

AGREEMENT

Between

The Government of Afghanistan (“Government”)

And

MCC-Jiangxi Copper Consortium (“MCC”)

Concerning Security for the Aynak Copper Project (the “Security Agreement”)

This Security Agreement is made this 25 day of November, 2008 between the Government and MCC (the “Parties”).

Whereas

- (A) The Ministry of Mines and MCC have entered into a Mining Contract under which MCC has been granted the mineral rights for the Aynak Copper Deposit (the “Mining Contract”);
- (B) The Mining Contract, incorporates a Memorandum of Agreement between the Parties concerning Security which identifies project security as an essential component of the development of the Aynak Copper Project;
- (C) The Memorandum of Agreement concerning Security requires the Parties to conclude a security agreement within two months of the effective date of the Mining Contract; and
- (D) The Parties wish to allocate security responsibilities for the Aynak Copper Project.

In consideration of the commitments and obligations set forth in this Security Agreement, the Parties agree as follows:

1. Security Coordination Committee

- (1) The Government shall establish a Security Coordination Committee which will serve as the mechanism for the Government to discuss and resolve security issues relevant to the development and operation of the Aynak Copper Project in



Logar Province and the maintenance of a stable security environment at and in the vicinity of the Aynak Copper Project, and ensure full coordination between the Parties, through close consultation and information sharing.

(2) The Minister of Interior and the Minister of Mines shall appoint a Chairman of the Security Coordination Committee. The Security Coordination Committee will include representatives from the following:

- a. Ministry of Interior;
- b. Ministry of Mines;
- c. National Directorate of Security;
- d. Independent Directorate of Local Governance;
- e. Logar Provincial Council; and
- f. Other national or international security forces, as appropriate, which may be identified at a later date.

(3) The Security Coordination Committee will meet on a regularly scheduled basis or when requested by one of its members.

(4) The Chairman of the Security Coordination Committee shall be the contact between the Security Coordination Committee and MCC and shall ensure that security issues raised by MCC are promptly communicated to the Security Coordination Committee.

2. Establishment of Security Conditions

(1) The Parties acknowledge and agree that the competent, professional performance of the security responsibilities set forth in this Security Agreement is the best method for establishing and maintaining adequate security conditions for the Aynak Copper Project, taking into account the range of factors currently affecting security in Afghanistan. On this basis, the Parties acknowledge and agree that compliance with the terms of this Security Agreement shall be determined by the performance of each of the Parties in undertaking its specific responsibilities under this Security Agreement. The Parties further acknowledge and agree that breaches of security by third parties shall not constitute a breach of this Security Agreement, except to the extent that the third party breach was due to the intentional misconduct or gross negligence of either of the Parties. For the purpose of this Security Agreement, the term "gross negligence" shall mean the reckless failure to use reasonable due care in the performance of the obligations established for the Parties under this Security Agreement. Finally, the Parties acknowledge that as security conditions improve in Afghanistan, the responsibilities established under this Security Agreement may be subject to modification to reflect the security conditions that may exist in the future.



(2) The Parties acknowledge and agree that this Security Agreement shall only address security for the mining, mineral processing facilities, infrastructure, installations and other assets, including roads, authorized under the Aynak Mining License that are constructed and operated for the purpose of mining, and processing of ore into saleable commodities. The Parties further acknowledge and agree that this Security Agreement does not address security for other facilities, infrastructure, installations or assets that are identified in the Mining Contract, including, but not limited to, the coal mine, power plant, power transmission lines, and mining facilities associated with the production of limestone, phosphate and quartz (silica). Security for such other facilities, infrastructure, installations and assets will be covered under the relevant Ancillary Agreements. Moreover, the Parties acknowledge and agree that the Government shall be primarily responsible for establishing and maintaining security for any facility, infrastructure, installation or other asset for which security responsibilities are not specifically allocated pursuant to this Security Agreement or under the relevant Ancillary Agreements.

3. Afghan National Police (“Aynak Protection Unit”)

(1) The Government shall establish and dedicate a force of fifteen hundred (1500) Afghan National Police (“Aynak Protection Unit”) to provide security for the Aynak Copper Project. The Aynak Protection Unit shall be garrisoned in Logar Province, in reasonable and sufficient proximity to MCC’s facilities to allow for the establishment and maintenance of adequate security conditions and to allow for adequate and appropriate response to security concerns that may arise in the Aynak Copper Project area. The Government agrees that the Aynak Protection Unit will be appropriately and adequately equipped and provisioned to enable it to undertake its security obligations with respect to the Aynak Copper Project.

