

REPUBLIC OF LIBERIA
MONTSERRADO COUNTY

IRON ORE APPRAISAL AND EXPLORATION AGREEMENT
FOR THE PUTU RANGE
BETWEEN
THE REPUBLIC OF LIBERIA
AND
MANO RIVER IRON ORE (LIBERIA) INC.

THIS IRON ORE APPRAISAL AND EXPLORATION AGREEMENT FOR THE P
UTU RANGE is entered into, by and between the REPUBLIC OF LIBERIA, through
its Government represented by Jonathan A. Mason, Minister, Ministry of Lands,
Mines & Energy (hereinafter referred to as the "Government")

AND

Mano River Iron Ore (Liberia) Inc., a corporation existing and doing business under
the laws of Liberia, represented by Dr Tom Elder, its President (hereinafter referred
to as the "Operator"), hereby:

WITNESSETH:

WHEREAS, title to Minerals within the territory of the Republic of Liberia is vested in
the Republic of Liberia (the Republic) and all rights related to the exploration for and
exploitation of such minerals pertain exclusively to the Republic; and

WHEREAS, the Ministry of Lands, Mines & Energy through the Minister of
Lands, Mines & Energy is by law charged with the responsibility of administering the
mineral laws of the Republic and in that process to ensure the efficient development
of the mining industry; and

WHEREAS, the Government is determined to accelerate the development of the
mining industry of Liberia, and therefore desires to promote the Development of
minerals which may exist in exploration areas for the economic and social benefit of
Liberia and recognizes that a large capital expenditure is necessary to ensure that
such minerals are economically and efficiently developed; and

WHEREAS, Government agrees to grant the Operator such mineral rights and
privileges in consideration of the undertaking by the Operator to make annual
payments, and to pay rents, royalties and other fees hereinafter prescribed and to
perform and observe the terms and conditions of this agreement;

NOW, THEREFORE, for and in consideration of the premises, the mutual
promises exchanged between the parties hereto (the Parties), terms and conditions
herein contained, the Parties hereto mutually agree as follows:

SECTION 1.0

DEFINITIONS

Unless the context shall otherwise clearly indicate, the following terms wherever used in this Agreement shall have the respective meanings set forth below:

- 1.1 **Affiliate:** Means an entity that controls, is controlled by or is under common control of the Operator. For purposes of this section, control means the possession, directly or indirectly, by one entity of more than fifty percent (50%) of the equity of or the voting power of another entity.
- 1.2 **Centre:** the term "Centre" means the International Centre for Settlement of Investment Disputes established under the auspices of the International Bank for Reconstruction and Development.
- 1.3 **Convention:** the term "Convention" means the Convention on the Settlement of Investment Disputes between States and Nationals of Other States opened to signature at Washington, DC, United States of America on March 18, 1965.
- 1.4 **Effective Date:** The term "Effective Date" means the date, provided in Section 26, on which this Agreement shall become effective.
- 1.5 **Exploration Area:** The term "Exploration Area" means at any particular time the area or areas then designated in accordance with Section 3.2, but only during the Exploration Period.
- 1.6 **Exploration Period:** The term "Exploration Period" means the period described in Section 2.1.
- 1.7 **Government:** The term "Government" includes all of the branches, divisions, instrumentalities and agencies of the Government of the Republic of Liberia.
- 1.8 **Infrastructure:** The term "infrastructure" means assets of the following types:
 - (a) Immovable transportation and communication facilities (including roads bridges, railroads, airports, landing strips and landing pads for aircraft, hangars and other airport facilities, garages, channels, tramways, pipelines and radio, telephone, telegraph,

telecommunications, and electronic or other forms of communications facilities);

- (b) Immovable port facilities (including docks, harbors, piers, jetties, breakwaters, terminal facilities and warehouses, and loading and unloading facilities);
- (c) Immovable power, water and sewerage facilities (including electrical generating plants and transmission lines, dams, water drains, water supply systems and Systems for disposing of tailings, plant waste and sewage);
- (d) Immovable public welfare facilities (including schools, hospitals and public halls);
- (e) Miscellaneous immovable facilities used primarily in connection with the operation of other facilities (including offices, machine shops, foundries, repair shops and warehouses); and,
- (f) Movable facilities and equipment affixed to and used as an integral part of the immovable facilities described in paragraphs (a) through (e).

1.9 **Operations and Activities:** The term "Operations and Activities" means the appraisal and exploration, mining and management operations of **Mano River Iron Ore (Liberia) Inc.**

1.10 **Operator:** The term "Operator" means **Mano River Iron Ore (Liberia) Inc.**

1.11 **Plant and Equipment:** The term "Plant and Equipment" means the following assets (other than infrastructure) used for Operations and Activities:

- (a) Movable and immovable facilities and equipment to mine, crush, sluice, dredge, wash, screen, dry, beneficiate, and otherwise explore for or produce Iron Ore;
- (b) Movable and immovable facilities and equipment used primarily in connection with the operation of the foregoing (including offices, machine shops, foundries, repair shops and warehouses);
- (c) Movable and immovable facilities and equipment for the maintenance of personnel (including

dwellings, stores, mess halls and recreational facilities); and

(d) Movable facilities and equipment used in connection with any of the infrastructure.

