

**MINING LEASE AGREEMENT**

Between

**THE GOVERNMENT OF THE REPUBLIC OF**

**SIERRA LEONE**

**(GoSL)**

And

**KINGHO MINING COMPANY LIMITED**

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THIS AGREEMENT is made this 14<sup>th</sup> day of June 2022 between THE GOVERNMENT OF THE REPUBLIC OF SIERRA LEONE represented by the Minister of Mines and Minerals Resources (hereinafter referred to as "GoSL") of the ONE PART, and Kingho Mining Company Ltd, a limited liability company incorporated under the Laws of Sierra Leone with registration number SLE210819KINGH06199 and with its registered offices at 97 Signal Hill Wilberforce, Freetown in the Western Area of the Republic of Sierra Leone (hereinafter referred to as the "Company", which expression shall, where the context admits, include its lawful assigns and successors) of the OTHER PART.

WHEREAS

It is hereby agreed as follows,

**1. Definition**

a) Definition

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

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

"Agencies" means all state ministries, departments, organisations and / or

company or individual acting directly or indirectly on behalf of the GoSL and in accordance with the doctrine of agency, or under a contract with the GoSL for the provision of services or collection of fees.

"Affiliates" means any person directly or indirectly controlling, controlled by or under common control with the Company. For the purposes of this definition, "control" (including the terms "controlling", "controlled by", and "under common control with") means possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a person or company, whether through ownership of voting securities, by contract or otherwise.

"Agreement" means this Mining Lease Agreement, including the schedules hereto, which forms an integral part of this Agreement, and references to this Agreement include references to such schedules.

"Applicable Law" means the laws of the Republic of Sierra Leone

"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 the Company or any other group of shareholders that collectively beneficially own more than 50% of the voting equity of the Company before such transaction or series of transactions cease to (i) be beneficial owners of more than 50% of the aggregate voting equity of the Company or (ii) have

the power to direct or cause the direction of the management and the policies of the Company.

"Contractors " means entities, excluding banks and financial institutions, used by the Company from time to time throughout the project for the supply of goods and/or services to the Company.

"Effective Date of this Agreement" means the date on which this Agreement is subsequently ratified by Parliament.

"Extractive Industries Revenue Act 2018" means The Extractive Industries Revenue Act, 2018 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.

"FOB" means Free on Board term defined under INCOTERMS 2010 published by the International Chamber of Commerce and means point of shipment 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.

"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,

"Mineral" means the minerals specified in the Mining Licenses.

“Mining Area” means the area described in Schedule A of the Mining License and as set out in Schedule A hereto.

“Mining Operation” means any operation for mining iron ore or any other minerals stipulated in the Mining License.

“Mining License” means the mining license granted to the Company under this Agreement.

“Minister” means the Minister responsible for mines and mineral resources.

“Mines and Minerals Act (MMA)” means the Mines and Minerals Act, 2009 of the Laws of Sierra Leone, including any legislation amending the same or substitute thereof and all regulations and rules in force thereunder before the effective date of this Agreement.

“NMA” means the National Minerals Agency established under the National Minerals Agency Act 2012.

#### b) Interpretation

In this Agreement, unless the contrary intention appears, a reference to:

- i. the singular shall include the plural and vice versa;
- ii. a party or any other person includes its successors in title, permitted assigns and permitted transferees;
- iii. a provision of law is a reference to that provision as extended, applied, amended or re-enacted from time to time and includes any subordinate

legislation;

- iv. exemption or relief in relation to taxes, excise or other, royalties, duties, profit share, commissions, levies, fees, dues, contributions, payments or imposition of any similar type of payment whatsoever which the Company is exempt or relieved from, shall mean that the Company is not liable to make any payments with regard to such whatsoever; and
- v. marine assets shall include all ships and other vessels (including without limitation, transhippers, coasters, barges, tugs, launches, boats, or any vessel whatsoever) that relate to the sea, river, or any body of water.

## 2. Mining License

- a) GoSL hereby grants to the company full and complete access to the mining area, the sole and exclusive right to mine minerals in the mining area, and the right to engage in all activities reasonably necessary to mine such minerals in pursuit of mining operation, free of any lien, claim, or other encumbrance.
- b) The provisions of the applicable law shall apply to the Mining License, this Agreement, and any additional Mining Licenses, except to the extent that they are inconsistent with the provisions of this Agreement and the Mining Licence and any additional Mining License, then the provisions of this Agreement, the Mining License and any additional Mining Licenses shall prevail. In respect of any inconsistency or conflict, the

terms of this Agreement shall prevail over the terms and provisions of the Mining License.