(2) The Parties acknowledge and agree that the Aynak Protection Unit shall constitute the primary security force for the Aynak Copper Project provided by the Government under this Security Agreement. The provision of other Afghan National Security Forces will occur in accordance with the requirements established in Section 4 of this Security Agreement.

(3) The Parties acknowledge and agree that the Aynak Protection Unit will undertake its security operations under this Security Agreement in a manner consistent with its legal authority under applicable Afghan law and its obligations under international treaties and agreements with respect to matters covered by this Security Agreement. At all times during the term of this Security Agreement, the Aynak Protection Unit will remain under the jurisdiction and operational control of the Government.

(4) The Parties acknowledge and agree that the Aynak Protection Unit assigned to the Aynak Copper Project will focus its security efforts outside of MCC’s



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facilities and will be the only security force authorized to enter MCC's facilities. The Parties acknowledge and agree that inspections of MCC's facilities related to its mining activities shall be conducted by the Mining Inspectorate of the Ministry of Mines in accordance with its inspection authorities under the Minerals Law. The Aynak Protection Unit shall only enter MCC's facilities under the following circumstances: 1) at the request of MCC or 2) upon the approval of MCC, which shall not be unreasonably or unlawfully withheld. The Aynak Protection Unit shall not carry any weapons when entering MCC's facilities under the above circumstances. In the event that the Aynak Protection Unit enters MCC's facilities under the above circumstances, MCC shall provide armed MCC security personnel, as necessary, to accompany the Aynak Protection Unit and cooperate with the Aynak Protection Unit in the performance of its mission. The Aynak Protection Unit shall be authorized to enter MCC's facilities and carry weapons, without MCC's approval, in the event of extraordinary security circumstances. When entering MCC's facilities, the Aynak Protection Unit shall be required to comply with any health, safety or other reasonable operational requirements established by MCC for visitors to its facilities.

(5) The Parties acknowledge and agree that the Government will assign additional local law enforcement personnel that shall be responsible for law enforcement and security at the employee housing, medical facilities, schools, religious facilities, shopping, recreational and other socially beneficial facilities that MCC will establish pursuant to the Mining Contract. The Parties agree that, upon the presentation of identification and appropriate written authorization, as determined by the circumstances, local law enforcement personnel shall be authorized to enter socially beneficial facilities established by MCC for the purposes of undertaking legally authorized law enforcement and security operations in accordance with the requirements of this Security Agreement.

(6) The Parties acknowledge and agree that the Aynak Protection Unit shall coordinate its security efforts and cooperate with MCC's security personnel and other Afghan National Security forces, as necessary, to establish and maintain adequate security conditions for the Aynak Copper Project.

(7) To promote the coordination of security efforts between the Parties and to ensure that operational security issues are resolved promptly in a cooperative manner, the Parties agree to establish an Operational Security Committee. The Operational Security Committee will consist of two (2) representatives each from the Aynak Protection Unit, Mining Inspection Department of the Ministry of Mines and MCC with an independent chairman to be appointed by the Minister of Interior in consultation with the Minister of Mines. The Operational Security Committee will meet on a regularly scheduled basis, as agreed by the Operational Security Committee, to discuss and resolve operational security matters. The Operational Security Committee shall report to the Security Coordination Committee, established under Section 1 of this Security Agreement, on a regular



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basis or when operational security matters are identified by the Operational Security Committee that requires referral to the Security Coordination Committee.

(8) The Government shall provide MCC with an estimated schedule of the deployment of the Aynak Protection Unit and the commencement of de-mining within one (1) month of the effective date of this Security Agreement.

4. Other Afghan National Security Forces

(1) The Parties acknowledge and agree that additional Afghan National Security forces may be provided by the Government on an as needed basis to support the Afghan Aynak Protection Unit dedicated to the establishment and maintenance of adequate security conditions for the Aynak Copper Project. The determination of need shall be established by the Security Coordination Committee upon the request of any of its members.

(2) In the event of a security emergency, MCC shall contact the Ministry of Interior directly to request the deployment of additional Afghan National Security forces to respond to the security emergency.

