

MINING LEASE AGREEMENT

between

THE GOVERNMENT OF SIERRA LEONE
and
LONDON MINING COMPANY LIMITED

THIS AGREEMENT is made this 27th day of February 2012

between **THE GOVERNMENT OF THE REPUBLIC OF SIERRA LEONE** represented by the Minister of Mineral Resources (hereinafter referred to as "GOSL") of the **ONE PART**, and **LONDON MINING COMPANY LIMITED**, a limited liability company incorporated under the provisions of Cap. 249 of the Laws of Sierra Leone 1960 with registration number C.F 145/2006 and with its registered offices at 27 Old Railway Line, Freetown in the Western Area of the Republic of Sierra Leone (hereinafter referred to as "**LONDON MINING**", which expression shall, where the context admits, include its lawful assigns and successors) of the **OTHER PART**.

WHEREAS

- a) By the Mining Lease, as hereinafter defined, **GOSL** demised and granted to **LONDON MINING** the minerals contained in Schedule B thereto in the area described in Schedule A thereto according to the "LMC Work Plan" described in Schedule C thereto, together with the rights referred to therein for a term of twenty-five (25) years as from 31 August 2009 upon the terms and conditions therein stated, and
- b) **GOSL** and **LONDON MINING** further entered into a Mining Lease Agreement (as hereinafter defined) as a supplemental agreement to the Mining Lease, and
- c) **GOSL** and **LONDON MINING** have agreed to amend the terms of the Mining Lease Agreement pursuant to Clause 6 (i) thereof upon the terms herein.

IT IS HEREBY AGREED AS FOLLOWS:

I. DEFINITIONS AND INTERPRETATION

1.1 Definitions

In this Agreement the following expression shall unless the context requires otherwise, have the following meanings:

"**Agreement**" means this Agreement amending the Mining Lease Agreement, including the schedules hereto, which forms an integral part of this Agreement, and references to this Agreement includes references to such schedules;

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"Annual Adjustment" means the amount by which any amounts due under this Agreement and subject to such adjustment is adjusted on an annual basis; this adjustment shall be based on the U.S. "GDP Implicit Price Deflator" as published from time to time by the U.S. Department of Commerce, Bureau of Economic Analysis, or any comparable index.

"Change of Control" shall mean the consummation of any transaction or series of transactions (including without limitation any joint venture, management arrangement, sale, merger or consolidation), the result of which is that LM plc or any other group of shareholders that collectively beneficially own more than 50% of the voting equity of **LONDON MINING** before such transaction or series of transactions cease to (i) be beneficial owners of more than 50% of the aggregate voting equity of **LONDON MINING** or (ii) have the power to direct or cause the direction of the management and the policies of **LONDON MINING**;

'Mining Lease Agreement' means the Mining Lease Agreement between GOSL and **LONDON MINING** dated 31 December 2009 and ratified by Parliament on 10 February 2010;

"Effective Date of this Agreement" means 1 January 2011, provided that this Agreement is subsequently ratified by Parliament as contemplated by Clause 6 (i) of the Mining Lease Agreement ;

"Income Tax Act": means The Income Tax Act, 2000 of the Laws of Sierra Leone, including any legislation amending the same or substitute thereof and all regulations and rules from time to time in force thereunder;

"LM plc" means **LONDON MINING**, plc, an English public company, being the majority shareholder of **LONDON MINING**;

"Minerals Act": means the Mines and Minerals Act 2009 of the Laws of Sierra Leone, including any legislation amending the same or substituted thereof and all regulations and rules from time to time in force thereunder.

"Mining Lease" means Mining Lease NO.ML.2/09 dated the 31 of August 2009 made between the GOSL of the one part and **LONDON MINING** of the other part and duly registered as No.27/2009 at page 144 in volume 8 of the Book of Mining Leases kept in the office of the Registrar of General, Freetown and as amended from time to time;

"Mining Lease Area": means the area described in Schedule A of the Mining Lease and as set out in Schedule A hereto:

"Minister": means the Minister responsible for mineral resources;

"Programme of Mining Operations" means the programme of mining operations as at August 2011, which updates and replaces Schedule C to the Mining Lease entitled "LMC Work Plan", as amended under Section 113 (1) of the Minerals Act and as shall be further amended from time to time pursuant to Section 113 (1).

"Nominated Suppliers" mean those independent, unaffiliated entities, excluding banks and financial institutions, listed in Schedule E and as amended from time to time throughout the project and supplying substantial

goods and services to **LONDON MINING** on a long-term basis, being the supply of goods and services for more than one year or involving a contract amount in excess of US\$ 1,000,000.

1.2. Interpretation

Where the context so admits, words importing the singular shall include the plural and vice versa.

Any reference in the Minerals Act to "large scale mining licenses" shall be construed to refer to and include the Mining Lease referred to herein, in so far as that reference in the Minerals Act is applicable to this Agreement.

2. RESPECTIVE WARRANTIES

2.1. **GOSL** hereby represents and warrants to **LONDON MINING** that:

(a) Pursuant to the Minerals Act, the entire property and control of all minerals in, under or upon the Mining Lease Area is vested in **GOSL**, which has the sole and exclusive right to grant a mining lease relating thereto, free of any lien, claim, or other encumbrance;

(b) During the existence of the Mining Lease and this Agreement, no person has or shall have any mineral rights (as defined in the Minerals Act) or interests in respect of any minerals located over, under or upon the Mining Lease Area or to any improvements thereto, and **GOSL** generally agrees to indemnify **LONDON MINING** against any and all loss or damage arising out of or in connection with any right or claim inconsistent with any such rights;

(c) **LONDON MINING** shall peaceably enjoy the Mining Lease Area without interruption by **GOSL** or by any other person or persons claiming or under **GOSL**, or in trust for it, and shall have the right during the term of the Mining Lease and this Agreement to explore for and mine iron ore and associated minerals. No other person or entity shall have the right to engage in any prospecting, exploration or mining operations, or any other activities on, above or below the surface in the Mining Lease Area during the term of the Mining Lease and this Agreement.

2.2. **LONDON MINING** hereby represents and warrants to **GOSL** that

(a) **LONDON MINING** is a company duly organized, validly existing and in good standing under the laws of Sierra Leone and shall remain so throughout the duration of this Agreement. **LONDON MINING** has all the requisite power and authority to execute and deliver this Agreement and to perform its obligations hereunder.

(b) The execution and delivery by **LONDON MINING** of this Agreement and the performance of its obligations hereunder have been duly authorized by all necessary corporate or other action on the part of **LONDON MINING**, and no further consent or authorization is required of the board of directors of **LONDON MINING** or LM plc to authorize this Agreement.

(c) Neither the execution and delivery of this Agreement nor **LONDON MINING**'s compliance with the obligations contemplated hereby will conflict with or result in a breach or violation of: (i) the organizational documents of

LONDON MINING or LM plc, (ii) any provision of law applicable to LONDON MINING or LM plc on the date hereof or (iii) the terms of any material agreement to which LONDON MINING or LM plc is a party or by which LONDON MINING or LM plc is bound.

(d) LONDON MINING has the financial and technical capabilities to finance and carry out the Programme of Mining Operations in accordance with this Agreement. .

2.3 Any breach of representations and warranties in this Clause 2 shall be deemed to be a breach of this Agreement, subject to Clause 6.10 of this Agreement.

3. MINING LEASE

3.1 Application of Minerals Act

The provisions of the Minerals Act relating to mining leases shall apply to the Mining Lease, this Agreement, and any Additional Mining Leases, except to the extent that they are inconsistent with the provisions of this Agreement and the Mining Lease, in which event the provisions of this Agreement and the Mining Lease shall prevail.

As used herein, 'Additional Mining Lease' means any additional mining lease or licence or prospecting/reconnaissance licence granted to LONDON MINING pursuant to this Clause 3.1.

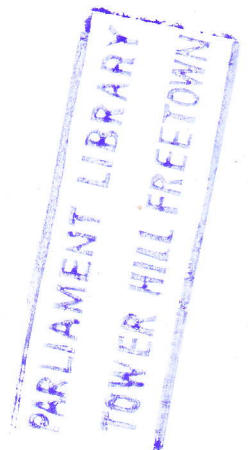
3.2 Term and Renewal

The Mining Lease granted to LONDON MINING was granted initially for a period of twenty-five (25) years as provided for therein. It shall then be renewable for a further period of fifteen (15) years upon an application made in writing by LONDON MINING to the Minister at least one year before the expiration of the original term in accordance with Section 112 of the Minerals Act.