1.14 Produce: The term "Produce" as used in reference to Iron Ore deposit shall include drill, develop, extract, strip, mine, sluice, dredge, process (including beneficiate, concentrate or otherwise treat), stockpile, transport, load, sell and export, for the account of the operator.

1.15 Production: The term "Production" as used in reference to Iron Ore shall mean the commercial exploitation of Iron Ore found in the Exploration Area and all activities in respect of or incidental thereto, including the design, construction, installation, fabrication, operation, maintenance, drilling, development, extraction, stripping, mining, sluicing, dredging, processing (including beneficiation, concentration or other treatment), stockpiling, transportation, loading, sale and exportation by the Operator.

SECTION 2.0 TERM OF THE AGREEMENT

2.1 The term of this Agreement shall commence on the Effective Date and shall expire at the earlier of (a) such time as the Operator shall have completed exploration activities and resource evaluation, or (b) three (3) years after the Effective Date, with an extension of two (2) years at the option of the Operator plus any period of renewal to which the Government may agree.

SECTION 3.0 EXPLORATION RIGHTS:

3.1 Grant of Exploration Rights: On the terms and conditions herein provided the Government hereby grants to the operator, during the period hereinafter defined, commencing with the Effective Date plus any extension of such period to which the Government may agree (referred to herein as the "Exploration Period") the exclusive right to explore for Iron Ore Deposits and appraise the existing Iron Ore deposits in the Exploration Area.

3.2 Exploration Area:

(a) The Exploration area shall lie in the Putu Range Area, Grand Gedeh County, as identified on the attached map, with metes and bounds or



coordinates attached hereto as Appendix "A" and covering an area of 105,019 acres.

- (b) The Operator shall commence exploration as soon as possible after the Effective Date but not later than 180 days after the Effective Date.

3.3 Surrender of Exploration Area: Unless the Minister and the Operator otherwise agree:

- (a) At or before the end of the initial term of the Exploration Period, the Operator shall surrender a minimum of fifty percent (50%) of the Original exploration area.
- (b) At or before the end of the term of this agreement as set out in section 2.1 above, the Operator shall surrender the remainder of the Exploration Area and, upon such surrender, the Exploration License shall automatically terminate.
- (c) Notwithstanding paragraphs 3.3 (b) above, if the Operator wishes to retain all of, or any part of, the Exploration area upon expiry of the exploration period, it shall have the right to do so by applying for a mineral development agreement over the area.

3.4 Minimum Expenditures

- (a) Commencing no later than six (6) months after the Effective Date, the Operator shall diligently and without interruption explore for and evaluate Iron Ore deposits within the Exploration Area.
- (b) During the Exploration Period, the Operator shall expend not less than United States Dollars one (US\$1.00) per acre during each calendar year as Exploration Costs, the latter being defined to comprise all of the Operator's managerial and corporate costs related to exploration.

SECTION 4.0 Pilot Mining Rights

The Operator, in addition to exploration, is hereby also granted the right to produce Iron Ore under a pilot mining plan to be approved by the Minister of Lands, Mines and Energy, such total production not to exceed 5000 metric tones.



SECTION 5.0

Mineral Development Agreement

During or by the expiry of the Exploration Period, the Operator may apply for a Mineral Development Agreement. This agreement shall be concluded in accordance with the Minerals and Mining Laws and Regulations of Liberia.

SECTION 6.0

INCIDENTAL RIGHTS:

6.1 Grant of Rights: Subject to the terms and conditions herein provided, and solely for the purposes incidental to the exercise of the rights granted to the Operator under Sections 3 and 4 of this Agreement, the Government hereby grants to the Operator the right, within the Exploration Areas:

(a) To acquire, build, and construct Infrastructure, Plant and Equipment, and other facilities, and to maintain and operate the same;

(b) To remove, extract and use, solely for its own exploration purpose, free of tax or other charge or fee imposed by the Government, any water, gravel, sand, clay, stone and timber (except protected fauna and flora); provided however, that where any land, villages, houses, person, or watering places for animals have been supplied water by right through custom, the Operator shall not deprive them of a constant and reasonably supply of usable water, nor shall the Operator, without the Government's consent, interfere with any water or other rights enjoyed by anyone under any agreement with the Government.

6.2 Reservation of Rights: The Government reserves the right, subject to section 7.2, on reasonable notice to and after consultation with, the Operator, to construct roads, highways, railroads, telegraph and telephone lines and other lines of communication within the Exploration Area.

6.3 Condemnation: If the use of any privately owned or occupied property within the Exploration Area is reasonably required for the conduct of operations hereunder, and the Operator is unable to come to an agreement with the owner or occupant of such property for such use, the Operator may request the Government, which request shall not be unreasonably denied, to exercise its right of eminent domain with respect to such property. The Operator shall reimburse the Government for any compensation paid or payable to the private ✓

owner or occupant as a result of the Government's exercise of such right.

SECTION 7.0 INFRASTRUCTURE

- 7.1 **Construction by Operator:** The Operator shall, at its own cost, undertake the construction, installation and improvement of all or any part of the infrastructure. All such Infrastructure shall be maintained and operated by the Operator in a reasonably good manner.
- 7.2 The Government warrants not exercising its rights to expropriate land in the Exploration Area if such expropriation shall in any way hinder the development of the Operation and Activities.