- c) This Agreement shall be ratified by Parliament. Immediately upon execution of this Agreement, GoSL will introduce and cause to be passed into legislation for the purpose of ratifying and confirming this Agreement (including the content of its Schedules) and implementing the terms hereof and promptly cause it to be published in the Sierra Leone Gazette.
- d) GoSL and the Company shall act in good faith with respect to each other's rights and shall adopt all reasonable measures to ensure the realisation of the objectives of this Agreement.

### **3. Term and Renewal**

- a) The term of this Agreement shall be 25 years from the effective date.
- b) The Company may at least one year prior to the expiration of the Mining License apply to the Minister for a renewal for multiple periods of 15 years effective from the date of the expiration of the previous Mining License. Upon such application provided the Company has met its entire obligation under the Act and this Agreement, the Company shall be entitled to such renewal upon such fair and equitable terms and conditions as may be agreed upon between the parties to this Agreement.
- c) The Parties agree always to be opened to discussing any matter which may help maximize the positive development benefits of the mining



operations or minimize its undesirable impacts.

**4. Transfer**

Upon application for a transfer of the Mining License under Section 119 of the Act, the Company shall be entitled to such transfer of the Mining License granted under this Agreement to a body corporate that is eligible under the Act provided the Company has met all the requirements under the Act.

**5. Surrender**

- a) The Company may surrender to GoSL all or any part of the Mining License at any time during the term of such Mining License by notice in writing to GoSL within the period of 90 days. Upon such surrender, the area or areas surrendered shall cease to be comprised of the provisions of the Mining License granted under this Agreement and shall revert to GoSL.
- b) Upon the surrender, expiration or other termination of the Mining License or of any portion thereof, the Company shall be granted a period of no less than six months, or such longer period as the Minister may specify, immediately following such surrender, expiration and/or termination in which to remove all or any of its plants, machinery, equipment or other moveable assets from the areas covered by the Mining License or portion thereof being surrendered, expired or terminated.

## 6. Rights and Obligations

- a) The Company shall have the exclusive right to mine ore and minerals in the mining area, and the right to engage in all activities reasonably necessary to mine such minerals in pursuit of mining operations and to transport, export and market the minerals in accordance with Sections 114 and 115 of the Act whether by itself or any other nominated representative of the company, including but not limited to:
- (i) demolish or build any buildings or facilities within the Mining Area, with due regard for health, safety and environmental considerations;
  - (ii) remove and sell, for export or not, any scrap metal not required for the conduct of normal operations situated within the mining area, subject to any applicable government charges, and taxes levies, duties or royalties;
  - (iii) create, hire and maintain an unarmed security force to provide a deterrent to vandalism, theft and trespassers;
  - (iv) transport all iron ore and other minerals using public (and other available) roads and highways, railways from Tonkolili to the Pepel Port (including the port itself) and any other infrastructure and/or port solution controlled by the relevant government authority or it constructs later in its operation for the expansion of production, 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, rivers, railways, etc.;

- (v) construct, maintain and operate any infrastructure required for its mining operations;
  - (vi) use water from any natural watercourse for domestic and/or mining operations and to return mining spoils to the rivers/streams, provided that in doing so, the company shall not discharge or permit to be discharged any hazardous and/or toxic materials not present in the intake water; and
  - (vii) cut, take or use any tree and vegetation on the lands included within the mining area, 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 and before paying fees and royalties subject to applicable laws.
- b) The rights granted to the Company to conduct mining operations are exclusive within the mining area and include the exclusive right to mine and market minerals extracted from the mining area. In furtherance of the foregoing, GoSL undertakes not to grant any rights in respect of reconnaissance or exploration in the mining area or to mine minerals in the mining area or to market minerals extracted from the mining area to

any third party during the term of this Agreement. The Company shall have priority and be entitled to explore, mine and market such other minerals (including associated minerals) discovered in the mining area during the term of this Agreement, subject to the provisions of the Act.

- c) The Company shall have the right to use, construct, repair and operate within or outside the mining area, roads, railways, buildings, plants, structures, living quarters, water supply systems, electric power systems, pipelines, communication systems, airstrips, storage facilities, loading stations, barge channels and other similar accessory works and installations which are necessary or useful in carrying out the mining operations.
- d) Company shall be provided with a priority right to the usage of the rail and port infrastructure of a minimum volume 10 (ten) million dry metric tonnes ("DMT") of ore per year, throughout the term of this Agreement. As long as the infrastructure is in existence and operational, the Company shall have guaranteed access and right to use as described herein.