Upon the making of the application to renew the Mining Lease, LONDON MINING or GOSL may request that certain of the terms of the Mining Lease or this Agreement be amended and shall negotiate the effecting of such amendment (s) in good faith, it being understood that the existing terms of the Mining Lease and this Agreement shall remain in effect until mutual agreement is reached or until it is determined that the Mining Lease shall not be renewed. A decision not to renew the Mining Lease may be reviewed in accordance with Section 175 of the Minerals Act. Any revocation or non-renewal of this Agreement shall automatically constitute a similar revocation or non-renewal of the Mining Lease and vice versa. Revocation is subject to clause 6.10.

3.3 Extension of Mining Lease

Should the current holder or its successor of the mineral right on the land area in a 25 (twenty five) kilometre radius of the Mining Lease Area definitively surrender all or a portion of its rights to the surrounding area, or



should the license be cancelled, in such event, **LONDON MINING** shall be given the first right option to apply to GOSL for any additional reconnaissance licenses, exploration licenses, small or large scale mining licenses specifically for iron ore, provided such areas do not fall within another company's valid mineral right and provided further that **LONDON MINING** makes such application within 60 days of written confirmation of such surrender or cancellation. It is understood that the option to apply is no assurance of the grant of those licenses, as referred to above to **LONDON MINING**, which such application will be disposed of as provided in respective provisions of the Minerals Act, nor that the fiscal advantages contained in this Agreement shall automatically apply to iron ore mined from these additional areas.

3.4 **Surrender of Mining Leases**

(a) Subject to Section 51 of the Minerals Act, **LONDON MINING** may surrender all or part or parts of the Mining Lease Area included in the Mining Lease Area or an Additional Mining Lease at any time during the term of such Mining Lease and or Additional Mining Lease by notice in writing to the **GOSL** to that effect of not less than three months notice; and upon such surrender the lands surrendered shall cease to be comprised in or subject to the provisions of such Mining Lease and or Additional Mining Lease.

(b) Upon the surrender, expiration or other termination of the Mining Lease or of any portion thereof, **LONDON MINING** shall comply with any conditions stated in this Agreement or Schedules as regards the surrendered lands and be granted a period of not less than six months, or such longer period as the Director may specify, immediately following such surrender, expiration or termination in which to remove all or any of its buildings, structures, plants, machinery, equipment or other effects from the areas covered by the Mining Lease or portion of the Mining Lease surrendered, expired or terminated.

4. **GENERAL RIGHTS AND OBLIGATIONS OF LONDON MINING**

In addition to the other rights granted by this Agreement, the Mining Lease and the Minerals Act, and other applicable laws of Sierra Leone, **LONDON MINING** shall have the following rights:

4.1. **General Obligations**

(a) **LONDON MINING** shall at all times perform its duties, obligations and work in the Mining Lease Area with all due professional diligence and will use its best endeavours to achieve the best available international standards for operations and safety standards prevailing in the mining industry worldwide at all times.

(b) **LONDON MINING** shall proceed with the development of the mine and related plant and facilities, and carry out the mining and processing of iron ore and iron ore tailings in accordance with the Minerals Act and the current Programme of Mining Operations. **LONDON MINING** shall have the right to cure any alleged breach as provided in Clause 6.10 of this Agreement.

4.2. Rights Incidental to Mining Operations

In order to facilitate its mining operations, **LONDON MINING** shall have the following rights, subject to compliance with applicable law :

- (a) To demolish any derelict buildings within the Mining Lease Area, with due regard for health and safety considerations;
- (b) To remove and sell for export any surplus scrap metal not required for the conduct of normal operations situated within the Mining Lease Area, subject to any applicable government charges, and taxes levies, duties or royalties;
- (c) To create, hire and maintain an unarmed security force to provide a deterrent to vandalism, theft and trespassers;
- (d) To transport all iron ore and associated mineral concentrates using public highways and **LONDON MINING** constructed roads to a jetty on the Port Loko river and any other infrastructure and/or port solution it constructs later in its operation for the expansion of production and to be given the opportunity to ship such concentrates using the Marampa to Pepel railway line and the Pepel Port after the construction of such facilities shall have been completed, subject to the written consent, with or without conditions, of the national or local authority having control over the use of public highways, river, railway, etc
- (e) to construct and operate infrastructure required to deliver its Programme of Operations, to the extent provided in Clause 4.5.
- (f) On the lands included within the Mining Lease Area to cut take and use any tree when necessary in the course of mining operations or when required for mining or domestic purposes provided that it shall not cut or take any trees in a forest reserve or protected forest except with the consent of the Director of Forestry or before paying the fees and royalties prescribed by the Forestry Act 1988 (Act No.7 of 1988).

4.3. Restrictions on exercise of rights under a mineral Right

LONDON MINING shall not exercise any of its rights, under the mineral right

- (a) in respect of any land dedicated or set apart for any public purpose other than mining including any street, road, highway, or aerodrome except with the written consent of the responsible Minister or other authority having control over such land, and such consent may be given unconditionally or subject to such conditions as may be specified in the instrument of consent, such consent will not be unreasonably withheld or delayed;
- (b) except with the written consent of the owner or lawful occupier or his duly authorised agent, in respect of-
 - any land dedicated as a place of burial or which is a place of religious or other cultural significance; or

- any land which is the site of, or which is within two hundred metres or such greater distance as may be prescribed, of any inhabited, occupied or temporarily unoccupied house or building;
- any land which is within fifty metres or such greater distance as may be prescribed, of land which has been cleared or ploughed or otherwise *bona fide* prepared for the growing of, or upon which there are, agricultural crops; or
- any land which is the site of, or within one hundred metres or such greater distance as may be prescribed, any cattle dip, tank, dam, or other body of water,

But where any consent so required is, in the opinion of the Minister, being unreasonably withheld, the Minister may, on such conditions, if any, as he may impose, direct in writing that the need for the consent under this paragraph shall be dispensed with and authorise the holder of the mineral right to exercise all or any of his rights under it;

- (c) in respect of any land reserved for the purpose of any railway, highway or waterway or which is within fifty metres or such greater distance as may be prescribed, of the boundaries of any land so reserved, except with the written consent of the responsible railway, highway or waterway authority; and
- (d) in respect of any land within any township, or within two hundred metres or such greater distance as may be prescribed, of the boundaries of any township, except with the written consent of the local authority having control over the township

4.4. Right to Resettlement

(a) The Minister shall ensure that all owners or lawful occupiers of land who prefer to be compensated by way of resettlement as a result of being displaced by a proposed mining operation are resettled on suitable alternate land, with due regard to their economic well-being and social and cultural value so that their circumstances are similar to or improved when compared to their circumstances before resettlement, and resettlement is carried out in accordance with the relevant planning laws.

(b) The cost of resettlement shall be borne by the holder of the mineral right as agreed by the holder and the owner or lawful occupier of land or by separate agreement with the Minister, or in accordance with a determination by the Minister, except that where the holder elects to delay or abandon the proposed mining operation which will necessitate resettlement, the obligation to bear the cost of resettlement shall only arise upon the holder actually proceeding with the mining operation.

(c) Subject to (a) and (b) above, the Minister may take the necessary action to give effect to a resettlement agreement or determination.

4.5 Accessory Works and Installations

(a) **LONDON MINING** shall have the exclusive right to use, construct, repair and operate within the Mining Lease Area, any roads, buildings, plants, structures, living quarters, water supply systems, pipelines, conveyor belts, communications systems, electric power systems, ship loading stations, airstrips, barge channels, storage facilities owned by **GOSL** and other similar accessory works and installations which are necessary or useful in carrying out its operations under this Agreement, subject to the legitimate rights of residents and other third parties, provided that **LONDON MINING** follows prescribed procedures and the rules of the appropriate regulatory authority regarding their construction and use, and provided further that reasonable right of use shall be granted to **GOSL** representatives and any residents or other legitimate users of the Mining Lease Area.

(b) **GOSL** shall use its best endeavours to grant a priority right to **LONDON MINING** to use, construct, repair and operate any roads, buildings, structures, water supply systems, pipelines, communication systems, electric power systems, loading stations, barge channels, storage facilities and other similar accessory works and installations which are necessary in carrying out its operations under this Agreement outside the Mining Lease Area, subject to the legitimate rights of **GOSL** and third parties (provided that such use, construction, repair and/or operation does not adversely impact third party operations), subject to the written consent of the national or local authority having control over the respective utility and to **LONDON MINING** following prescribed procedures and making the requisite payments regarding their construction and use and provided further that a reasonable right of use shall be granted to **GOSL** representatives in the course of their normal regulatory activities.

4.6. Export of Iron Ore Concentrates

Subject to Section 113(5), and Section 167 of the Minerals Act, **LONDON MINING** shall have the right to export all iron ore and associated minerals or mineral concentrates raised or obtained in the course of mining operations to any country other than countries to which the laws of the Republic of Sierra Leone prohibit such exports.