SECTION 8.0 CONDUCT OF OPERATIONS

- 8.1 **Best Exploration Practices:** The Operator shall conduct all of its operations hereunder using appropriate modern and effective Plant and Equipment, Infrastructure, materials and methods. Such operations shall be conducted in a proper and workmanlike manner, with due diligence, efficiency and economy, in accordance with the laws of Liberia and with the best mining and engineering practices used by efficient operators in similar operations, elsewhere in the world.

SECTION 9.0 HEALTH AND SAFETY

The Operator shall install, maintain and use modern health and safety devices and shall practice modern health and safety procedures and precautions (including, regular safety training instruction for its employees) as are in accordance with the best exploration and mining engineering practices, and acceptable labor safety standard. In this respect, the Operator shall comply with health and safety rules, regulations, and Laws of the Government.

SECTION 10.0 EMPLOYMENT, TRAINING AND SECONDMENT

- 10.1 **Employment of Liberians:** The Operator shall not employ foreign unskilled labor. To the maximum extent feasible, the Operator shall employ Liberian citizens at all levels.
- 10.2 **Training of Liberians:** The Operator shall provide on a continuing basis for the training of its Liberian employees,

in order to qualify them for skilled, technical administrative and managerial positions.

- 10.3 At least two (2) professionals from the Ministry shall be seconded to the Operator's operations at the expense of the Operator, provided that the Operator will be entitled to utilize these two professionals at other operations in Liberia at its discretion.

SECTION 11.0 CONSERVATION

- 11.1 The Operator shall encourage economic and social development during the term of his operation and shall provide for meetings on a regular basis between representatives of the Operator and the local communities for the purposes of considering and making recommendations to the Operator and to the Government with respect to matters of community interest, such that it shall not hinder the Operator's work.
- 11.2 **Natural Resources:** The Operator shall take preventive, corrective and/or restorative measures to ensure that all streams and water bodies within or bordering Liberia, all dry land surfaces, and the atmosphere be protected from pollution, contamination or damage resulting from Operations hereunder.
- 11.3 **Environmental Impact Statement:** The parties recognize that Operations may result in some pollution, contamination or other environmental damage to land, water and the atmosphere within the contract area and elsewhere. Accordingly the Operator shall submit to the Minister, Lands Mines and Energy, on the commencement of exploration and production an Environmental Impact Statement (EIS). The EIS shall show the adverse effects operations will have on the environment and review plans to mitigate such effects.

SECTION 12.0 ADEQUATE CAPITAL AND STOCK OWNERSHIP

The Operator shall provide all capital necessary for the effective exploration for Iron Ore. In this connection, the Operator shall at all times maintain a reasonable and prudent capital structure.

SECTION 13.0 TAXATION

- 13.1 **In General:** The Operator shall be liable to all taxes, fees, duties, excises, and other charges imposed by Liberian

Laws of general application, except as may be otherwise provided by other laws and administrative regulations granting exemptions from customs duties and excise taxes.

- 13.2 **Income Tax.** The Operator shall be subject to Liberian Income Tax Law of General Application, except that notwithstanding any provisions of such laws, the rate of tax applicable to all the taxable income of the Operator shall be thirty percent (30%).

SECTION 14.0 Exploration Fees and Surface Rental

- 14.1 The Operator shall make an annual payment of Fifteen Thousand United States Dollars (US\$15,000.00) for the grant or renewal of the Exploration and Resource Appraisal License.

~~The~~ Operator shall make an annual payment of Thirty United States Cents (US\$0.30) per acre for land in exploration and Five United States Dollars (US\$5.00) per acre for land under pilot mining.

- 14.3 The first payment for the exploration license fee and surface rental shall be made in within ten (10) days of the Effective Date. Subsequent payments shall be made within thirty (30) days after each subsequent anniversary of the Effective Date.

SECTION 15.0 RECORDS, REPORTS, AND INSPECTION

- 15.1 **Availability of Records:** The Operator shall maintain at its principal office in Liberia, or at such other office as the Government may approve:

- (a) Copies of all maps, geological, mining, or other earth science reports and mineral analysis (together with all field data which supports such reports or data), production records, marketing report and any other data obtained or compiled by the Operator as a result of mining Operations and Activities. All information, data and material specified in this paragraph shall be in a form suitable for reproduction, use or processing as the case may be. The Operator shall have the right to temporarily remove such samples and other data from such location and (on prior notice to the

Government) from Liberia for the purpose of study and evaluation.

(b) The Operator shall keep the Government fully informed of all Operations and Activities, wherever conducted, and of its plans in respect thereof. The Government shall have the right to monitor exploration and pilot mining operations and Activities from time to time and a reasonable number of Government personnel may, upon prior notice to the Operator, at reasonable times and subject to compliance with the Operator's health, safety and security requirements, attend and inspect Mining Operations and Activities conducted in Liberia.

(c) Within thirty (30) days after the end of each calendar quarter, the Operator shall provide the Government with a report on all Operations and Activities for that calendar quarter including Minerals recovered and sold. Within ninety (90) days after the end of each Financial Year, the Operator shall furnish the Government with a report on all Mining Operations for that Financial Year, including Minerals recovered and sold.