#### **7. Amendment of the Mining Program**

The Company has the right to amend its program of mining operation and environmental management program under Section 113 of the Act. On the discovery of any other mineral during the mining operation, which is of significance, the Company shall report such discovery to the Minister within

30 days in accordance with the Act and may apply to the Minister within 180 days for the exploration or mining of such deposit to be included in the Mining License, giving the application a proposed program of exploration or mining program.

#### **8. Temporary Suspension**

The Minister may temporarily suspend the mining operation on an emergency basis in accordance with Section 52(1) of the Act after giving the Company a reasonable period to remedy the breach and comply with the Act.

#### **9. Suspension and Cancellation**

Before suspending or cancelling a mining license under Section 53 of the Act, the Minister shall give the Company at least 90 days' notice to remedy any breach of the conditions of the Mining License provided that with the exception of payments due, the Company is required to make compensation in money within the reasonable and legitimate limit if the breach is subject to compensation.

#### **10. Suspension of Production**

In the unlikely event that production has been suspended for 24 months by the Company without any satisfactory arrangements being put in place to resume production within a reasonable time, the Minister shall cancel the Mining License in accordance with Section 118(6) of the Act.

## 11. Occupation of Surface

- a) On acquisition of land rights under Sections 34, 35 and 36 as well as resettlement if need be under Section 38 of the Act, the Company shall have the right to occupy and utilize the surface land area indicated within the mining license and the infrastructure facilities and such parts of the land as may be required for the mining operation, accessory works and installation as stipulated under Section 114 of the Act
- b) The Company shall endeavour to use standard equipment and techniques during drilling, blasting, open cast excavation to mine the Minerals as approved under the program of the mining operation. Accordingly, it is agreed between the parties that such standard mining equipment and techniques and the resultant disturbance of the land and property owners in relation to that effect shall not be taken into account or evaluated in the determination of compensation in respect of damages payable to owners of or lawful occupiers of the land and other valuable properties. To minimize such effect the Company agrees that it will restore all mined out areas in accordance with the environmental management and mine closure plans.
- c) In the event that damages, loss or destruction of goods or property is inflicted by the Company, the compensation payable by the Company shall be based on the actual monetary value of such damages, loss or

destruction to the crops, buildings, trees or works on the land. Any compensation referable to the fact that the owner will be deprived of the use and occupancy of the land shall be included and covered by the surface rent as set forth in Article 18 (a) of this agreement.

- d) GoSL shall for claims arising during the term of the Mining Lease indemnify the Company against such claims by owners or occupiers in respect of the Mining Area other than claims for compensation made in accordance with provisions of Sections 34 and 35 of the Act.

## **12. Water and Land Rights**

- a) To facilitate the Mining Operations, in addition to the rights given to the Company under Section 114 of the Act, the Company shall have the right to use water from any natural watercourse for domestic and/or mining operations and return mining spoils to the river or stream provided that in doing so, the company shall not discharge or permit to be discharged any hazardous and/or toxic materials not present in the intake water.
- b) The Company shall in accordance with its environmental management plan also cut or use any tree when necessary for mining purposes provided that it shall not cut or take any economic tree belonging to landowners without adequate compensation or any tree from a forest reserve without the consent of the Forest Officer in charge and payment of the requisite fees made.

- c) The Company agrees that if its operations including the exercise of any rights shall be deemed by the Minister in accordance with the Act to be likely to pollute, impair, divert or destroy the normal supply of drinkable water supply of any village, the Company shall provide an alternative safe and adequate drinking water.

### **13. Importation of Plants, Equipment and Machinery, Fuel and Lubricants**

GOSL will grant any and all permits and permissions necessary for the importation into Sierra Leone of vessels, vehicles, machinery, plant, equipment, supplies, consumables, fuel/lubricants and services necessary for the conduct of its operations, including but not limited to prospecting, mining, processing and transportation activities contemplated by this Agreement, subject to applicable fees.

### **14. Employment and Training**

- a) The Company or its Contractors shall not employ expatriates where Sierra Leoneans are equally competent to do or discharge any duty by virtue of such appointment, subject to GoSL's compliance with Sub-Clause 14 (b), with the exception that any use of child labour for carrying out any of its mining operations shall be prohibited.
- b) 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 the Company and/or its Contractors to be



required for the execution of its work, including executives, officers, engineers, consultants, technicians, skilled and semi-skilled labour, shall have the right to enter and reside in Sierra Leone and to depart therefrom. GoSL shall issue permits and visas for the employees of the Company when required, subject to applicable fee.