4.7. Admission of Personnel

- (a) Citizens of Sierra Leone possessing the necessary qualifications and experience shall be given preference for employment in all phases of operations under the Mining Lease and this Agreement and in accordance with the national labour laws.
- (b) **LONDON MINING** shall not employ or in any way use child labour.
- (c) **LONDON MINING** and its Nominated Suppliers shall not import unskilled labour for the carrying out of any operations, developments, or maintenance undertaken by them by virtue of this Agreement, and in that regard, **LONDON MINING** shall ensure that (i) its Nominated Suppliers and (ii) its subcontractors comply with this provision and shall apply applicable labour law.
- (d) Subject to the foregoing restrictions and to any applicable provisions of the Non-Citizens (Registration, Immigration and Expulsion Act No.

14 of 1965), all persons deemed by **LONDON MINING** and/or its contractors as required for the prosecution of its work, including executives, officers, engineers, consultants, technicians and skilled labour, shall have the right to enter and reside in Sierra Leone and to depart from there in compliance with the immigration and labour laws of Sierra Leone.

- (e) **GOSL** shall facilitate multiple entries into Sierra Leone for business purposes by designated directors and senior managers of the parent company of **LONDON MINING**.
- (f) **GOSL** agrees that it will encourage and assist the efforts of **LONDON MINING** to secure and maintain an adequate labour supply, consistent with labour laws of Sierra Leone and sound business practices.
- (g) **LONDON MINING**, shall also establish and carry out a plan for training for local employees in accordance with Minerals Act, section 110(2)(c) (set out in Schedule D) and execute that scheme in accordance with Minerals Act, Section 164 (4), so as to enable Sierra Leoneans to assume skilled, technical, supervisory, administrative and managerial functions in **LONDON MINING** within a reasonable time, subject to **GOSL**'s compliance with sub-Clauses 4.7 (e) and (f).
- (h) **LONDON MINING** shall submit a written report bi-annually to the Director of Mines, as defined in the Minerals Act, describing the number of personnel employed, their nationality, their positions and the status of training programmes for citizens of Sierra Leone.
- (i) Failure by **LONDON MINING** to comply with the provisions of sub clauses (b), (c) or (g), above, shall be regarded as a material breach of the Mining Lease and subject to Clause 6.10 of this Agreement; the same may be suspended or cancelled.

4.8 Government Protection and Assistance

(a) **GOSL** undertakes to grant to **LONDON MINING** such assistance as it reasonably can to enable the experts and technicians sent by it to carry out its tasks in the best and most efficient manner. **GOSL** will make available to **LONDON MINING** all aerial, magnetometer and other geological surveys and photographs and all other plans, maps, information and advice relating to iron ore bearing and associated minerals which in the opinion of **GOSL**, it can disclose, and will permit **LONDON MINING** to obtain copies of all such surveys, photographs, plans, maps and information for their own use upon payment of the actual cost of making such documents.

(b) **LONDON MINING** will make available to the Government Geological Survey Department all similar data that it compiles or acquires from others under circumstances which permit disclosure thereof to others; provided, however, that **GOSL** agrees that its said Department will treat all such data made available to it as confidential during the life of this Agreement without the prior consent of **LONDON MINING**.

(c) **GOSL** will extend to **LONDON MINING** all reasonable assistance (including taking administrative action and other action vis-à-vis statutory

bodies) to enable and facilitate the carrying out of its functions and achieve its objectives in the best and the most efficient manner and, without limitation, to enjoy its rights and privileges under this Agreement to the extent consistent with the laws and regulations of Sierra Leone and the Mining Lease.

(d) **GOSL** shall extend to **LONDON MINING** all reasonable assistance to facilitate their transport of iron ore and associated minerals or mineral concentrates raised or obtained in the course of mining operations and to permit all barges moving ore, as well as other vessels, to travel freely and unhindered, subject to applicable laws and regulations and to reasonable right of access by other users and by **GOSL**, with or without conditions established by **GOSL**. Where such rights of access would prove unduly disruptive, LM shall have the right to impose reasonable conditions on such use. **GOSL** shall have the right of inspection in the course of their normal regulatory activities, including, but not limited to, from a jetty at Tawfayim, down the Port Loko Creek through the Channel between Bunce Island and Pepel, into the Sierra Leone River and thence to a suitable shipping anchorage in the estuary of the Sierra Leone river off Freetown where the cargo will be transhipped to ocean-going bulk carriers. The barge transit would be between 30 and 40 nautical miles as shown in Schedule "B". **LONDON MINING** could outsource the barge loading, transport and transshipment operations and also establish a number of anchorage locations that are feasible and acceptable to the regulatory authorities. Subject to the needs of other users of waterways in Sierra Leone and applicable laws and regulations of Sierra Leone, **LONDON MINING** may also be given permission by the regulatory authorities to the extent feasible to use deep draught vessels and to dredge the channel as necessary to accommodate such vessels.

4.9. Importation of Machinery

GOSL agrees that it will grant any and all permits and permissions necessary for the importation into Sierra Leone of machinery, equipment, supplies and services necessary for the conduct of prospecting, mining, processing and transportation operations contemplated by this Agreement.

4.10. Exportation of Equipment

GOSL will grant any permit and permission for **LONDON MINING** to export from Sierra Leone any mining machinery, plant, equipment, consumable mining stores, goods and surplus equipment of whatever description imported by it for the conduct of its prospecting, mining, processing and transport operations contemplated by this Agreement, provided that any export shall not have any adverse impact to the environment or the community in the Mining Lease Area or nearby areas.

4.11. Protection of the Environment and Local Population

(a) **LONDON MINING** shall conduct its Mining Operations in accordance with section 132 of Minerals Act, subject to provisions of the Environmental Protection Agency Act 2008 ("EPA 2008"), as may be amended from time to time subject to any regulations made under the EPA 2008, as they may be amended from time to time. In the event of a conflict between these two Acts, the provisions of the EPA 2008 and its respective regulations shall prevail.

(b) **LONDON MINING** shall at all times do everything reasonable in its power to limit the damage and disturbance to the local environment and populace. The Environment Protection Agency (the "EPA") may at any time conduct periodic inspections of the Mining Lease Area.

(c) **LONDON MINING** shall, in accordance with the Environmental Protection Agency Act 2008, conduct its mining operations and all project activity with a degree of care and professionalism and within two years of signing the agreement LM shall comply with high international environmental protection standards.

(d) In particular, subject to (e) below, **LONDON MINING** shall employ in its mining operations advanced techniques, practices and methods of operation for the prevention, limitation or treatment of pollution and the avoidance of unnecessary loss of, or damage to, natural resources, in each case in accordance with generally applicable law.

(e) **LONDON MINING** shall be responsible only for any pollution, risk, claim or other environmental damage arising during the term of the Mining Lease, since its award on 31 August 2009 and any environmental damage caused for the period between commencement of exploration up until 31 August 2009.

4.12 Reclamation and rehabilitation of mined out areas

(a) Within six months of the signing of this Agreement, **LONDON MINING** will prepare at its expense and submit to the Environmental Protection Agency of Sierra Leone ("EPA") and **GOSL** simultaneously a comprehensive master plan (the Rehabilitation and Reclamation Master Plan) that will address the issues of reclamation and rehabilitation of mined out areas, provided that the Rehabilitation and Reclamation Master Plan will be subject to the provisions of the EPA 2008 and any regulations made thereunder and, where not inconsistent, in compliance with the Minerals Act.

(b) The Rehabilitation and Reclamation Master Plan shall clearly identify the extent of the reclamation and rehabilitation attributable to operations conducted prior to the commencement of mining operations by **LONDON MINING** and where possible prior to the commencement of the Mining Lease of 31 August 2009 ("Pre Commencement Reclamation and Rehabilitation obligation") and the estimated cost in Dollars (converted to Leone equivalent at the prevailing rate) of effecting such reclamation and rehabilitation (referred to hereinafter as the "Base Rehabilitation Cost").

(c) The annual calculation of rehabilitation and reclamation cost (including the Base Rehabilitation Cost) will be subject to an annual inflator calculation, in accordance with the EPA 2008 and any subsequent regulations.

(d) **LONDON MINING** and EPA of Sierra Leone shall jointly calculate and agree on the amount of the Base Rehabilitation Cost at the time the Rehabilitation and Reclamation Master Plan is agreed.

(e) **LONDON MINING** shall be fully responsible for the attributable cost of reclaiming and rehabilitating mined out areas to the extent that such

reclamation and rehabilitation is attributable to operations conducted by **LONDON MINING** subsequent to 31 August, 2009.

(f) Subject to clause 4.11(e) and clauses 4.12(d) and (e), **LONDON MINING** shall adopt and implement programmes and measures approved by **GOSL** for effective reclamation of mined out areas including replanting and dealing with mining spoils in which regard a detailed programme for the progressive reclamation and rehabilitation of lands disturbed by mining for the minimization of the effects of such mining on adjoining land water areas shall be submitted to **GOSL** for approval.

