

REPUBLIC OF LIBERIA)
MONTERRADO COUNTY)

MINERAL EXPLORATION AGREEMENT
BETWEEN
THE REPUBLIC OF LIBERIA
AND
T-REX RESOURCES INC.

THIS MINERAL EXPLORATION AGREEMENT is entered into, by and between the **REPUBLIC OF LIBERIA**, through its Government represented by the Deputy Minister for Operations of the Ministry of Lands, Mines & Energy (hereinafter referred to as the "**Government**")

AND

T-REX RESOURCES INC., a corporation existing and doing business under the laws of Liberia represented by Len Lindstrom its Chief Executive Officer (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 Operator has successfully completed a program of reconnaissance work of the selected areas, 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:

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 a Person that controls, is controlled by or is under common control with the Operator. For purposes of this section, control means the possession, directly or indirectly, by one person of more than fifty percent (50%) of the equity of or the voting power in another person.
- 1.2 **Associated Minerals:** The term "Associated Minerals" means any mineral, metal element or precious or semi-precious stone(s) other than Gold which is found, discovered, mined, removed, extracted or otherwise produced as an incident to the Operator's activities in exploiting a Gold Deposit or Deposits.
- 1.3 **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.
- 1.4 **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.
- 1.5 **Effective Date:** The term "Effective Date" means the date, provided in Section 26, on which this Agreement shall become effective.
- 1.6 **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.
- 1.7 **Exploration Period:** The term "Exploration Period" means the period described in Section 2.1.
- 1.8 **Gold Deposit:** The term "Gold Deposit" means a deposit whose predominate economic value, as determined by the result of exploratory drilling, is attributable to the Gold contained therein and which is of such character as to permit the economic production thereof.
- 1.9 **Government:** The term "Government" includes all of the branches, divisions, instrumentalities and agencies of the Government of the Republic of Liberia.

1.10 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).

1.11 Operations and Activities: The term "Operations and Activities" means the exploration, mining and management operations of T-REX RESOURCES INC.

1.12 Operator: The term "Operator" means T-REX RESOURCES INC.

1.13 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 Gold and/or Associated Minerals;
- (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 Gold, Associated Minerals or any other mineral 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 Gold, Associated Minerals or any other minerals, shall mean the commercial exploitation of Minerals 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.

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, or (b) three (3) years after the Effective Date, with an extension of another (2) years at the option of the Operator plus any period of renewal to which the Government may agree.

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 Gold, Diamonds, Associated Minerals and any other mineral deposit (except iron ore) in the Exploration Area.

3.2 Exploration Area:

- (a) The Exploration areas shall lie in **Grand Kru and Nimba-East Area**, as identified on the attached map, with metes and bounds or coordinates attached hereto as Appendix "A".
- (b) The Operator shall commence exploration as soon as possible after the Effective Date but not later than 180 days after the Effective Date.
- (c) At the end of the Exploration Period, the Exploration Area shall cease to exist.

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 extension of the Exploration Period, 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 gold, associated minerals and any other mineral deposit within the Exploration Area; and should the Operator fail to so comply in accordance with the provisions of this section, then this Agreement shall be liable to cancellation.
- (b) During the Exploration Period, the Operator shall expend not less than Two United States Dollars (US\$2.00) 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.

4.0 Pilot Mining Rights

The Operator, in addition to exploration, is hereby also granted the right to produce gold, associated minerals and any other mineral under a pilot mining plan to be approved by the Minister of Lands, Mines and Energy.

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.

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, 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.

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 to exercise its rights to expropriate land in the Exploration Area if such expropriation shall in any way hinder the development of the Operation and Activities.

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.

8.2 Maximum Economic Operation:

(a) The Operator shall use its best efforts to produce Gold and associated minerals from each Pilot Mining Area and at the maximum capacity of each Production Area consistent with the optimum economic development of all Production Areas. Production shall not be restricted to high grades of Gold and other minerals, to the neglect of lower grades.