15.3 **Reports:** The Operator shall submit such reports to the Government, in such form, in such detail, and at such time, as may be reasonably required by law, or as the Government may otherwise require with respect to exploration, production, employment and training, marketing and such other matters as may be related to the conduct of operations hereunder.

15.4 **Inspection:** The Government may, upon reasonable notification to the Operator, inspect the books and records of the Operator, and any all facilities and area related to the Operator's operation as provided hereunder. The Operator shall make its appropriate employee available to render assistance with respect to any such inspection.

15.5 **Confidentiality of Operator's Reports:** The Government shall treat all information supplied by the Operator hereunder as confidential and shall not reveal such information to a third party without the prior written consent of the Operator, which consent shall not be unreasonably withheld.

Financial information about the Operator shall however be treated as confidential for a period of one (1) year, commencing as of the date of submission of such information. The Government may nevertheless use any such information received from the Operator for the purpose of preparing and publishing general records or statistics on natural resources or other conditions in Liberia, and in connection with any dispute between the Government and the Operator.

SECTION 16.0 NON-ASSIGNABILITY

This Agreement and any interest therein may not be transferred or assigned, or mortgaged, pledged or otherwise encumbered, in whole or in part, without the Government's prior written approval (which approval will not unreasonably be withheld) unless to an affiliate.

SECTION 17.0 FORCE MAJEURE

17.1 Except as provided in this Section, failure on the part of the Operator to comply with any of the conditions hereof (except the obligation to make payment of monies to the Government as provided in Section 14 hereof) shall not be grounds for cancellation or give the Government any claim for damages insofar as such failure arises from force majeure, if the Operator has taken all appropriate precautions, due care and reasonable alternative measures with the objective of avoiding such failure and of carrying out its obligations hereunder. The Operator shall take all reasonable measures to cure such failure and to fulfill the terms and conditions hereof with a minimum of delay.

The Operator shall notify the Government within sixty (60) days of an event of force majeure affecting its ability to fulfill the terms and conditions hereof or any event, which may endanger the natural resources of Liberia and similarly notify the Government of efforts being made to restore normal conditions within seven (7) days thereof. For purpose of this Section 17, force majeure includes an act of God, war, insurrection, civil commotion, riot, revolt, earthquake, storm, flood or any other extraordinary event which the Operator could not reasonably be expected to prevent or control, but shall not include any event caused by a failure to observe the best mining and engineering practices or by the negligence of the Operator or any of its employees or contractors. If, as a consequence of force majeure, operations hereunder remain in substantially total suspension for an uninterrupted period

of more than three (3) months, the duration of the term of this Agreement shall be extended by the time of such suspensions.

17.2 Except as hereinafter provided, the time for the performance of any obligation (except the obligation to make payment of money) of the Operator under or arising out of this Agreement, which performance is hindered, prevented or delayed by force majeure, as well as any other time periods and dates set forth in this Agreement, shall be extended by the period of delay, but not longer than the continuance thereof and such additional period as may be reasonable in the circumstances, and the Operator shall not be liable in damages or otherwise to the other nor shall any action, claim or demand be taken or made against the Operator by reason solely of such delay in the performance of such obligation.

17.3 The Operator shall use all reasonable diligence to remove the cause of the force majeure as quickly as practicable after notice of the same shall have come to its attention, save and except that this provision shall not, in and of itself require the Operator to settle any strike, lockout, ban "go slow" activity, stoppage restraint of labor or other similar ("Industrial Dispute").

SECTION 18:

FINANCIAL REPORTING AND CURRENCY

18.1 **Accounting.** All of the Operator's accounting under this Agreement shall be in United States Dollars and all amounts paid or received, and obligations incurred or transactions carried out, in currency that is legal tender in the Republic or in any Foreign Currency other than United States Dollars shall be converted to United States Dollars in accordance with and pursuant to generally internationally accepted accounting principles (except to the extent inconsistent with the terms of this Agreement) based upon the Prevailing Market Rate of Exchange of United States Dollars and any such currency at the date of the applicable transaction.

18.2 **Exchange Control.** The Operator shall at all times have the right, without restriction, directly or indirectly, of the Government, to obtain, hold, deal with and disburse funds in such manner, currencies and places as it chooses. Without prejudice to the generality of the foregoing, the Operator shall have the unrestricted and unencumbered right to sell and receive payment for Minerals in any currency, including the currency in which the Minerals are

sold, and all proceeds there from may be deposited in bank accounts outside of the Republic and held there or remitted there from to anywhere in the world, in any currency. Notwithstanding the foregoing, the Operator shall maintain at least one bank account with a bank or financial institution in the Republic of Liberia.

The Operator shall also have the right to acquire from, and sell to, any Person currency that is legal tender in the Republic at the Prevailing Market Rate of Exchange.

Additionally, any and all transactions between the Government and the Operator dealing with or referring to currency that is legal tender in the Republic will be converted to United States Dollars at the Prevailing Market Rate of Exchange on the date of such transaction. Currency gains or losses for purposes of Section 20 shall be determined by reference to the Prevailing Market Rate of Exchange.

- 18.3 Currency of Payment.** Payment of the Operator's direct obligations to the Government for Taxes and Duties payable under Sections 18, 19, 20, and 21 of this Agreement shall be in United States Dollars, unless the Parties otherwise agree. Any obligation originally stated in currency that is legal tender in the Republic, or in any currency other than United States Dollars, will be converted to United States Dollars at the Prevailing Market Rate of Exchange on the date such obligation is paid, or shall fall due, whichever is earlier.