- c) The citizens of Sierra Leone with the requisite qualifications and experience will be given preference in all levels of employment under this Agreement.
- d) The Company will train the citizens of Sierra Leone in accordance with the Act. Training will be carried out at all levels and will involve courses and gaining experience overseas. The objective will be the transfer of technology and to gradually replace non-executive expatriate staff with qualified and suitable nationals as they become available.

#### **15. Procurement**

In the acquisition of equipment, services and supplies for the Mining Operations, the Company shall give preference to equipment, services, supplies and products produced locally in Sierra Leone as therein provided at comparable quality, price and delivery schedule and subject to technical acceptability and availability.

#### **16. Protection of Environment**

- a) The Company shall conduct its programme of mining operations in accordance with the Environmental Protection Agency (EPA) Act 2008 and its regulations, as well as Section 132 of the Act. In the event of a conflict between these two Acts, the provisions of the EPA 2008 shall prevail.
- b) The Company shall at all times do everything 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 area.
- c) The Company shall, in accordance with the EPA Act 2008 and its related regulations, conduct its mining operations and all project activity in accordance with Environmental Impact Assessment License issued under the EPA 2008 and with a degree of care and professionalism in accordance with high international environmental protection standards.
- d) The Company shall employ in its mining operations available 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) The Company shall be responsible for any environmental pollution, risk, claim or environmental damage arising from its mining operations.

#### **17. Records, Reports and Inspections**

- a) The Company shall prepare and maintain accurate records of its operations at all times while this Agreement is in force and shall furnish GoSL with all information or data concerning its operations it may require under the Act, provided however, that the Company will only commit any such offence under Section 78(4) of the Act if they deliberately fail to comply with the provisions of this Article.
- b) The NMA shall have full access to all mining operations of the Company to observe and monitor operations being conducted and inspect all installations, infrastructure, records, financial and technical data kept by the Company. Such inspection shall not interfere with the Company's operations.
- c) The Company shall make available copies of data in their possession which relate to their mineral rights. All data or information supplied in accordance with the Act shall remain confidential and shall not be divulged without the prior written consent of the Company but such consent cannot be unreasonably withheld.

## **18. Fiscal Regime**

For any and all forms of tax, Goods and Services Tax, (except as provided for in paragraph (p (ii)) hereunder), excise duty, tariff, fee or other amount which the Company is exempt or relieved from, the Company shall not be liable in any instance to actually pay such amount at any time and seek reimbursement or rebate for such.

Notwithstanding any provision in any legislation, the Company shall not be liable for any tax arising from other parties' activities even if those are related to Company operations.

Any non-Sierra Leonean Affiliate and its Contractors not registered in Sierra Leone providing services to the Company shall be considered as non-resident for tax and fiscal purposes consistent with Permanent Establishment Rules as contained in the laws.

### **a) Mining Lease Fee and Surface Rent**

The Company shall pay to GoSL annually and without demand, a Mining Lease fee for Tonkolili Iron Ore, an amount of US\$ 500,000 (Five hundred thousand United States Dollars), which shall increase by 2% annually, commencing in 2024.

The Company shall also pay to the landowners or lawful occupiers through the appropriate local authority in which the mining operation is situated, annually and without demand an annual surface rent, as agreed and negotiated with the landowners or lawful occupiers in accordance with section 34 of the Act when mining operation commences.

Mining Lease Fee and surface rent payable shall be treated as allowable expenses in ascertaining the chargeable income of the Company and shall not be subject to withholding tax.

**b) Royalties**

- (i) The Company shall pay a royalty at the rate of 3% (three percent) of the prevailing market value of the mineral, which shall for the purposes of calculation be the sale value receivable in an Arm's-length transaction, being the price receivable per metric tonne multiplied by the total metric tonnes sold, Free on Board the vessel.
- (ii) Where the Company enters into a sales contract for the sale of minerals with affiliated persons, OR enters into an offtake agreement, the terms of any such agreement shall be based on an Advance Pricing Agreement according to the guidelines of the following formula and guiding principle will be implemented to maximize the value of the iron ore mineral product:

FOB Price = Base Price IODEX [58%] +/- Quality Adjustment - Freight Rate, or

FOB Price = Base Price IODEX [62%] +/- Quality Adjustment - Freight Rate, or

FOB Price = Agreed Price with Ultimate Buyer - Freight Rate

For transparent and predictable pricing, based on publicly published index prices, the above pricing formula is adopted. Unless an ultimate buyer agreement or other supporting documentation for certain elements of the formula are provided, or unless otherwise agreed between the parties, the following shall be considered as agreed between the parties.