(g) Simultaneously with the lapse of the Phase 1 performance bond as set out in Clause 4.16, to ensure compliance with such programme of reclamation and rehabilitation of mined out areas, **LONDON MINING** shall arrange for a funding guarantee reasonably satisfactory to the Minister and of an amount to cover the estimated cost of restoration and rehabilitation required for disturbance to date, as calculated at the end of each financial year in accordance with the Rehabilitation and Reclamation Master Plan prepared in accordance with clause 4.12a), to be issued by a financial institution (which shall not be an Affiliate of the **LONDON MINING**) with a long-term credit rating of at least A (or its equivalent) from at least two internationally recognized credit-rating agencies. Such guarantee may take the form of an irrevocable letter of credit or a performance bond in favour of **GOSL** to guarantee effective mine reclamation and rehabilitation. At such time as regulations are adopted requiring financial guarantees under the EPA in relation to reclamation and rehabilitation, the bond will lapse automatically upon being replaced by EPA guarantee

4.13. Procurement

(a) **LONDON MINING** shall in the conduct of its activities under the Mining Lease, give preference to products and materials made in Sierra Leone and to service agencies located in Sierra Leone and owned as therein provided at comparable quality, delivery schedule and price, to the maximum extent possible and subject to technical acceptability and availability of the relevant goods and services and being consistent with safety, efficiency and economy.

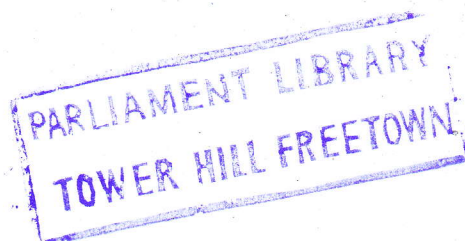
(b) Without limitation to sub-clause (a) above, **LONDON MINING** shall in the conduct of its mining operations originate all of its procurement through banking institutions in Sierra Leone, whenever possible, as determined by **LONDON MINING**.

4.14. Health and Safety

LONDON MINING shall comply with all health and safety standards and laws that are generally applicable in Sierra Leone.

4.15 Community Development Projects

LONDON MINING will comply with Sections 138-141 of the Minerals Act in respect of its Community Development Agreement. For the duration of this Agreement, **LONDON MINING** agrees to fund its Community Development



Agreement as provided in Clause 5.18 and to implement such Community Development Agreement.

4.16 Performance Bond:

LONDON MINING undertakes to furnish to **GOSL** a Performance Bond in the sum of One Million United States Dollars (US\$1,000,000) in the form of a Letter of Credit issued by a reputable financial institution in Sierra Leone and valid for an initial period of 12 months from the Effective Date of this Agreement (or a longer validity period which is the estimated date of production of 100,000 metric tonnes of iron ore concentrate, being April, 2012) such Performance Bond to be encashed if **LONDON MINING** fails to make substantial progress towards the re-opening of the Marampa Mine within the period of validity of the said Performance Bond, it being agreed that if **LONDON MINING** produces at least 100,000 metric tons of marketable iron ore from mining operations, **LONDON MINING** shall be deemed to have made substantial progress towards the re-opening of the said Marampa Mine.

On or before 31 December 2011 **LONDON MINING** undertakes to furnish to **GOSL** a second Letter of Credit in an amount of two million United States Dollars (US \$ 2,000,000), valid until 30 June 2015 to be encashed if the company fails to make substantial progress towards the development and operation of the Phase 2a primary ore as specified in the Programme of Operations, for these purposes "substantial progress" means the production of at least 200,000 metric tonnes of ore from the Phase 2a development by such date as is specified in the Programme of Mining Operations, which provides for such level of production no later than 30 June 2015.

5. FISCAL PROVISIONS

Unless otherwise indicated, the start date for Year 1 tax incentives is 1 January 2011. Notwithstanding this, **LONDON MINING** and **GOSL** agree that the existing tax incentives in the current mining lease agreement ratified by Parliament in February 2010 will apply until this fiscal regime is ratified; however, the increased duty on fuel and lubes will apply on signing by cabinet of **GOSL** prior to ratification by Parliament.

5.1 Mining and surface rent

(a) **LONDON MINING** shall pay to the government annually and without demand, on 1 August 2011 (Reference date) and each anniversary of the reference date, the sum of US\$500,000 (Five hundred thousand United States Dollars) in respect of an annual lease rent as defined and envisaged in its Mining Lease ML 2/09 in respect of the lease area subject to the Annual Adjustment as defined in this Agreement, with such Annual Adjustment not to exceed 5% per year. In the event that this provision is not changed during the joint review specified in Clause 6.8, the principle of this sub clause shall continue to apply.

(b) In addition **LONDON MINING** shall pay to the land owners through the appropriate local authority in which the mining lease area is situated annually and without demand an annual surface rent as specified in the respective leases of **LONDON MINING**, subject to revision provided for in the Provinces Lands Act (Cap 122).

(c) Mining rent and surface rent payable shall be treated as allowable expenses in ascertaining the chargeable income of **LONDON MINING** and shall not be subject to withholding tax.

5.2 Royalty

(a) **LONDON MINING** shall pay a royalty at the rate of 3% (three percent) of the market value of the mineral, which shall for the purposes of calculation be the sale value receivable by **LONDON MINING** in an arm's-length transaction, being the price receivable per metric tonne multiplied by the total metric tons sold, free on board the vessel (calculated in accordance with the statement set out in sub-clause 5.2 (e) at the designated SL offshore loading facility of the shipment and as adjusted in accordance with sub-clause 5.2 (f).

"Free on board" is a term defined under INCOTERMS 2010 published by the International Chamber of Commerce and means point of sale at the designated Sierra Leone offshore loading facility, including loading on to the ship, however excluding marine freight transport, insurance, unloading and transportation from the arrival port to the final destination.

"Arm's-length transaction" means a contract or agreement that has been arrived at in the marketplace between independent, non-affiliated persons in accordance with the Mining Lease and consistent with Section 154 of the Minerals Act and generally accepted international business practices. For a transaction to remain arms-length for royalty

purposes, it must be arms-length during the entire period for which royalty is determined under this Section.

- (b) Where **LONDON MINING** enters into an agreement to dispose of minerals with affiliated persons, the terms of any such agreement (and the royalty payable on minerals sold other than in an arm's-length transaction) shall be assessed under 5.2(a) in a manner consistent with Section 154 (2) of the Minerals Act, as determined through an Advance Pricing Agreement entered into by **GOSL** and **LONDON MINING** pursuant to guidelines described in Clause 5.2(c),

- (c) Guidelines

Prior to the disposal of any minerals to affiliated parties, **LONDON MINING** and **GOSL** shall enter into an Advance Pricing Agreement establishing guidelines for determining the deemed arm's length sale value and price of such minerals for purposes of the calculation used in the statement set out in clause 5.2 (e) in a manner consistent with Section 154. The Advance Pricing Agreement shall establish a mutually satisfactory methodology designed to ensure that the royalties owed on any sale to an affiliated party, attributable to income from such sale, are no less than they would be if the sale had been undertaken on an arms length basis to non-affiliated purchasers.

The following will guide the Advanced Pricing Agreement

- 1) LM shall provide necessary documentation to assist in arriving at such an agreement
 - (2) such procedures may look to available metrics, such as prices received by major producers, with due adjustment for transport, quality, marketing commissions and other relevant operating and market considerations
 - (3) where prices attained through application of agreed procedures result in a price that either side determines no longer reflects the underlying principle of market pricing, either party may request a revision of such agreed procedures;
 - (4) in the case that an appropriate publicly available index enters into wide usage during the course of this agreement, the parties will come together to agree on a method utilizing such index, with due adjustment; and
 - (5) any disputes regarding the content or application of the guidelines contemplated by this clause shall be resolved by single independent arbitrator.
- (d) Royalties payable under 5.2 (a) above shall be allowed as a deductible operating expense in ascertaining its net chargeable income for income tax purposes; provided however that Royalties shall not be credited against or considered as part payment of the aggregate income tax liability payable to **GOSL**.
- (e) Within a maximum period of 45 (forty five) days after the end of each month's shipment, **LONDON MINING** shall prepare and deliver to the Director of Mines a statement certified by the accredited representative of **LONDON MINING** and the accredited representative

of the National Revenue Authority of Sierra Leone, stating the total tonnage of minerals of each kind, grade, and quantity shipped by **LONDON MINING** from Sierra Leone in that month. Together with such a statement, **LONDON MINING** shall include a statement of the respective sales value receivable free on board the vessel for minerals sold at the designated Sierra Leone offshore loading facility of shipment (calculated as specified above for affiliate sales in accordance with clause 5.2 (b) and (c)), after deducting any Sales Tax, Value Added Tax, Goods and Services tax, other similar or analogous taxes, export duty, levy or excise tax payable to **GOSL** or any department or other entity of **GOSL** or statutory bodies in relation to that sale and to reflect any adjustments calculated in accordance with clause 5.2 (f) below. Upon delivery of such statement, **LONDON MINING** will pay to **GOSL** the 3% minerals royalty payable on the sales value receivable as calculated by this statement. **LONDON MINING** shall assume all risk of non-payment.