However, the Operator shall make payments of sums it collects on behalf of the Government, including, but not limited to, taxes withheld from the salaries or wages of the employees of the Operator, and any other sums payable to other Persons from which a portion is required by Law to be withheld or retained by the Operator on behalf of the Government, in the currency in which such salaries or wages or such other sums are collected. The Operator shall have the right to make all other payments whether to the Government or to other Persons in currency that is legal tender in the Republic.

- 18.4 Right to Remit and Receive Payments.** The Operator shall have the right to remit and receive in United States Dollars all payments of dividends, interest, principal and other properly payable items arising from, as a result of, or related to Operations, and to do so free of Taxes and Duties on such remittances or receipts, and without penalties, any required total or partial surrender

exchange or confiscation of such United States Dollars, or other direct or indirect restrictions on such remittances or receipts.

18.5 Audit.

- a. The Operator shall cause its books of accounts to be audited within three (3) months, or such longer period of time as the Minister may approve, after the close of each Financial or Fiscal Year by an internationally recognized independent auditor selected by the Operator and satisfactory to the Government and a copy of the annual financial statement duly certified by said auditor shall be furnished to the Government within twenty (20) days after its receipt by the Operator. The foregoing shall not, in any way, imply acceptance of any such audit or certification by the Government, or preclude the Government from auditing such books of accounts but at the Government's expense
- b. The foregoing shall not in any way imply acceptance of any such audit or certification by the Government or preclude the Government from auditing such books of accounts at its own expense and as provided under Law, provided that the Government shall provide the Operator with a copy of any such audit within forty five (45) days of receipt. However, once either the Government or the Operator has audited any book of accounts, the financial statement thus audited shall be considered acceptable and the audit results binding and conclusive as to its findings, unless a Party shall have indicated to the contrary within ninety (90) days after its receipt of a copy of the audited financial statement.
- c. If the Operator has, pursuant to this Agreement, underpaid its liability for Taxes and Duties, the Government may, subject to the Revenue and Finance Law, assess interest and penalties but not to exceed the London Interbank Offering Rate (LIBOR) existing at the time of such assessment, plus one (1) percentage point, multiplied by the amount underpaid. If LIBOR should cease to be reported, then the rate to be applied shall be another agreed substitute rate. If the Operator has overpaid its liability for Taxes and Duties then, at

its option, it may elect either to be reimbursed by the Government or to apply such overpayment against future Taxes and Duties.

- d. In case a review of records or books outside of the Republic is required, the Operator will cooperate to provide the Government with copies of the information, books and records needed to complete the audit. If the Government nonetheless deems it necessary for any part of such audit to be performed outside of the Republic, the cost of associated travel will be borne by the Government.

SECTION 19: INCIDENTAL RIGHTS

19.1 Imports.

The Operator shall be entitled to import and use in respect of Operations, and subsequently export, any and all machinery, equipment, consumable items, fuels, explosives and any other thing whatsoever reasonably required with respect to Operations and in accordance with the terms of this Agreement, provided, however, that the Operator shall not re-export fuels and explosives surplus to requirements if such surplus can be sold at competitive international prices within the Republic. The Operator shall at all time comply with Law regarding the safe use, sale, disposal and security of explosives.

- 19.2 Taxes on Resale. The Operator may sell, in the Republic, all imported items that are no longer needed for Operations. However, if such imports were exempted from Taxes and Duties, the Operator shall fulfill all formalities required in connection with the payment by the purchaser of all Taxes and Duties on the depreciated value of the imports imposed on such sales by Law.

SECTION 20: ASSIGNMENT AND ENCUMBRANCE

- 20.1 Right of Assignment. The Operator shall have the right to assign or otherwise dispose of all or part of its interest under this Agreement with the prior written consent of the Government (which consent shall not be unreasonably withheld) provided, however, that such consent shall not be required in the case of an assignment or other disposition to an Affiliate in which latter event the Operator shall not be relieved of its obligations under this Agreement other than to the extent fulfilled by the

Affiliate. However, any request to cede or assign any rights to a joint venture partner, will be fully allowed and any assignment that is legally required to protect the interest of the joint-venture partner will be accepted.

20.2 **Right to Encumber.** The Operator shall have the right to mortgage, charge or otherwise encumber all or part of its interest under this Agreement for the purpose of raising, from one or more Affiliates or third parties, financing for its obligations under this Agreement.

20.3 **Notice of Assignment or Encumbrance.** The Operator shall promptly give Notice to the Minister of any assignment, mortgage, charge or other disposition or encumbrance pursuant to this Section 20.

SECTION 21: TERMINATION

21.1 **Termination by the Operator.** During the Exploration Period, the Operator may surrender by not less than sixty (60) days notice to the Government, all its rights hereunder in respect of all or any part of the Exploration Area, and the Operator shall be relieved of all obligations in respect of area so surrendered except those obligations that may have accrued prior to the Effective Date of, or arising out of or related to the surrender.