**(1) BASE PRICE PLATTS IODEX IRON ORE 58% AND 62%Fe FINES**

The iron ore fines price index known as "Platts SBB Steel Markets Daily" under the heading "PLATTS DAILY IRON ORE PRICE ASSESSMENTS / IODEX 58 % or 62% Fe CFR North China":

- (a) On a daily basis, the average price of the confirmed deals known in the market for the sale of iron ore fines with very specific quality for a particular day are calculated and published.
- (b) The formula takes that daily index and utilizes the average price of the

month the sale is concluded.

- (c) A number of indices exist which give indications of product pricing. However only the Platts IODEX CFR China has sufficient depth and liquidity to truly reflect iron ore market movements and efficient pricing on an almost daily basis.

## (2) QUALITY ADJUSTMENT

The shipment for this one-off transaction will contain various deleterious elements in its chemical makeup that also need to be taken into consideration in the form of penalties. The Platts IODEX includes daily quotations of Impurity Differentials for such elements, in USD per DMT. These are deducted for the presence or absence of each percentage point or part thereof of a given element.

## (3) FREIGHT RATE

- (a) Freight is openly negotiated on the market but closely tracks the Baltic Exchange Dry Index which is the industry published reference indices in USD per Wet Metric Tonne. There is no established index for Capsize C3 rate from Sierra Leone to China, therefore the parties agree to rely on the C3 rate from Brazil to China as the distances are similar.
- (b) In determination of the freight rate, the parties also agree that verifiable

freight invoices from shippers (third parties) will be acceptable for Handymax, Supramax or any smaller vessels for which a quoted rate is unavailable on the Baltic Exchange Dry Index.

- (iii) Prior to entering into any sales contract or offtake agreement with an ultimate buyer, The Company shall notify and meaningfully engage the National Minerals Agency and the National Revenue Authority.
- (iv) Royalties payable under b (i) shall constitute an operating cost of the company and shall be allowed as a deductible expense in ascertaining its chargeable income for income tax purposes.
- (v) Within a maximum period of 45 (forty-five) days after the end of each month's shipment, The Company shall prepare and deliver to the Director of Mines a statement certified by the accredited representative of The Company, stating the total tonnage of Minerals of each kind, grade, and quantity shipped by The Company from Sierra Leone in that month. Together with such a statement, The Company shall include a statement of the respective sales value receivable Free on Board the ocean-going vessel for Minerals shipped from the designated Sierra Leone loading point. Upon delivery of such statement, the Company shall pay to the GOSL the Royalty payable on the sales value receivable as calculated by this



statement.

- (vi) In preparing the statement referred to in b(iv), account will be taken of any adjustment required as a result of amendments or corrections from prior periods, such as provisional pricing terms or credit notes, such adjustments will be separately and clearly indicated in the statement referred to in b(i).
- (vii) All transaction agreement for sale of the Mineral by the Company's Affiliates (if other than agreement on arm's length), shall be entitled to enjoy the treatment in accordance with clause 18b) of this Agreement in the Advance Pricing Agreement. The Company withholds the right to enter into any agreement with any other party on an Arm's length basis.

c) Income Tax

- (i) In the conduct of its activities in Sierra Leone pursuant to this Agreement, the Company shall be liable for income tax upon its chargeable income derived from such activities as well as upon any other income of the Company from a Sierra Leone source at a reduced rate of 15% for the first 10 years of this Agreement and shall thereafter return to the existing rate of 25%.

- (ii) 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, the Company shall be entitled to apply such lower rate in calculating its income tax.
- (iii) The Company in the conduct of their activities in Sierra Leone, pursuant to this Agreement, shall not be liable for any minimum taxation based on turnover, retained earnings or otherwise.
- (iv) Foreign exchange gains and losses arising as a result of the change in exchange rates between the date of the underlying transaction and the date of settlement of that transaction will only be assessable or deductible for income tax purposes once the gain or loss is realized.

**d) Withholding Tax**

The Company, its Contractors and Affiliates shall pay withholding taxes as follows:

- (i) The rate of tax applicable on interest shall be 5%.
- (ii) The rate of tax applicable on dividend shall be 5%.