- (f) In preparing the Statement in 5.2 (e) above, account will be taken for any adjustment required as a result of amendments or determinations or corrections in respect of prior periods, such as provisional pricing terms or credit notes, such adjustments will be separately and clearly indicated in the statement referred to in 5.2(e).

5.3 Income Tax

- (a) **LONDON MINING**, in the conduct of its activities in Sierra Leone pursuant to this agreement, shall be liable for Income Tax on its income derived in Sierra Leone at the following rates:

Years 1 to 3	6%
Years 4 to 10	25%
Years 11 thereafter	rate of tax applicable to companies as set forth in the Income Tax Act but shall not exceed 30%

If at any time the Income Tax Act provides for a tax rate that is more favourable to large scale mining companies than the rates set forth in this sub clause (a), **LONDON MINING** shall be entitled to apply such lower rate in calculating its income tax

- (b) **LONDON MINING** shall not be liable for any minimum taxation based on turnover, provided that it complies with Section 69(3) of the Income Tax Act;
- (c) The chargeable assessable income in ascertaining the Income Tax payable by **LONDON MINING** shall for the purposes of Income Tax be calculated as provided by the Income Tax Act, subject to Clause 5.6, as it applies to mining companies.

5.4 Treatment of losses for Income Tax purposes

The amount of tax losses that can be utilised to offset chargeable income in any year of assessment shall be as follows:

Year 1-10: an amount of loss such that the tax payable will not be less than 15% of the income tax that would be due if no losses were carried forward; any losses disallowed by virtue of this rule may be carried forward indefinitely, without restriction.

Year 10 thereafter: as applicable under the Income Tax Act

If at any time, the Income Tax Act allows for a greater utilization of tax losses than that described in this clause, **LONDON MINING** shall be entitled to take advantage of such greater utilization.

5.5 Withholding tax

Subject to the terms of any international agreement to which Sierra Leone is a party, which shall prevail over the provisions of this Agreement, withholding taxes on dividends, interest, management fees, payments to associates and contractors paid by **LONDON MINING** shall be as follows:

- (a) The rate of tax applicable on dividends shall be
 - Years 1 – 6: 5%
 - Years 7 – 10: 10%
 - Years 11 thereafter - As applicable under the Income Tax Act
- (b) Tax withheld on interest on loans including loans from associates are liable to withholding tax as follow:
 - Years 1 – 5: 5%
 - Years 6 – 10: 10%
 - Years 11 thereafter: As applicable under the Income Tax Act
- (c) Tax shall be charged on management fees and other payments made by **LONDON MINING** and its Nominated Suppliers in respect of inter-company agreements (other than intergroup loans, interest or dividends) at the rate of 5% for the first six years commencing 1 January 2011, 10% for years 7 to 10 and thereafter as applicable under the Income Tax Act ;
- (d) The rate of withholding tax payable by **LONDON MINING** and its Nominated Suppliers on contracts to non-resident 3rd parties shall be 5% for the first seven years commencing 1 January 2011, 10% for years 8 to 10 and thereafter as applicable under the Income Tax Act
- (e) Notwithstanding sub clauses (c) and (d) of this clause, all independent, 3rd party long term contracts (meaning operating and construction contracts of a minimum of \$500,000 and over one-year duration with unaffiliated parties) entered into before 31 December 2017 shall be grandfathered, provided there are no material changes in the scope or terms of such contract or the parties performing the work and, as such, payments made under such contracts shall be liable to withholding tax at the rate of 5%, for the initial duration of the respective contract, and thereafter as applicable under the Income Tax Act.

- (f) Payment to local contractors by **LONDON MINING** and its Nominated Suppliers shall be subject to 5% withholding tax, being the current rates applicable under the Income Tax Act
- (g) Withholding taxes referred to in Clauses 5.5 (a) to (e) above are only due on cash payments by **LONDON MINING**, its Nominated Suppliers, and their respective subcontractors and not on accruals and/ or provisions; however, to the extent that there is any deferred or capitalized interest or conversion of debt to equity, withholding tax shall be due on such accrued, deferred, or converted interest portion, but only when paid. Any cash payments made shall be deemed to go first to the payment of any outstanding accrued interest and only thereafter, to the payment of principal.
- (g) In this section "international agreement" means an agreement between Sierra Leone and a foreign government.
- (h) If at any time the Income Tax Act provides for withholding rates for payments to contractors that are lower than those specified in this clause, **LONDON MINING** shall be entitled to apply such rates to such payments.

5.6 Capital expenditure allowances

- (a) An initial allowance equal to 40% (forty percent) of the United States Dollar cost of qualifying capital expenditure shall be deductible by **LONDON MINING** in determining its chargeable income for the year in which such qualifying capital expenditure is incurred with an annual allowance at the rate of 20% (twenty percent) of the United States Dollar cost of qualifying capital expenditure being deductible in determining chargeable income in each subsequent year until the full cost has been deducted;
- (b) Where an asset which falls within the definition of qualifying capital expenditure is scrapped, destroyed or sold for less than the balance obtained by deducting from the cost thereof the aggregate of the initial allowance and the annual allowances previously granted in respect of that asset, then the balance shall be fully deductible against chargeable income in the form of a scrapping allowance in the year in which such disposal, destruction or sale occurs;
- (c) Qualifying capital expenditure shall comprise the following:
 - i. Capital expenditure as set out in the 6th schedule of the Income Tax Act 2000;
 - ii. Capital expenditure on all mining machinery, plant and equipment described in Clause 5.9 (iv) of this Agreement, whether imported or purchased in Sierra Leone, as well as all capital expenditure on vehicles, medical equipment, computers and ancillary equipment, construction and expansion on residential and non-residential buildings, construction and expansion of clinics and all other equipment ancillary to the

operations of **LONDON MINING** as well as the cost of acquiring or procuring the transfer of the mining lease which is subject to this Agreement and any other mining lease in respect of the mining lease area;

- iii. Capital expenditure on haul roads, environmental bunds and similar assets;
 - iv. The cost of restoring buildings and other assets situated within the mining lease area to their original condition, where such restoration does not result in an increase in the productive capacity of that building or other asset, shall be deemed to be a repair of such building or asset and shall be allowable in full as a deduction against chargeable income in the year in which that cost is incurred;
 - v. Capital expenditure on assets related to the construction, development or improvement of the community infrastructure such as schools, clinics, hospital, training centres and other related assets.
- (d) **LONDON MINING** may in respect of the whole or any part of its qualifying capital expenditure whatsoever incurred, elect to defer claiming deductions in respect of any financial year for capital expenditures to subsequent financial years (whether or not consecutive) without limit in time until the whole of the expenditure shall have been claimed. Notwithstanding the previous sentence of this subclause (d), **LONDON MINING** shall not be entitled to defer any deduction that, if this subclause (d) were not applied, would be properly claimed in any of Years 1 through 3 (i.e., the years in which **LONDON MINING** enjoys a 6% income tax rate).

5.7 Currency issues

- (a) The financial statements and books of accounts of **LONDON MINING** shall be stated, maintained and expressed in United States Dollars;
- (b) All capital expenditure incurred by **LONDON MINING** shall be stated, maintained and/or expressed in United States Dollars;

5.8 Basis of Assessing and paying Income Tax

Assessable chargeable income and income tax payable by **LONDON MINING** in respect of each year shall also be assessed in United States Dollars and shall also be payable in United States Dollars.

5.9 Limitation of charges on imports

- (a) Notwithstanding the current charges, fees, duties and levies made by **GOSL** on imports into Sierra Leone, **GOSL** and **LONDON MINING** agree that for the duration of this Agreement the percentage ad valorem charges for levies, duties, fees (including all associated inspection fees), Goods and Services Tax surcharges and all other amounts levied on or payable by **LONDON MINING** and its

Nominated Suppliers in respect of imports of capital items, to include mining machinery, plant and equipment and consumable mining stores as defined in Clause 5.9 (iv) below shall not exceed in the aggregate the following:

Imports for years 1 to 8, i.e., between 1 January 2011 and 31 December 2018: 1%

Imports for years 9 to 10, i.e., between 1 January 2019 and 31 December 2020: 2.5%

Imports thereafter: As applicable in the Customs Tariff Act

- (b) In the case of other items excluding capital items, fuel and lubes and health and safety equipments, the rate of duty applicable to **LONDON MINING** and its Nominated Suppliers shall be:

Imports for years 1 to 5, i.e., between 1 January 2011 and 31 December 2015: 20% of prevailing rate

Imports for years 6 and thereafter: Applicable prevailing rate as determined in the Customs Tariff Act

- (c) For the duration of the agreement, imports by **LONDON MINING** and its Nominated Suppliers of health and safety equipment shall be free from any duty for years 1 to 10.

