia

Kakha Kaladze



Company

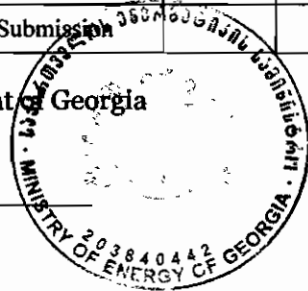
ME TSHWGE

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<u>Name of HPP: Tskhimra HPP</u>	3 months after signing MOU	6 months after signing MOU	9 months after signing MOU	12 months after signing MOU	15 months after signing MOU	18 months after signing MOU
Sites and main parameters definitions	X					
Topographical Surveys and Preparation of Maps	X		X	X		
Geological, Geophysical	X	X	X	X		
Seismic Risk analysis	X	X				
Construction Materials Survey	X	X				
Meteorological and Hydrological Studies	X		X	X		
Hydraulic Studies	X		X	X		
Alternative Analysis		X				
Technical Design		X	X	X		
Infrastructure			X			
Power Generation and Utilization			X			
Transmission System Associated			X			
Environment Impact and Social Risk Assessment				X	X	X
Bills of Quantities				X		
Construction Organization				X	X	
Economic Analysis.				X	X	
Financial Analysis.				X	X	
Procurement Planning and Execution Scheme					X	
Timetable of Work- Force Training					X	X
Feasibility Study Submission					X	X

The Government of Georgia

Kakha Kiknadze



Company

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<u>Name of HPP: Nobulevi HPP</u>	3 months after signing MOU	6 months after signing MOU	9 months after signing MOU	12 months after signing MOU	15 months after signing MOU	18 months after signing MOU
Sites and main parameters definitions	X					
Topographical Surveys and Preparation of Maps	X		X	X		
Geological, Geophysical	X	X	X	X		
Seismic Risk analysis	X	X				
Construction Materials Survey	X	X				
Meteorological and Hydrological Studies	X		X	X		
Hydraulic Studies	X		X	X		
Alternative Analysis		X				
Technical Design		X	X	X		
Infrastructure			X			
Power Generation and Utilization			X			
Transmission System Associated			X			
Environment Impact and Social Risk Assessment				X	X	X
Bills of Quantities				X		
Construction Organization				X	X	
Economic Analysis.				X	X	
Financial Analysis.				X	X	
Procurement Planning and Execution Scheme					X	
Timetable of Work- Force Training					X	X
Feasibility Study Submission					X	X

The Government of Georgia

Kakha Kalashvili



Company

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