- (b) The Operator shall use its best efforts to sell Gold and any Associated Minerals produced at the maximum prices possible in the light of the prevailing international market prices and conditions, and in accordance with good competitive business practices generally accepted at the time. The Operator hereby undertakes to sell at least 95% of all Gold or Associated Minerals within forty- five (45) days after their production. Notwithstanding the foregoing, with the prior approval of the Government, the Operator shall have the right to delay the sale of a greater proportion of the Gold, and/or Associated Minerals produced beyond the said forty five (45) day period, upon such terms and conditions as the parties may agree.

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.

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 (mining engineers/geologists) from the Ministry shall be seconded to the Operator's operations at the expense of the Operator.

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, as per Section 7.0 hereof; and that any existing pollution, contamination and damage of or to such water bodies, land surfaces, and atmosphere resulting from operations hereunder be rectified; and that the terrain, in general, be restored to and left in a usable state for purposes which are economically or socially desirable.

12.0 ADEQUATE CAPITAL AND STOCK OWNERSHIP

The Operator shall provide all capital necessary for the economic and profitable exploration for Gold and Associated Minerals and the production of these Minerals under this Agreement. In this connection, the Operator shall at all times maintain a reasonable and prudent capital structure.

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%).

14.0 ROYALTIES

14.1 Gold: The Operation shall pay to the Government a royalty in respect of all gold discovered during exploration and produced under pilot mining. The amount of such royalty shall be 3% of the selling prices f.o.b. Monrovia for the Gold and Diamond. The royalty shall be paid within thirty days of export.

14.2 Associated Minerals and other Mineral Deposits: The Operator shall also pay to the Government a Royalty in respect of any Associated Minerals or any other mineral, as defined in Section 1.2 produced hereunder and shipped or otherwise disposed of by the Operator. The amount of said royalty shall be negotiated and agreed upon by the parties.

15.0 Exploration Fees and SURFACE RENTAL

15.1 The Operator shall make an annual payment of Five Thousand United States Dollars (US\$5,000.00) for the grant or renewal of the Exploration License.

15.2 The Operator shall make annual lump sum rental payments of US\$40,000.00 to the Government for all unsurrendered portions of the Exploration Area in the first two years and Eighteen US Cents (US\$0.18) per acre thereafter. The Operator shall also make a payment of Three United States Dollars (US\$3.00) per acre for all areas operated under pilot mining.

15.3 The first payment for the exploration license fee and surface rental shall be made in accordance with a plan to be mutually agreed between the parties. Subsequent payments shall be made within thirty (30) days after each subsequent anniversary of the Effective Date.

16.0 RECORDS, REPORTS, AND INSPECTION

16.1 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 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 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.

16.3 Reports: The Operator shall submit such reports to the Government, in such form, in such detail, and at such time, as may be 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.

16.4 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.

16.5 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.

17.0 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 unless to an affiliate. However, any request to joint-venture any rights to a third party, will be fully allowed and any assignment that is legally required to protect the interest of the joint-venture partner will be accepted.

18.0 FORCE MAJEURE

18.1 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) 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 fourteen (14) 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 rest normal conditions within twenty-four (24) hours thereof. For purpose of this Section 17, force majeure includes an act of God, war, insurrection, civil commotion, 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 six months, the duration of the term of this Agreement shall be extended by the time of such suspensions.

18.2 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.

18.3 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").

19.0 SURRENDER OF OPERATOR'S RIGHT

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.

20.0 SECTION 24: FINANCIAL REPORTING AND CURRENCY

24.1 Accounting. All of the Operator's accounting under this Agreement shall be in 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 Dollars shall be converted to Dollars in accordance with and pursuant to generally accepted accounting principles in the United Kingdom, Canada or internationally accepted (except to the extent inconsistent with the terms of this Agreement) based upon the Prevailing Market Rate of Exchange of Dollars and any such currency at the date of the applicable transaction.

24.2 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 therefrom may be deposited in bank accounts outside of the Republic and held there or remitted therefrom 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. 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 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.

24.3 Currency of Payment. Payment of the Operator's direct obligations to the Government for Taxes and Duties payable under Sections 20, 21, 22 and 23 of this Agreement shall be in 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 Dollars, will be converted to 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.