- (d) The terms mining machinery, plant and equipment and consumable mining stores shall include all machinery, plants and equipment useful to and used by **LONDON MINING** in clearing land, removing minerals from land and transporting, separating, processing, handling and packaging such minerals for sale, including without prejudice to the generality of the forgoing, construction materials for mining and processing, dredges, barges, towboats, pumps, piping, screens concentrating and separating equipment, locomotives, locomotive engines, rail wagons and rolling stocks, railway signalling equipment, railway sleepers, power generating and distributing equipment, cranes, lorries road building equipment, four-wheel drive vehicles used in and ancillary to mining operations, off-road haulage vehicles, earth moving vehicles and equipments, mineral stores and packaging facilities together with accessories, spare parts lubricants and appliances for use and used exclusively with any of the forgoing.

In addition to the above, other equipment shall include surveying equipment, laboratory equipment, computers, printers, plotters, software etc used by **LONDON MINING** in relation to mining operations and any other items required for ancillary support functions of the business.

- (e) The term "plant" includes prefabricated fixtures, not including building or building materials as well as special purpose vehicles such as dumpers and shuttle trucks for use in mining or dredging.
- (f) The term "machinery" means machinery consisting of a combination of moving parts and mechanical elements which may be put in motion by physical or mechanical force.

- (g) For the duration of this Agreement, **LONDON MINING** shall have the right to import into Sierra Leone the whole of its requirements for fuel and lubricants, other than petrol and kerosene, from such suppliers and on such terms and conditions as it may determine, provided that **LONDON MINING** may purchase fuel in Sierra Leone where such fuel can be supplied on a competitive basis in terms of price, quality and other delivery terms.

Subject to the provisions of this Agreement, **LONDON MINING**, in the conduct of its activities in Sierra Leone shall be subject to the provisions of the Customs Act Cap 271 and the Customs Tariff Act, No 16 of 1978 and Rules there under currently in force and as may be from time to time amended.

5.10 Duties and Taxes on Fuel and Lubricants

All imports of fuel and lubricants and usage of fuel and lubricants by **LONDON MINING** shall be in accordance with an applicable provisions of the Customs Tariff Act No 16 of 1978, subject to clause 5.12, and rules there under currently in force and as may be from time to time amended.

5.11 Reimbursement of import Duties

If items on which no customs duties or levies are paid are not re-exported or totally consumed within three (3) years after importation, and are afterwards sold, exchanged or transferred in Sierra Leone (except to the State), **LONDON MINING** shall pay to the **GOSL** the customs import duties and levies on the then fair market value of those items within forty five (45) days of the date of sale, exchanged or transfer. **LONDON MINING** shall submit to **GOSL** annual reports on the fair market value and actual transfer price of asset dispositions on assets which benefited from reduced or zero import duties.

5.12 Road user charges

Notwithstanding the provisions of the Road Users Charge Act, 1944 **LONDON MINING** and its Nominated Suppliers shall be exempt from road users fuel levy applicable to users generally in respect of fuel consumed by its vehicles, plant and machinery provided these are restricted to mining operations, logistics and infrastructure. Should **LONDON MINING**, a Nominated Supplier, or any other subcontractor use, trade, or otherwise deal in any fuel for purposes other than the mining operations contemplated here, **LONDON MINING** shall indemnify and hold **GOSL** harmless for all lost revenue and incidental charges, if any, relating to the unauthorized use of exempt fuel.

5.13 Inspection fees

- (a) With effect from the commencement of the Mining Lease Agreement, **LONDON MINING** shall recommend to **GOSL** and obtain **GOSL** approval for the appointment of an intermediary reputable inspection company and shall be liable for the payment of inspection fees in respect of all goods exported by or on behalf of **LONDON MINING** from Sierra Leone;

- (b) **LONDON MINING** will provide inspection reports to **GOSL** on a timely basis;
- (c) Subject to Clause 5.9(a), **LONDON MINING** shall, with effect from the Effective Date of this Agreement be liable for the payment of inspection fees in respect of all goods imported by or on behalf of it into Sierra Leone at the prevailing rate;

5.14 Other taxes or fiscal imports

- (a) For the duration of this Agreement , no taxes (including, but without limitation, income tax, additional profits tax, surtax, minor taxes, profits tax, turnover tax, sales tax, export tax, import tax, value added tax, withholding tax and employment related tax), royalties, duties, excise, charges, levies, fees, dues, contribution, payments or imposition of any kind whatsoever payable to the Central, regional or local Governments authorities or agents or to any Chiefdom or Tribal Authority or to any other Agency of **GOSL** shall apply to **LONDON MINING**, or any affiliate company or Agent of **LONDON MINING** or the employees of **LONDON MINING** or any affiliate company of **LONDON MINING**, other than:
 - (i) Those expressly assumed by **LONDON MINING** pursuant to the provisions of the Mining Lease and this Agreement;
 - (ii) The payment of taxes deducted from the emoluments of employees of **LONDON MINING** as required under the Income Tax (PAYE) Rules and/or employer's payment obligations to NASSIT;
 - (iii) The payment of Payroll Taxes at the applicable rate or if lower, that rate paid by another company;
 - (iv) Payment of Immigration Fees at the applicable rate, or if lower, that rate paid by another company; and
 - (v) Minor Taxes, which includes all taxes that are generally applicable to all corporations on a non-discriminatory basis, and which do not exceed in aggregate US\$ 250,000 over any five year period, of which said sum, **LONDON MINING** is not required to pay more than the equivalent of US\$ 100,000 in any financial year. Beginning on 1 July 2012 and every five years thereafter, such amounts shall be adjusted for inflation in accordance with the US "GDP Implicit Price Deflator" as published from time to time by the US Department of Commerce, Bureau of Economic Analysis.
- (b) If notwithstanding these provisions **LONDON MINING** becomes liable to pay any taxes pursuant to the laws of Sierra Leone, except for those expressly assumed by **LONDON MINING** pursuant to this Agreement, then **LONDON MINING** shall so advise **GOSL** in writing, and the parties agree to meet to reach an equitable solution consistent with 5.14(a).

- (c) except as provided in this Agreement, no tax, royalty, duty, excise, levy, fee, due, contribution, payment or imposition of any kind whatsoever (other than those provided for in this Agreement) which is of a discriminatory nature shall be payable by **LONDON MINING**, or by its employees or shareholders, or by any affiliate or agent of **LONDON MINING** or a **NOMINATED SUPPLIER**.

5.15 Repatriation Holding and Introduction of Funds

LONDON MINING shall have the right, during the term of this Agreement, to freely receive, hold in banks of its own choice, wherever located, and dispose of in any country all revenues, receipts and other foreign currency funds held by it under or in connection with its mining operations.

- a) **LONDON MINING** shall have the right, during the term of this Agreement, to hold foreign currency in designated foreign currency bank accounts in its name in Sierra Leone;
- b) **LONDON MINING** shall be exempt from any commission, charge or levy payable on the introduction or investment of funds from a foreign source into Sierra Leone.

5.16 Goods and Services Tax

Notwithstanding the provisions of the Goods and Services Tax Act (2009), **LONDON MINING** and its Nominated Suppliers shall be exempt from all Goods and Services Tax levied on taxable supplies within Sierra Leone and on all imported capital goods, plant, vehicles and equipment (as defined in Clause 5.9 above), spare and replacement parts for any plant, vehicles and equipment, fuel and lubricants for company and subcontractor use.

5.17 Port, harbour rules or fees and stevedoring charges

a) Notwithstanding the provisions of the various Sierra Leone Ports Authority (SLPA) Acts and Sierra Leone Maritime Administration (SLMA) Acts, **LONDON MINING** shall be exempt from all Port, Harbour, Loading, Unloading dues or fees and Stevedoring charges that may be levied by either the SLPA or SLMA in relation to the operations of **LONDON MINING**, including operations of Nominated Suppliers and subcontractors conducting work on behalf of **LONDON MINING**, with exception of the following:

1. Pilotage Fees or Charges for movements of vessels within the SLPA controlled navigation areas.
2. Safety and Inspection Fees
3. Charges levied at the Ports owned and operated by the SLPA for Loading and Unloading Cargo or Goods in the normal course of their business operations.