21.2 **Termination by the Government.** Subject to the provisions of Section 21, the Government shall have the right to terminate this Agreement if any of the following events (hereinafter called "Events of Default") shall occur and be continuing:

- a) where the Operator shall fail to make any of the payments described in this Agreement on the due payment date, and such default is not cured within thirty (30) days after notice by the Government (or within such longer period as may be specified in said notice),
- b) where the Operator shall materially fail to comply with its obligations or any other conditions under this Agreement and such failure shall have a materially adverse effect on the Government and is not cured within ninety (90) days after notice by the Government or within such period as may be specified in said notice;

- c) where the Operator shall (i) voluntarily dissolve, liquidate or wind up its affairs, or make an assignment of all or substantially all of its assets for the benefit of creditors other than an assignment made to secure indebtedness incurred in the ordinary course of business, (ii) file a petition or application to any tribunal for the appointment of a trustee or receiver for all or any substantial part of the Operator's assets, (iii) commence any proceedings for its bankruptcy, reorganization, arrangement, insolvency or readjustment of debt under the laws of any jurisdiction, whether now or hereafter in effect, or if any such petition or application is filed, or any such proceedings are commenced against it, shall indicate its approval thereof, consent thereto or acquiescence therein, or (iv) if any order is entered appointing any such trustee or receiver, or adjudicating the Operator bankrupt or insolvent, or approving the petition in any such proceedings, and provided that the Operator shall fail to take corrective measure(s) to have such order removed or lifted within sixty (60) days.
- d) where the Operator shall fail to carry out Exploration as required by Section 3, cease Exploration for a period of twelve (12) consecutive months or cease Production with respect to all Production Areas for a period of twenty four (24) consecutive months unless such failure or cessation is consented to by the Government or is caused by a state of *force majeure* in particular relating to security issues preventing safe access to the Exploration or Production Areas.

21.3 Opportunity to Cure. In the case of an alleged Event of Default described in Section 21.2, the Government, before taking any further action, shall provide Notice to the Operator of the alleged occurrence of such Event of Default and of the Government's views in that regard and shall offer the Operator a fair opportunity to consult with the Government to resolve the matter. If, after a reasonable period of time of consultation, the Government is of the reasonable opinion that the matter cannot be resolved by further consultation, the Government may then send to the Operator Notice of the Government's intention to terminate this Agreement. If the Event of Default is not cured within sixty (60) days after said Notice, or within such longer period as may be

necessary to allow a reasonable period of time to effect such cure, then this Agreement shall be terminated.

- 21.4 Disputes Regarding Events of Default.** Notwithstanding the provisions of Sections 21.2 and 21.3, if the Operator disputes whether there has been an Event of Default described in Section 21.2 and, within sixty (60) days after receipt by the Operator of the Government's Notice of its intention to terminate, refers such dispute to arbitration in accordance with Section 22, then termination of this Agreement shall not take effect until the finality of, and in accordance with, an arbitration award upholding the Government's right to terminate.

SECTION 22:

ARBITRATION

- 22.1 Submission to Arbitration.** Any dispute between the Government and the Operator arising out of, in relation to or in connection with this Agreement or its formation, or the validity, interpretation, performance, termination, enforceability or breach of this Agreement (including any dispute concerning whether the Government or the Operator has violated or is in breach of this Agreement or of any Law affecting the rights, obligations or duties of any Party under this Agreement), for which resolution by submission to an expert is not specifically provided elsewhere in this Agreement shall be exclusively and finally settled by binding arbitration pursuant to the Convention in accordance with the rules of the Centre in effect on the Effective Date except to the extent in conflict with this Section 22 which shall prevail in that event.

The Parties agree that this Agreement and the Operator's Operations pursuant thereto constitute an "investment" by reason of the expenditure of a considerable amount of money in the Republic and that for purposes of Article 25(1) of the Convention, any dispute subject to this Section 22 is a legal dispute arising directly out of an investment. Either of the Parties to such dispute may institute arbitration proceedings by giving Notice to the other Party and Notice to the Secretary-General of the Centre including in each a statement of the issues in dispute.

- 22.2 Nationality for Purposes of Arbitration.** The Operator is incorporated in Liberia.

- 22.3 Arbitrators.** Any arbitral tribunal constituted pursuant to this Agreement shall consist of one (1) arbitrator to be

appointed by the Government, one (1) arbitrator to be appointed by Operator and one (1) arbitrator, who shall be the president of the tribunal and shall be a citizen neither of the Republic nor of the United States of America (or of any other state of which a Party is a national under Section 22.2), to be appointed by the Secretary-General of the Centre. No such arbitrator shall have an interest in the matters in dispute.

- 22.4 Referee.** At the request of a Party, any matter otherwise subject to arbitration under this Agreement shall instead be referred for resolution to a single referee to be appointed by the Secretary-General of the Centre, or of any successor entity as provided for by Section 22.10 below, except for any dispute arising out of or related to Sections 3, 4, 5, 6, 20, 21, 23, of this Agreement, which must be referred to arbitrators appointed pursuant to Section 22.3 above unless the Parties jointly agree that any such dispute is not material, in which event it may be referred to the referee for decision at the option of either party.

The decision of the referee shall be rendered pursuant to Section 22.6 of this Agreement (except as regards the requirement for a decision by majority vote) and shall be final and binding unless appealed by any Party to arbitrators appointed as provided in this Section 22.4, who shall examine the referee's decision only as to manifest error of law, findings of fact that are not supported by any credible evidence, and abuse of authority, misconduct or other unauthorized act by the referee.

