Contract Agreement

THIS AGREEMENT made this _____ day of ___________ between
GOVERNMENT ARSENAL, Camp General Antonio Luna, Limay, Bataan of the Philippines
(hereinafter called "the Entity") of the one part and POONGSAN CORPORATION of Poongsan
Building, 23, Chungjeong-ro, Seodaemun-gu, Seoul, South Korea (hereinafter called "the
Supplier") of the other part:

WHEREAS the Entity invited Bids for certain goods and ancillary services, viz.,
Procurement of 2,400,000 pcs 5.56mm Case for Blank Ammunition and 3,000,000 pcs
5.56mm M193 Bullet, IB Nr. GA BAC 2019DP-20 and has accepted a Bid by the Supplier for
the supply of those goods and services in the sum of THIRTY ONE MILLION SIX HUNDRED
EIGHTY THOUSAND PESOS (PhP31,680,000.00) only (hereinafter called "the Contract
Price").

NOW THIS AGREEMENT WITNESSETH AS FOLLOWS:

1. In this agreement words and expressions shall have the same meanings as are
respectively assigned to them in the Conditions of Contract referred to.

2. The following documents shall be deemed to form and be read and construed as part of
this Agreement, viz.:

(a) Bid Form and the Price Schedule submitted by the Bidder;
(b) Schedule of Requirements;
(c) Technical Specifications;
(d) General Conditions of Contract;
(e) Special Conditions of Contract; and
(f) Entity’s Notification of Award

3. In consideration of the payments to be made by the Entity to the Supplier as hereinafter
mentioned, the Supplier hereby covenants with the Entity to provide the goods and services and
to remedy defects therein in conformity in all respects with the provisions of the Contract.

4. The Entity hereby covenants to pay the Supplier in consideration of the provision of the
goods and services and the remedying of defects therein, the Contract Price or such other sum
as may become payable under the provisions of the contract at the time and in the manner
prescribed by the contract.

IN WITNESS whereof the parties thereto have caused this Agreement to be executed
in accordance with the laws of the Republic of the Philippines on the day and year first before
written.

Signed, sealed, delivered by:

DANIEL R CASABAR JR
Director
Government Arsenal

MS. MA. CRISTINA B. ESPIRITU
Attorney-in-Fact
Poongsan Corporation
SIGNED IN THE PRESENCE OF:

MS. AVELINA C. ALIANGAN
Superintendent
Planning & Logistics Division

MS. DANA CAGAT
Administrative Assistant
Poongsan Corporation

ATTY. ABEGAIL C. GABRIEL
Arsenal Legal Officer

MS. ALLECIAH D. CARREON
Chief Accountant

ACKNOWLEDGEMENT

REPUBLIC OF THE PHILIPPINES
CITY OF BALANGA, BATAAN ) s.s.

BEFORE ME, a Notary Public for and in Balanga City, Bataan, Philippines, on this 19th day of 11/11/2019 personally appeared:

DANIEL R. CASABAR JR
MS. MA. CRISTINA B. ESPRITU
MS. DANA CAGAT
MS. AVELINA C. ALIANGAN
ATTY. ABEGAIL C. GABRIEL
MS. ALLECIAH D. CARREON

Valid Identification Card No.
TIN    120-449-129
TIN    112-799-761
TIN    406-648-758
TIN    432-710-749

known to me and to me known to be the same persons who executed the foregoing instrument and acknowledged to me that the same is their free and voluntary deed.

WITNESS MY HAND AND SEAL on the date and place above written:

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Page No. 33
Book No. X
Series of 2019

FLAVIANO T. AGUANTA
NOTARY PUBLIC
UNTIL DECEMBER 31, 2019
FBR. No. 4671727/1-16-19
UP D.R. 08232/1-18-19
NOTICE TO PROCEED

12 NOV 2019
(Date)

MS. MA. CRISTINA B. ESPRITU
Atty-in-Fact
Poongsan Corporation
Poongsan Bldg., 23 Chungjeong-ro,
Seodaemun-gu, Seoul, South Korea

Dear Ms. Espiritu:

The attached Contract Agreement having been approved, notice is hereby given to POONGSAN CORPORATION that work may commence for the supply and delivery of 2,400,000 pcs 5.56mm Case for Blank Ammunition and 3,000,000 pcs 5.56mm M193 Bullet under ITB # GA-BAC-2019DP-20 for the Government Arsenal, DND upon receipt of this notice provided that the specification will be strictly complied with during delivery.

Upon receipt of this notice, you are responsible for performing the services under the terms and conditions of the Agreement and in accordance with the Implementation Schedule.

Please acknowledge receipt and acceptance of this notice by signing both copies in the space provided below. Keep one copy and return the other to the Arsenal, DND.