In respect of Nominated Suppliers or other subcontractors, this exemption will only extend to SLPA charges on services supplied to **LONDON MINING**.

(b) In the event that the Sierra Leone Ports Authority or other responsible public body fails to provide any of the services for which **LONDON MINING** is required to pay port charges, harbour dues and any other amounts pursuant to this Clause, including, but not limited to, positioning and lighting of buoys, and **LONDON MINING** thereby incurs any cost or expenses in providing or

obtaining such services, **LONDON MINING** shall be entitled to deduct such cost and expenses from any amounts that are otherwise payable to the Sierra Leone Port Authority pursuant to this Clause.

5.18 Community Development Fund and Additional Royalty payments

- (a) **LONDON MINING** shall make payments in respect of its Community Development Agreement, as envisaged in Clause 4.15 above, in accordance with Section 139 (4) of the Minerals Act as it may be amended from time to time, subject to **LONDON MINING** paying no more than other mining companies, and which may be exceeded at the discretion of **LONDON MINING**, as agreed with **GOSL**. The fund shall be utilised for development within Sierra Leone, with particular emphasis on local communities.
- (b) For the first five calendar years commencing in the year in which **LONDON MINING** produces and sells at least one million tonnes of iron ore, **LONDON MINING** agrees to make payments, in accordance with a community development programme, totalling in aggregate (after including contributions made in 5.18 a) above) at least one percent of the revenue received by the mining operation on sales in that year, attributable up to a maximum of 3.6 million tons of iron ore sold in each such year.
- (c) Any payments made pursuant to sub clauses (a) and (b) of this clause 5.18 are treated as additional royalty payments for accounting and other business purposes, and shall be treated as "expenses on social services" for the purposes of compliance with the Income Tax Act.

5.19 National Social Security and Insurance Trust – NASSIT

Notwithstanding the provisions of the National Social Security and Insurance Trust Act, **LONDON MINING** and their expatriate employees working in Sierra Leone shall not be required to make the required employer and employee contribution to the National Social Security and Insurance Trust in respect of their expatriate employees working in Sierra Leone. However, NASSIT shall apply in respect of contributions applicable to expatriate Sierra Leoneans.

5.20 Interpretation of fiscal advantages

Any fiscal benefits granted to **LONDON MINING** and its Nominated Suppliers under Clause 5 of this Agreement shall only apply to the activities of **LONDON MINING** in respect of the exploitation of, through to sale and distribution of iron ore from the Marampa iron ore concession.

6. GENERAL PROVISIONS

6.1 Assignment and Change of Control

LONDON MINING shall not assign to any person, firm or corporation not being a party hereto, in whole or in part of any of its rights or privileges, duties or obligations under this Mining Lease other than in accordance with the Minerals Act section 119 or as otherwise agreed in writing by **GOSL**.



Table 1 presents some of the key improvement over the current agreement

Current MLA	Relevant Sect.	Revised MLA	Relevant Sec	Comments
5 Stabilization Clauses		2 Stabilization Clauses focused on fiscal issues	(1) 5.1 4 (2)	Stabilization Clauses are inevitable. The aim though is to limit it to the minimum.
Govt "take" = 35% (otherwise referred to as effective tax rate = what the government gets in the form of taxes		Govt. take = 49%		While this is a positive sign, at the next review GoSL should target a "take" of at least 55%
GoSL "take" amounts to US\$1.8b in present value terms		Govt. take in Net Present Value (NPV) = \$2.2b		The figures are based on the assumptions in the financing model used by the GoSL team and consistent with the model used by the IMF team
Company's RRI = 29%		Company's Rate of Return on Investment (RRI) = 26%		
Exempted from paying charges, duties on sales of scrap metals	Clause 4a(ii)	No such provision and charges/duties are levied on the sale of scrap metals in accordance with the applicable laws	Clause 4.2 (b)	
Lease Rent per annum was calculated at \$5,000/km ² with	Clause 5 (a)	Lease rent is now \$500,000 with an annual adjustment of	Clause 5.1 (a)	

no adjustment for inflation		not more than 5%		
Community Development Fund primarily controlled by LM	Clause 5(r)	Community Fund controlled by Community and usage decided locally	Clause 5.18	The community will now determine what to do with the funds thereby reducing complaints about the company's CSR. The company will be obliged to display additional CSR
Royalty calculated after deduction	Clause 5 (b)	No such deduction permitted	Clause 5.2	
Income tax rate reduced to 6% for the first 10 years	Clause 5©	Income tax rate is as follows: Years 1 – 3, 6%, 4-10, 25% and applicable law thereafter	Clause 5.3 (a)	
Cumulative assessable loss can be offset against royalty	Clause 5f(ii)	No such deduction permitted		
Exempted from paying other taxes	Clause 5(m)	Complete exemption from all other taxes now eliminated	Clause 5.14	
Duties on fuel and lubricants 20% of prevailing rate	Clause 5(k)	Duties now in accordance with applicable law	Clause 5.10	

No reference to reimbursement of import duties when goods are sold on the market		Reimbursement of import taxes/payment of taxes on resold goods	Clause 5.11	
		An additional performance bond (\$2m) to assure us of a desire to mine and not just to flip the contract	Clause 4.16	
Duration was effective 40 yrs.	Clause 3(b)	Effective 25 + 15	Clause 3.2	
Right of termination = 6 months notice	Clause 6 (l)	12 months	Clause 6.14	
Vague and unenforceable provision		A more robust training schedule attached to the Agreement ensures action will happen or there will be consequences		

LONDON MINING shall provide written notice to GOSL of any Change of Control within 30 days after the consummation of such Change of Control.

6.2 Compliance with Minerals Act and other Acts

Subject to the terms of this Agreement, (including but without limitation Clause 5.13) hereof, LONDON MINING shall at all times comply with the provisions of the Minerals Act and other relevant laws and regulations (including any official form prescribed by such regulations) in connection with the carrying out of its obligations and work as described in this Agreement, except to the extent that they are inconsistent with the provisions of this Agreement.

6.3 Reporting

(a) Without prejudice to any reporting obligations under this Agreement or under applicable law and regulation in Sierra Leone, LONDON MINING shall provide to GOSL not later than the end of March following each calendar year after commencement of its operations, a report showing:

- (i) the previous calendar year;
- (ii) the extent to which LONDON MINING has achieved its Programme of Mining Operations attached as Schedule C hereto;
- (iii) how LONDON MINING has resolved any operational and development issues over the prior calendar year;
- (iv) any market developments for the products of LONDON MINING and how LONDON MINING has responded to such developments; and
- (v) how the market is expected to develop over the following year.

(b) LONDON MINING shall instruct its auditors to provide a report to GOSL every six months confirming that during that six month period, all royalties arising from sales made by LONDON MINING have been correctly calculated and have either been paid or accrued as appropriate under the agreed terms of payment.

(c) LONDON MINING shall also bi-annually submit a written report to the Director of Mines detailing its compliance with the Clause 4.13 (Procurement) of this Agreement.

6.4 Creation of Security Interest

LONDON MINING shall have the right, with the written consent of GOSL, to pledge or otherwise create security interests over the Mining Lease and this Agreement, both movable and immovable in order to secure financing. Such written consent shall not be unreasonably withheld. GOSL shall provide each mortgagee, trustee, receiver or administrator under a mortgage, deed, trust or other instrument encumbering LONDON MINING's rights under this Mining Lease with a copy of any written notice regarding non-payment of royalty or other non-compliance with the terms of the Mining Lease and this Agreement,

and any written notice of termination to **LONDON MINING** under this Clause 6.4. **LONDON MINING** and each mortgage holder, trustee, receiver or administrator shall have the duty to notify **GOSL** of its name and mailing address. Each such mortgagee, trustee, receiver, or administrator shall have a reasonable period of time from the date of receipt of such copy notice (being at 90 days) in which to remedy any non-payment or noncompliance complained of and substantiated by **GOSL**.

6.5 Prior Consent or Approval

(a) Whenever, under the terms of this Agreement the right of **LONDON MINING** or of **GOSL**, as the case may be, to do or perform any act or thing is conditional on the prior consent of the other party to the Agreement, or of an official or representative of such other party, it is hereby stipulated and agreed by and between the parties hereto that the requisite consent or approval will not in any instance be unreasonably withheld or delayed.

(b) Whenever such approvals are required from **GOSL**, **LONDON MINING** shall deal with the relevant ministries, departments and agencies of **GOSL** under the leadership of the Office of the President to handle all large-scale mining contracts in order to discuss and mutually agree with **LONDON MINING** as expeditiously as possible.

6.6 Confidentiality

GOSL will keep confidential all information provided to it by **LONDON MINING**, whether before or after the date of this Agreement, and confirms that it shall not disclose such information to any third party without the prior written consent of **LONDON MINING** and in accordance with the Minerals Act.