- 22.5 Venue.** Arbitration proceedings conducted pursuant to this Agreement shall be held in Washington, D.C or such other place as the Parties may agree and shall be conducted in the English language. The costs of the proceedings shall be assessed and borne in such manner as the arbitral tribunal shall decide. Any procedural issues that cannot be determined under the arbitral rules of the Centre shall be determined pursuant to applicable law as set forth below.

- 22.6 Award.** The arbitrators shall, by majority vote, render a written decision stating the reasons for their award within three (3) months after any hearing conducted has been concluded. Any monetary award shall be assessed and payable in Dollars (determined at the Prevailing Market Rate of Exchange as of the date of the award if the award involved an obligation expressed in any currency other than Dollars) through a bank designated by the recipient, and in the case of an award to the Operator, shall be exempt from any Taxes and Duties imposed by Government. Each

Party shall bear its own costs and attorney fees. Neither Party shall have any liability for either consequential damages (except for purposes of set off) or exemplary or punitive damages, but interest at a rate not to exceed the London Inter-bank Offering Rate (LIBOR) existing at the time of such award, plus one (1) percentage point, multiplied by the amount of the award, shall be assessed from the date of any monetary award until its satisfaction. If LIBOR should cease to be reported, then the rate to be applied shall be another substitute rate agreed to by a majority of the arbitrators. In any case, the liability of the Operator shall be limited to the net book value of its investment in the Republic at the time of the award.

If the decision of the arbitral tribunal is adverse to the Operator, then the arbitral tribunal may, in its discretion, specify a reasonable period of grace to cure any defect or default on the part of the Operator, provided that such period of grace shall not exceed one hundred eighty (180) days for the making of any payment required by such award.

- 22.7 **Waiver of Sovereign Immunity.** The Government hereby irrevocably waives all claims of immunity from the Arbitrators' jurisdiction, and from the enforcement of any arbitral award rendered by a tribunal constituted pursuant to this Agreement including immunity from service of process and immunity from the jurisdiction of any court situated in any state, country or nation.
- 22.8 **Reservation of Rights.** The right to refer a claim or dispute to arbitration hereunder shall not be affected by the fact that a claimant or respondent has received full or partial compensation from another Person for a loss or injury that is the object of the claim or dispute, and any such other Person may participate in such proceedings by right of subrogation.
- 22.9 **Nature of Award.** The Parties agree that the arbitral award of any arbitral tribunal constituted pursuant to this Agreement may contain such orders (including orders for specific performance, other equitable relief or monetary damages) in respect of or affecting any of the Parties (and any loss or damage suffered by any of them) as such arbitral tribunal determines to be appropriate in the circumstances. The Parties, subject to their respective obligations contained elsewhere in this Agreement, shall take all such actions as are necessary to give full and complete effect to the award which, in accordance with its terms, shall be binding upon and enforceable against them.

22.10 Successors. The consent to the jurisdiction of the Centre as set forth in this Section 22 shall equally bind any successor of or successors-in-interest to either Party to this Agreement. Should the Centre be replaced by, or its functions be substantially conferred upon or be transferred to, any new international body of a similar type and competence, the Parties shall have the right to submit any dispute to such body for settlement by arbitration in accordance with the foregoing provisions of this Section 22.

SECTION 23: NOTICES

- (a) All notices, requests, reports, approvals, consents, designations or other communications (collectively referred to herein as "communications") required by, provided for, in, or relative to this Agreement shall be in writing. All communications shall be delivered, in case of the Government to:

The Minister of Lands, Mines & Energy
Ministry of Lands, Mines & Energy
P.O. Box 10-9024
1000 Monrovia 10, Liberia

And in the case of the Operator to:

The President
Mano River Iron Ore (Liberia) Inc.
Mano House
Gibson Avenue
Mamba Point
Monrovia, Liberia

or such other address as may be designated in writing by the Operator.

A delivery of a communication shall be deemed effective only when mailed, postage prepaid and return receipt requested; telefaxed; or, hand-delivered and receipt.

- (b) Nothing in this Section shall be deemed to relieve the Operator from filing any report, return or other communication required by Liberian Laws of general application at the time and in the manner therein prescribed.

SECTION 24.0 NON-WAIVERS

The failure of either party at any time to require performance by the other party of any provisions hereunder shall in no way affect the right of that party thereafter to enforce the same, *on p 22*

shall it effect the party's right to enforce any of the other provisions of this Agreement; nor shall the waiver by either party of the breach of any provisions hereof be taken or held to be a waiver of any subsequent breach of such provision or as a wavier of the provision itself.

SECTION 25.0 AFFIRMATIONS

- 25.1 The Operator shall, during the term of this Agreement and for such period thereafter as may be reasonable, continue to have corporate existence as well as all corporate rights, powers, purposes and duties set forth and described in this Agreement, and in its Articles of Incorporation and By-Laws, as the same may from time-to-time be amended in accordance with their terms.
- 25.2 The ownership of any Mineral shall pass from the Government to the Operator at the time that the Mineral in the Exploration Area is excavated by the Operator.
- 25.3 Subject to the obligations of the Operator and the Government elsewhere contained in this Agreement, the Operator shall ensure that it complies with the Agreement.
- 25.4 The Government and Operator shall each be the beneficiary of the rights granted to it under this Agreement. No other person shall have any rights under this Agreement unless a Party or unless otherwise specifically provided in this Agreement.
- 25.5 Each Party shall execute such documents and do such further things as may be necessary to give full and complete effect to the provisions of this Agreement.