Very truly yours,

DANIEL R CASABAR JR
Director

I acknowledge receipt of this Notice on 14 NOV 2019
Name of the Representative of the Bidder
Authorized Signature
5. Residual Stress
   The blank cartridge case shall not split or crack when subjected to a one percent (1%) Mercurious Nitrate Solution for 15 minutes.

6. Manufacturing Requirements
   - The cartridge case shall be manufactured by a single manufacturer only, within one (1) year from date of award, with the manufacturing date indicated on the packaging.
   - NOTE: Quality conformance examination for defects shall be based on MIL-C-60816C, Military Specification for 5.56mm Cartridge, 5.56mm Blank, M200.

<table>
<thead>
<tr>
<th>Description</th>
<th>Qty</th>
<th>Unit Cost</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lot II- 5.56mm M193 Bullet</td>
<td>3,000,000</td>
<td>P 4.00</td>
<td>12,000,000.00</td>
</tr>
</tbody>
</table>

1. Workmanship
   - *Metal Defect*- the finished bullet shall be free of dent, perforation, scratch, split bullet jacket, missing cannelure, scaly metal, crooked point, blunt point, and other defects which will render it unsuitable for the purpose intended.
   - *Foreign Matter*- the finished bullet shall be free of corrosion, stains, discoloration, dirt and smears of lacquer. Cleaning methods used shall not be injurious to any part nor shall the parts be contaminated by any cleaning agent

2. Visual and Dimensional Inspection Criteria
   - Sample size and acceptance inspection criteria for Visual and Dimensional Inspection shall be in accordance with ANSI/ASQ Z1.4-2003 using double Sampling Plan (Normal) and General Inspection Level II
   - Acceptance Quality Limit (AQL):
     - Major Defect for Visual, Gaging & Weight- 0.25%
     - Minor Defect for Visual-1.5%
   - Table and classification of visual defects shall be in accordance with MIL-STD-636 (Visual Inspection Procedures for Small Arms Ammunition Through Cal .50)

   Use Drawing No. AC 201 as reference for dimension and weight

4. Stripping
   The jacket of the bullet or any part thereof, shall not separate from the slug when the cartridge is fired

5. Accuracy
   The average of the mean radii of all targets of the sample cartridges, fired at 200 yards, shall not exceed 2.0 inches (50.8mm)

BASIS: Case and Bullet Division
PURPOSE: For assembly of 5.56mm Blank /M193 Ammunition
POONGSAN CORPORATION

Purchase Order No. 2019-10-217

<table>
<thead>
<tr>
<th>Stock/ Property No.</th>
<th>Unit</th>
<th>Description</th>
<th>Qty</th>
<th>Unit Cost</th>
<th>Amount</th>
</tr>
</thead>
</table>

**TERMS OF PAYMENT:**

The terms of payment shall be as follows:

- Payment of ninety five percent (95%) upon delivery shall be made thru Letter of Credit (LC) after delivery at the Government Arsenal and upon presentation of shipping documents and Advice of Payment duly signed by the Director, Government Arsenal.
- The remaining five percent (5%) shall be retained to cover warranty obligations, to be released after three (3) months upon presentation of the Certificate of Final Acceptance Inspection and Advice of Payment duly signed by the Director, Government Arsenal or upon submission of an equivalent special bank guarantee.
- All charges for the opening of LC and / or incidental expenses thereto (i.e. bank commission, documentary stamp, tax, cable, etc.) shall be for the account of the supplier.

(Total Amount in Words) THIRTY ONE MILLION SIX HUNDRED EIGHTY THOUSAND PESOS only P 31,680,000.00

In case of failure to make the full delivery within the time specified above, a penalty of one-tenth (1/10) of one percent for every day of delay shall be imposed on the undelivered item(s).

Conforme:

MS. MA. CRISTINA B. ESPRITU
Atty-In-Fact
Poongsan Corporation

14 NOV 2019

Date

Very truly yours,

DANIEL R. CASABAR JR
Director

Fund Cluster: 101101
Funds Available: Php31,680,000.00

ORS/BURS No.: 02-101101-2019-11-1918
Date of the ORS/BURS: 04 NOV 2019

Amount: Php31,680,000.00

ALLECIAH DC. CARREON, CPA
Chief Accountant
NOTICE TO PROCEED

12 NOV 2019
(Date)

MS. MA. CRISTINA B. ESPIRITU
Atty-in-Fact
Poongsan Corporation
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Seodaemun-gu, Seoul, South Korea

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Director

I acknowledge receipt of this Notice on
Name of the Representative of the Bidder
Authorized Signature

14 NOV 2019