24.4 Right to Remit and Receive Payments. The Operator shall have the right to remit and receive in 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 Dollars, or other direct or indirect restrictions on such remittances or receipts.

24.5 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 25: INCIDENTAL RIGHTS

25.1 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 for protected species, insofar as they do not interfere with or hinder Operations); 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. The Government will provide information to the Operator of any such agreements affecting the Exploration Area upon the Operator's request.

25.2 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.

25.3 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 26: ASSIGNMENT AND ENCUMBRANCE

- 26.1 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.
- 26.2 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, but any power of sale arising under any such mortgage, charge or other encumbrance shall only be exercised with the prior written consent of the Minister, which consent shall not be unreasonably withheld.
- 26.3 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 26.

SECTION 27: TERMINATION

- 27.1 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.
- 27.2 Termination by the Government.** Subject to the provisions of Section 29, 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 5.1, 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.

27.3 Opportunity to Cure. In the case of an alleged Event of Default described in Section 27.2, 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.

27.4 Disputes Regarding Events of Default. Notwithstanding the provisions of Sections 27.2 and 27.3, if the Operator disputes whether there has been an Event of Default described in Section 27.2 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 29, 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 29: ARBITRATION

29.1 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 29 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 29 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.

29.2 Nationality for Purposes of Arbitration. The Operator is incorporated in Liberia and notwithstanding the incorporation in the Republic of any of the Operator's successors or assignees, or of any of its other Affiliates, all such entities shall be treated for purposes of arbitration under this Section 29 as nationals of the United States of America for purposes of the Convention and of this Agreement, except that the Operator and any other such entity may, alternatively, elect to be treated instead as a national of any other state of which, under the Convention, international law or the law of such state, it is a national.

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.

29.7 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.

29.8 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.

29.9 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.

29.10 Successors. The consent to the jurisdiction of the Centre as set forth in this Section 29 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 29.

23.0 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
T-REX RESOURCES INC.
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.

24.0 NON-WAIVER

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, or 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.

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 _____ originals on the 20th day of October A.D. 2005.

IN PRESENCE OF:

FOR THE GOVERNMENT OF THE
REPUBLIC OF LIBERIA:

Albert Chie

Mulbah G. Jallie

DEPUTY MINISTER FOR OPERATIONS
MINISTRY OF LANDS, MINES &
ENERGY

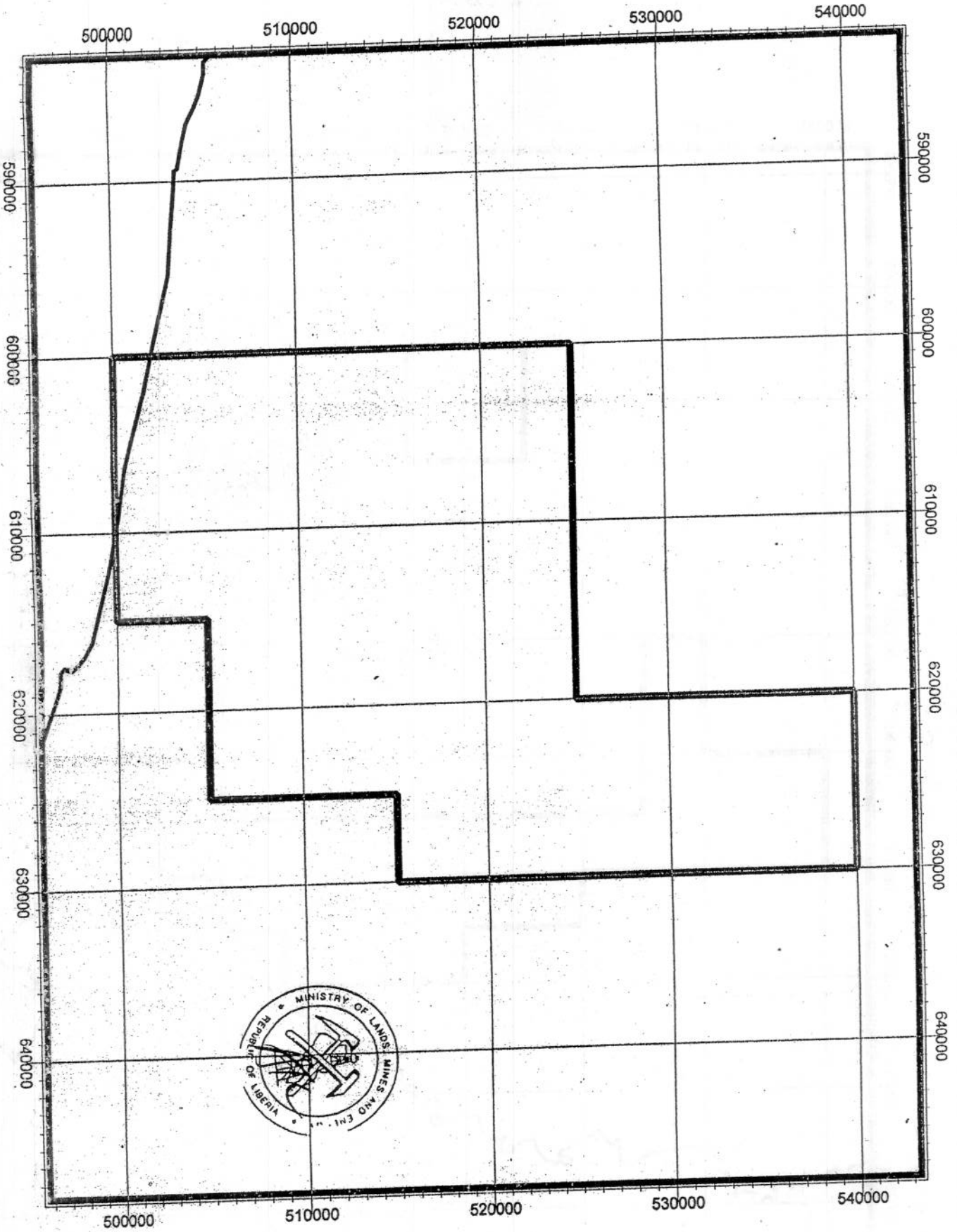


FOR THE OPERATOR:

Ken Lindstrom

CHIEF EXECUTIVE OFFICER
T-REX RESOURCES INC.

Mineral and Exploration Area for T-Rex Resources Inc., Grand Kru



**UTM Coordinates of the Mineral and Exploration Area for T-Rex Resources
Inc., NW Nimba Area**

Point	Easting	Northing
0	505000	755000
1	515000	755000
2	515000	745000
3	505000	745000
0	505000	755000

Area = 100 Sq Km



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 _____ originals on the 20th day of October A.D. 2005.

IN PRESENCE OF:

**FOR THE GOVERNMENT OF THE
REPUBLIC OF LIBERIA:**

Albert Chie

Shelton G. Gollie
**DEPUTY MINISTER FOR OPERATIONS
MINISTRY OF LANDS, MINES &
ENERGY**



FOR THE OPERATOR:

Steve Lindstrom
**CHIEF EXECUTIVE OFFICER
T-REX RESOURCES INC.**

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 _____ originals on the 26th day of November A.D. 2005.

IN PRESENCE OF:

FOR THE GOVERNMENT OF THE
REPUBLIC OF LIBERIA:

Albert Chie

Mulberry J. J. J. J.