5. MCC Security Personnel

(1) The Parties acknowledge and agree that MCC shall be primarily responsible for security inside the boundary of MCC's facilities. For the purpose of this Security Agreement, MCC's facilities boundary shall be the area defined by MCC within the Aynak Mining License in which are located the mining, and mineral processing facilities, infrastructure, installations and other assets, including roads, authorized under the Aynak Mining License that are constructed and operated for the purpose of mining, and processing of ore into saleable commodities. The Parties further acknowledge and agree that this Security Agreement does not address security for other facilities, infrastructure, installations or assets that are identified in the Mining Contract, including, but not limited to, the coal mine, power plant, power transmission lines, and mining facilities associated with the production of limestone, phosphate and quartz (silica). Security for such other facilities, infrastructure, installations and assets will be covered under the relevant Ancillary Agreements.

(2) MCC shall register its security personnel as required by the Ministry of Interior.

(3) MCC shall comply with all requirements established by the Ministry of Interior concerning the type, possession, transport and use of weapons by MCC's security personnel.



- (4) MCC's security personnel shall coordinate their security efforts and cooperate with the Aynak Protection Unit and other Afghan National Security forces, as necessary, to establish and maintain adequate security conditions for the Aynak Copper Project.
- (5) To ensure the coordination of security efforts between MCC's security personnel and the Aynak Protection Unit, MCC shall be a member of and participate in the Operational Security Committee established pursuant to Section 3(7) of this Security Agreement.
- (6) MCC's security personnel shall be authorized to detain, search, and obtain basic information from any person who enters MCC's facilities without authorization. MCC's security personnel shall immediately contact the Aynak Protection Unit and inform it of the detention of any unauthorized entrant. MCC's security personnel shall be authorized to detain any unauthorized entrants until Aynak Protection Unit arrive at the detention location and take the unauthorized entrants into custody. The Parties acknowledge and agree that MCC's security personnel are prohibited from using excessive or deadly force except in self-defense or in the defense of MCC personnel from physical attack.
- (7) The Parties acknowledge and agree that MCC's security personnel shall be subject to all applicable Afghan laws. Violations of applicable Afghan laws by MCC's security personnel shall be reviewed and adjudicated in accordance with all applicable due process requirements established under applicable Afghan law.
- (8) MCC's security personnel shall be considered to be employees of MCC, subject to normal Afghan labour laws and comply with all requirements of the Ministry of Interior in relation to security obligations.
- (9) MCC shall be required to hire and employ 100% Afghan nationals for its security personnel in accordance with the employment requirements established in the Mining Contract. The 100% employment requirement shall not apply to security managers or other senior security professionals hired by MCC to oversee and direct the operations of MCC's security personnel. MCC shall compensate Afghan nationals hired as security personnel at rates not lesser than rates paid to similar Aynak Protection Unit personnel.
- (10) MCC shall bear all costs related to its security purposes.
- (11) MCC shall ensure discipline among its security personnel.
- (12) MCC's security personnel shall be entitled to the same freedom of movement and communications and use of transportation and communications equipment as other PSCs operating in Afghanistan, subject to MCC's compliance with applicable registration and notice requirements established under Afghan law.



6. De-Mining and Management of Unexploded Ordinance

The Government shall be primarily responsible for the removal and proper management of land mines and unexploded ordinance discovered in the Aynak Project Area. The Parties acknowledge and agree that the removal and proper management of land mines and unexploded ordinance is a necessary condition for the commencement of exploration, drilling, sampling and other field work by MCC. In recognition of this requirement, the Government shall initiate de-mining activities promptly following the effective date of this Security Agreement. Any land mines or unexploded ordinance discovered during the life of the Mining Contract shall be disposed of by the Government immediately.

7. Duration

The Parties agree that this Security Agreement will take effect immediately upon execution by the Parties. This Security Agreement shall expire upon the expiration or termination of the Mining Contract, or as otherwise mutually determined.

8. Amendments

The Parties mutually agree that this Security Agreement may be amended by the written consent of the Parties and will be revised as necessary.


9. Complete Agreement

This Security Agreement, consisting of the above Sections 1-9, shall be adopted and incorporated into the Mining Contract as an enforceable part of the Mining Contract. Any issues not specifically addressed by this Security Agreement shall be governed and resolved in accordance with the relevant sections of the Mining Contract. This Security Agreement shall become effective upon execution by the Parties. This Security Agreement shall be executed in English in four (4) originals with each Party holding two (2) originals and in Dari. In the event that a dispute arises under this Security Agreement between the English and Dari versions, the English text shall be definitive as to the terms, conditions, rights and obligations of the Parties under this Security Agreement.



Agreed

This 25 day of NOV, 2008


Ministry of Mines


MCC-Jiangxi Copper Consortium