26.0 EFFECTIVE DATE: This Agreement shall become effective and be binding on the Parties when executed by them.

IN WITNESS WHEREOF, the Parties have executed this Agreement, through their respective duly authorized representatives, on the day, month and year indicated below.

Signed in 3 originals on the 18th day of May A.D. 2005.

IN PRESENCE OF:

Michael S. Gillie

FOR THE GOVERNMENT OF THE
REPUBLIC OF LIBERIA:

Walter M. Jones
MINISTER
MINISTRY OF LANDS, MINES & ENERGY



FOR THE OPERATOR:

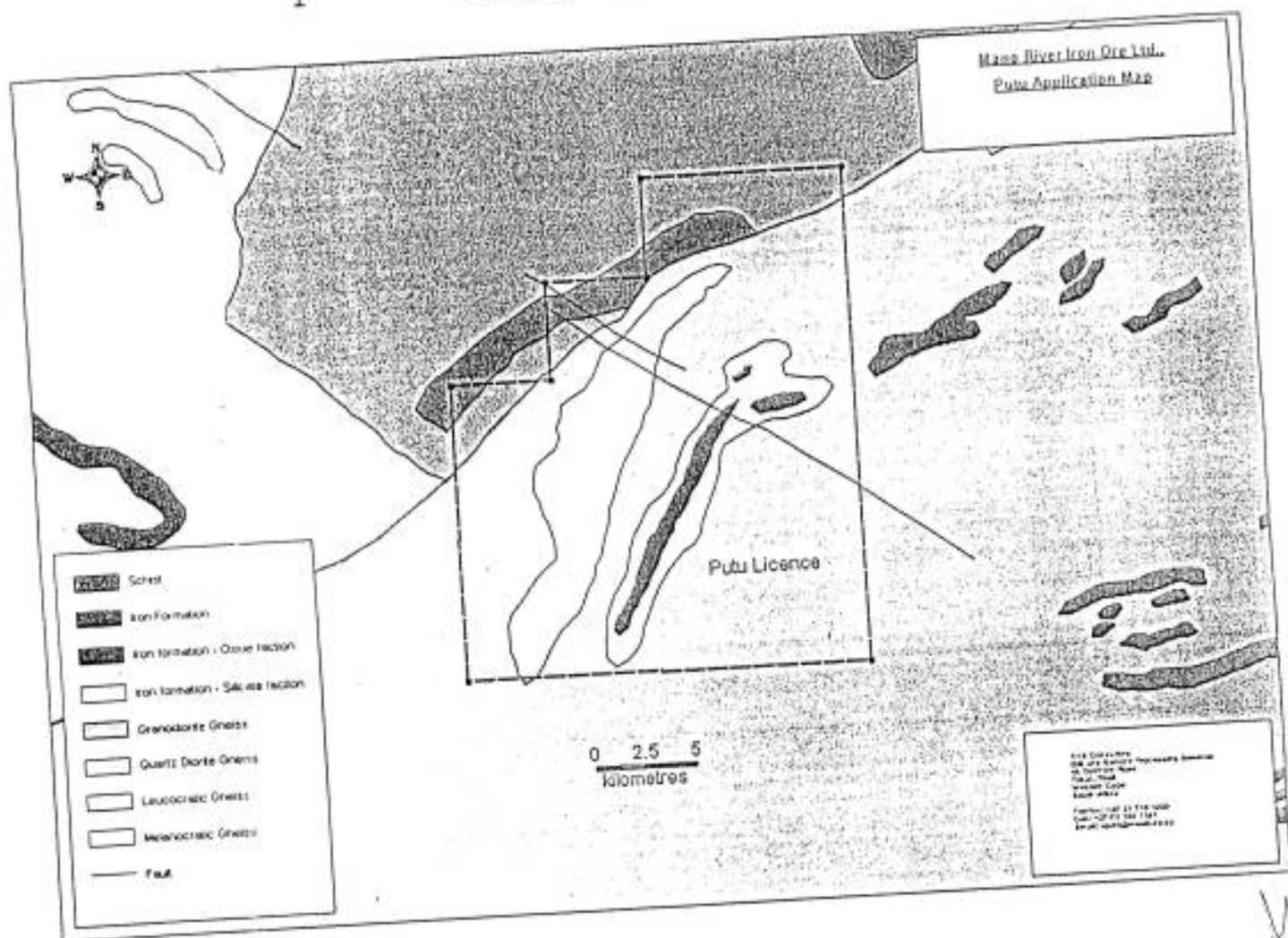
QMM

grr
MANO RIVER IRON ORE (Liberia) Inc.

Appendix A

The co-ordinates showing the meets and bounds of the Mineral Exploration Agreement Area are as follows:

Point	UTm E	UTm N
1	580000	630000
2	585000	600000
3	585000	635000
4	590000	635000
5	590000	640000
6	600000	640000
7	600000	615000
8	580000	615000
1	580000	630000 (to close)



Handwritten signature