DEPUTY MINISTER FOR OPERATIONS
MINISTRY OF LANDS, MINES &
ENERGY

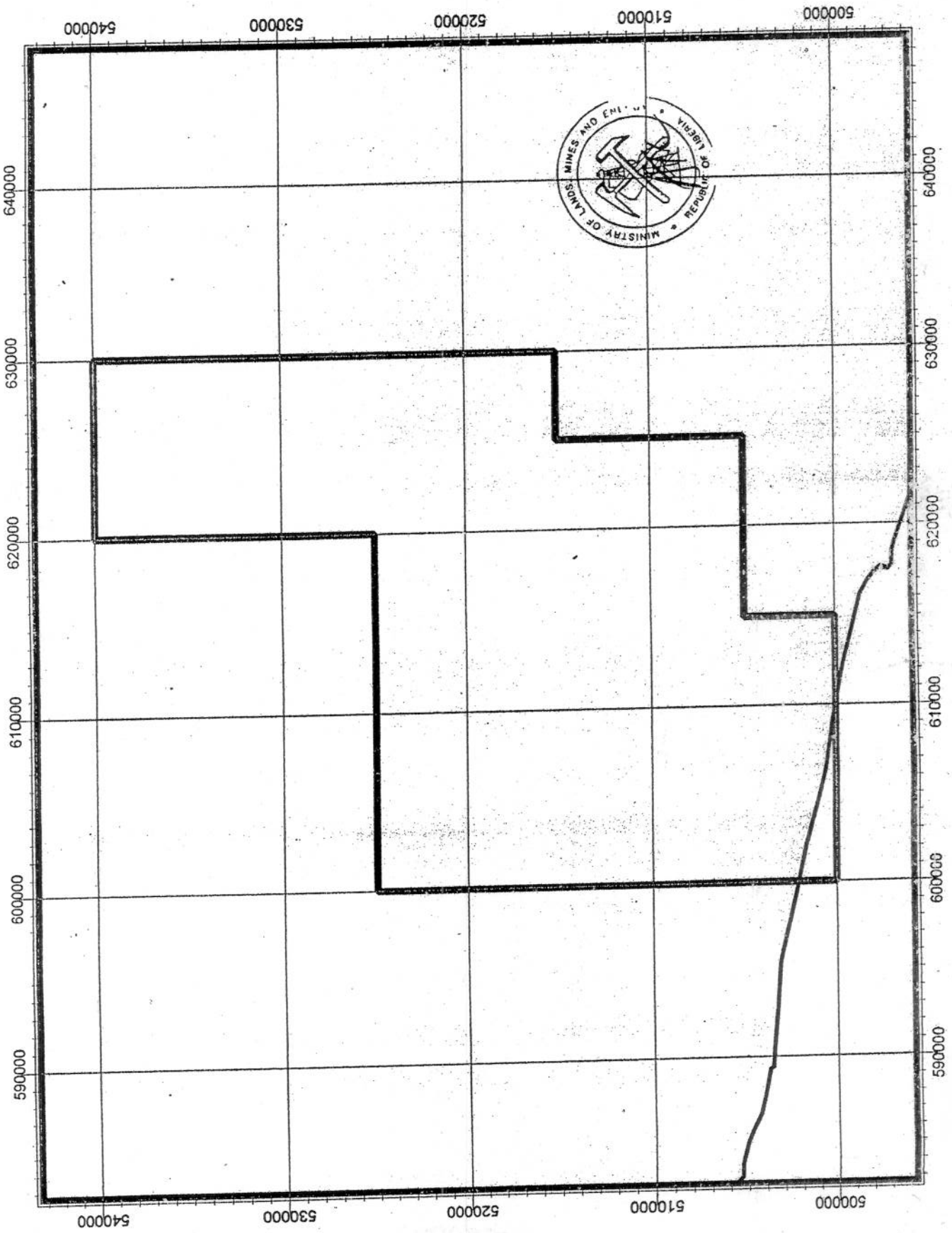


FOR THE OPERATOR:

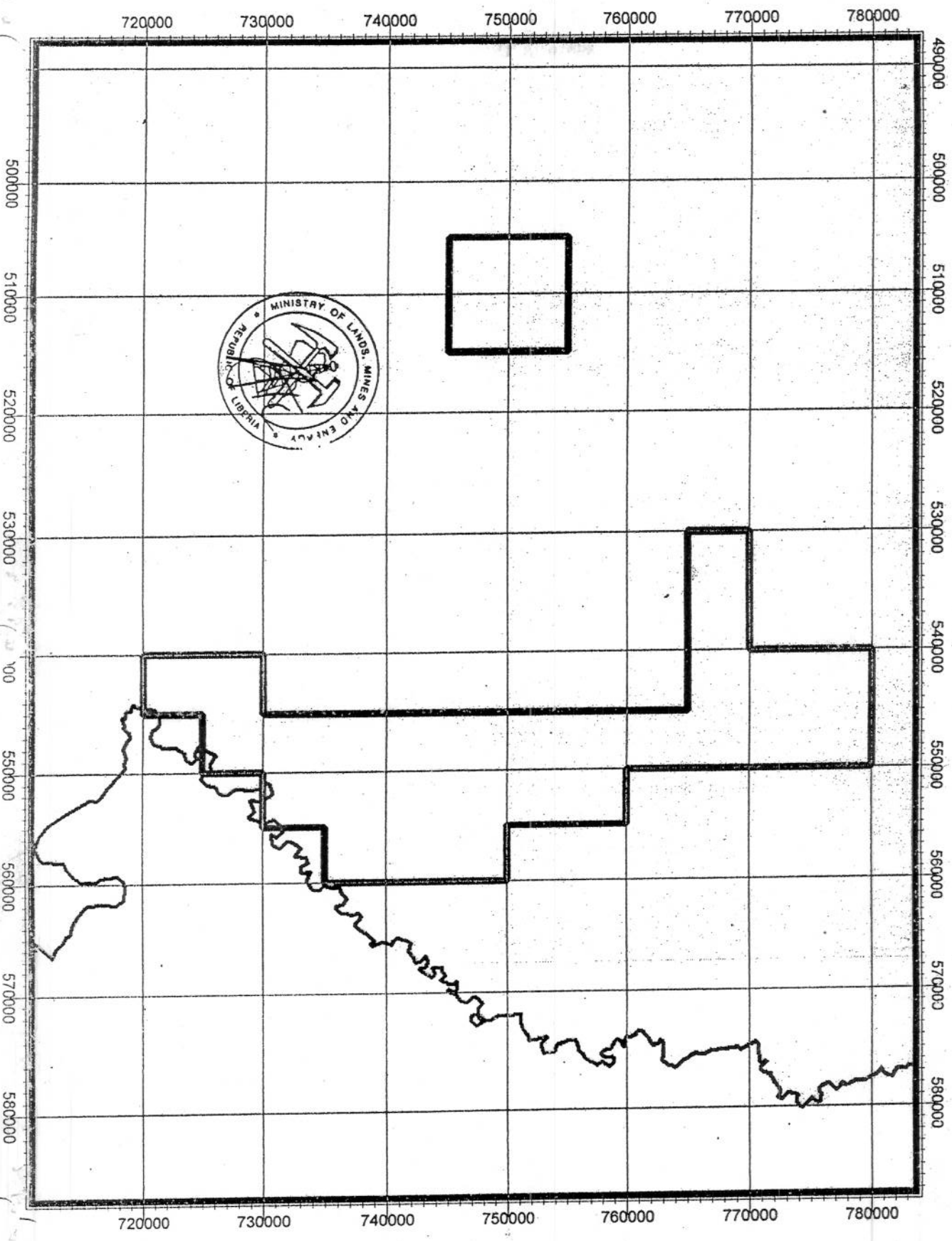
Steve Lindstrom

CHIEF EXECUTIVE OFFICER
T-REX RESOURCES INC.

Mineral and Exploration Area for T-Rex Resources Inc., Grand Kru



Mineral and Exploration Area for T-Rex Resources Inc., NW Nimba and Nimba East



UTM Coordinates of the Mineral and Exploration Area for T-Rex Inc., Grand Cru

Point	Easting	Northing
0	600000	525000
1	620000	525000
2	620000	540000
3	630000	540000
4	630000	515000
5	625000	515000
6	625000	505000
7	615000	505000
8	615000	500000
9	600000	500000
0	600000	525000

Area = Approximately 750 Sq Km



UTM Coordinates of the Mineral and Exploration Area for T-Rex Resources Inc., NW Nimba Area

Point	Easting	Northing
0	505000	755000
1	515000	755000
2	515000	745000
3	505000	745000
0	505000	755000

Area = 100 Sq Km