6.7 Corrupt Practices

LONDON MINING represents and warrants that none of **LONDON MINING**, any of its employees acting in the course of their employment and any person acting on behalf of **LONDON MINING** has made or promised to make any payment or transfer of anything of value, directly or indirectly, to or for the benefit of any government official or a family member of or an intermediary for payment to or for the benefit of a government official or a family member or business partner of a government official in connection with this Agreement or the transactions contemplated hereby.

GOSL represents and warrants that neither **GOSL** nor any government official on behalf of **GOSL** has solicited any payment or transfer of anything of value, directly or indirectly, to or for the benefit of **GOSL** or any government official in connection with this Agreement or the transactions contemplated hereby.

The Parties shall comply with anti-corruption laws at any time and from time to time applicable in Sierra Leone.

6.8 Joint review

Starting in September, 2020, **GOSL**, and **LONDON MINING** will conduct a comprehensive joint review of the progress of the project to date and the fiscal package, as contained in Clause 5 (Fiscal) of this Agreement. Subject to and with particular attention to Clauses 5.3(a) and 5.14 of this Agreement, it is understood that no further fiscal benefits will automatically be granted to **LONDON MINING** for a further five or ten years. Rather, any new fiscal benefits will be subject to negotiation. Subject to any new fiscal benefits agreed, **LONDON MINING** will comply with the applicable income tax law.

6.9 Interpretation and Arbitration

(a) Except as may be otherwise herein expressly provided, this Agreement shall be construed, and the rights of **GOSL** and **LONDON MINING** hereunder shall be determined, according to the Laws of Sierra Leone.

(b) The parties shall in good faith endeavour to reach an amicable settlement of all differences of opinion or disputes which may arise between them in respect to the execution performance and interpretation or termination of this Agreement, and in respect of the rights and obligations of the parties deriving therefrom.

(c) In the event that the parties shall be unable to reach an amicable settlement within a period of 3 (three) months from a written notice by one party to the other specifying the nature of the dispute and seeking an amicable settlement, either party may submit the matter to the exclusive jurisdiction of a Board of 3 (three) Arbitrators who shall be appointed and carry out their mission in accordance with the International Rules of Conciliation and Arbitration of the International Chamber of Commerce (ICC). The venue of the arbitration shall be London. The English language shall be used in the proceedings. The award and any decision of the Arbitration Board shall be binding upon either party having the same force and effect as a judgment of a court of the last resort of the Republic of Sierra Leone.

(d) In the event of any notified dispute hereunder, both parties agree to continue to perform their respective obligations hereunder until the dispute has been resolved in the manner described above.

6.10 Revocation by the Government

If and whenever any sum of money payable hereunder by **LONDON MINING** as rent or royalty shall be in arrears for the space of 6 (six) months after the date on which it becomes due and payable, or if there shall be any breach or non-observance by **LONDON MINING** of any of the terms of the Mining Lease, this Agreement, or any other license or lease granted herein or hereunder, or if it shall enter into liquidation of a solvent company for the purpose of reconstruction then and in any such case, **GOSL**, may revoke the license or lease in question and thereupon the same and all rights there under granted pursuant to this Agreement shall cease and determine, but subject nevertheless and without prejudice to any obligation or liability imposed by or incurred under the terms and conditions thereof; provided always that save as to the non-payment of rent or royalty the aforesaid power of revocation shall not be exercised unless and until notice has been given to **LONDON MINING** specifying the particular breach

complained of and if the breach is capable of remedy, requiring **LONDON MINING** to remedy the breach and/or to make reasonable compensation in money for the breach if such breach is compensable, and **LONDON MINING** fails within a reasonable time thereafter to remedy and/or make reasonable compensation in money to the satisfaction of **GOSL** for the breach.

6.11 Amendment

In the event that **GOSL** and **LONDON MINING** mutually agree to amend any of the provisions of this Agreement, including any agreement to vary the terms of this clause, such amendment may be effected by agreement between the parties evidenced by an instrument in writing. Any such amending agreement shall take effect without further ratification or confirmation by Parliament save to the extent that it may be inconsistent with any law in force in Sierra Leone at the time when such agreement between the parties is executed in which event such amendment will be ratified by Parliament.

6.12 Force Majeure

(a) Failure on the part of either **LONDON MINING** or **GOSL** to fulfil any of the terms and conditions of this Agreement shall not give rise to a claim by the other party or be deemed to be a breach of the Agreement insofar as the failure arises from force majeure, and if through force majeure the fulfilment by either **LONDON MINING** or **GOSL** of any of the terms and conditions of this Agreement is delayed, then the period of such delay shall be added to the periods fixed by this Agreement.

(b) The payment obligations of **LONDON MINING** shall be suspended for the duration of any force majeure event except in respect of any monies due at the date of the occurrence of the force majeure event, which shall remain due and payable.

(c) In this clause, the expression "force majeure" includes, without limitation, an act of God, peril of air, land or sea navigation, action of the elements, storm, flood, earthquake, ground cave-in, subsurface pollution (natural gas etc.), explosion, fire, terrorist activity or other hostilities, war (declared and undeclared), blockade, insurrection, civil commotion, riot, medical emergency, revolution, embargoes or any similar event to the extent that the party affected (i) could not have reasonably foreseen such event and (ii) could not have reasonably prevented or controlled it. The expression "the Agreement" includes not only the terms and conditions of the Agreement but also the terms and conditions of the Mining Lease.

(d) Any claim of force majeure must be notified in writing by the affected party to the other party within seven days of the date when the force majeure occurred or the affected party should have reasonably known of the event of force majeure, failing which the claim of force majeure is hereby waived.

6.13 Notices

(a) All orders, approvals, declarations, notices and communications of any kind between the Minister or any other representative of **GOSL** and **LONDON MINING** shall be in writing and the contracting parties shall not

under any circumstances be permitted to allege or to reply upon any oral order, approval, declaration notice or communication from GOSL to LONDON MINING and any such written notice, etc. from GOSL to LONDON MINING shall be delivered to the representative of LONDON MINING in Freetown.

(b) All declarations, notices and communications from LONDON MINING to GOSL shall, unless otherwise required by law or by the terms of this Agreement or unless GOSL shall otherwise direct by written instructions to LONDON MINING, be mailed or delivered to the Director of Mines at his office in Freetown.

6.14 Right of Termination by LONDON MINING

LONDON MINING shall have the right to terminate this Agreement at any time by (i) providing not less than 12 months notice in writing to GOSL to that effect and (ii) complying with such conditions as may be prescribed or stated in this Agreement and any other agreement relevant to the programme of operations. Upon termination, the Parties shall be entitled to receive such amounts owing to them before the termination of this Agreement. Such termination shall be without prejudice to any liabilities or obligations incurred by LONDON MINING in relation to the Mining Lease Area prior to the date of termination.

6.15) Applicable Law

Except as otherwise specifically provided in this Agreement this Agreement shall be governed by interpreted and construed in accordance with the laws and regulations of the Republic of Sierra Leone (including all international treaties and agreements that have been ratified by the Parliament of Sierra Leone).

For and on behalf of the Government of the Republic of Sierra Leone

Name: *Hon. Alhaji Minsharu J. Samson*

Title: *Minister*

Signature: 


Date: *27th February 2012*

Witness: *Mustapha*

For and on behalf of London Mining Company Limited

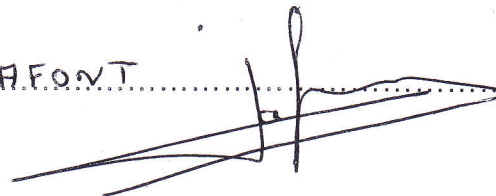
Name: *DANIEL POP*

Title: *MANAGING DIRECTOR*

Signature: 

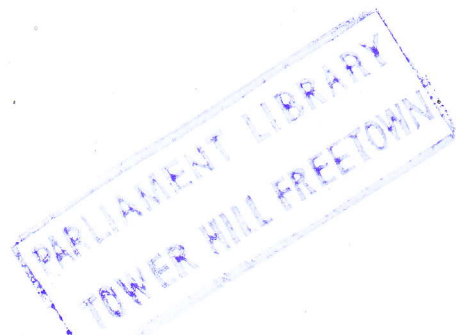
Date: *27 Feb 2012*

Witness: *Dickie LAFONT*





D.P.



Attached Schedules:

- | | |
|-------------|---|
| Schedule A: | Mining Lease Area (GOSL to verify Schedule A of 8/09 Mining Lease |
| Schedule B: | Minerals to be mined |
| Schedule C | Programme of Mining Operations, current as of August 2011 |
| Schedule D | Programme for the employment and training of citizens of Sierra Leone |
| Schedule E | List of Nominated Suppliers |

THASALL THAMAUAN
PROCESSED BY EMDPI