- (iii) The rate of tax applicable on management fees and other similar payments shall be 5%.
- (iv) The rate of tax applicable on payment to Non-Mining related Contractors, both foreign and local, shall be 5%
- (v) The Company, its Contractors and Affiliates shall be exempt from withholding taxes on payments to nominated list of core mining related Contractors and Affiliates.
- (vi) Withholding taxes referred to above are only due on cash payments by the Company, its Contractors and Affiliates.
- (vii) If at any time the Income Tax Act provides for withholding rate that is more favourable than the rates set forth in this sub-clause, the Company shall be entitled to apply such lower rate.

**e) Capital Expenditure Allowances**

In determining its chargeable income for the year in which such qualifying capital expenditure is incurred an initial allowance equal to 40% (forty percent) of United States Dollars cost of qualifying capital expenditure shall be deductible by the Company with an annual allowance at the rate of 20% (twenty percent) of United States Dollars cost of qualifying capital expenditure being deductible in determining chargeable income in each subsequent year until the full cost has

been deducted.

(i) Qualifying capital expenditure shall comprise the following (whether the expenditure is made in cash or in kind, in one or in several instalments, or otherwise):

- (1) Capital expenditure as set out in the Extractive Industries Revenue Act 2018.
- (2) Capital expenditure on all mining machinery, plant and equipment, described in clause (j) 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 the Company as well as the cost of acquiring or procuring the transfer of the mining lease in respect of the mining area.
- (3) Capital expenditure on haul roads, environmental bonds, creek diversions and other similar assets.
- (4) Capital expenditure on assets related to the construction, development or improvement of the community such as schools, clinics, hospitals, training centres, environmental management and other similar assets in accordance with the applicable law.

- (ii) The cost of restoring qualifying capital expenditure to its original condition, where such restoration does not result in an increase in the productive capacity of that asset, shall be deemed to be a repair of such asset and shall be allowable in full as a deduction against chargeable income in the year in which that cost is incurred.

f) **Treatment of Losses for Income Tax Purpose.**

Treatment of losses for income tax purpose shall be in accordance with Section 8 of the Extractive Industries Revenue Act 2018 (as amended).

g) **Specific Deductions for Income Tax Purposes**

- (i) Treatment of specific deductions for income tax purpose shall be in accordance with Section 32-38 of the Income Tax Act, 2000 (as amended), and the value of such deduction shall be subject to the Transfer Pricing provisions. The Company may claim deduction against chargeable income in an amount equal to 100% (one hundred percent) of the following expenditure:

(1) Actual expenses incurred in respect of environmental and social impact mitigation and/or environmental protection and/or restoration.

(2) Costs of educating and/or training those persons who are citizens of Sierra Leone and who are:

(a) full time employees of the Company:

- (b) Not full-time employees of the Company but bonded to the Company on completion of such education and/or training;
- (c) under any types of employment in compliance with Clause 14 hereof, provided that such education and/or training shall:
  - i. not include primary or secondary education and shall be relevant to employment of the trainee concerned;
  - ii. be conducted at an approved educational/training institution, including training facilities established or to be established by the Company (details of which shall be agreed between the Company and GoSL);
- (d) include on-the-job training and shall include 100% (one hundred percent) of the wages of an employee serving an apprenticeship course approved by GoSL;

(3) The cost of any scholarships provided by the Company to citizens of Sierra Leone;

(4) The costs of opening or making donations of funds, equipment, or goods (including medicines and drugs) to any clinic, health facility or primary, secondary or tertiary education institution situated in Sierra Leone, whether solely for the benefit of the employees of the Company or not.

- (ii) The amount of interest expense that is deductible in any year in respect of any debt obligation incurred by the Company to produce assessable income will be subject to Section 35 of the Income Tax Act 2000.
- (iii) The cost of acquiring prospecting, exploration or mining licenses is deductible in full as provided for in the Extractive Industries Revenue Act 2018.
- (iv) Expenditure on removing waste material, overburden stripping, shaft sinking and like activities during the mining process in order to access the ore body is fully deductible in the year incurred in accordance with Section 7 of the Extractive Industries Revenue Act 2018.
- (v) Operating expenditure in relation to assets associated with the improvement of the community such as schools, clinics, hospitals, training centres and other similar assets is deductible in full in the year incurred.
- (vi) royalties, annual charges, and rent paid by the Company with respect to a mineral right.
- (vii) capital allowances granted with respect to the mineral operations and

calculated in accordance with Paragraph 6 of the First Schedule to the Extractive Industries Revenue Act including with respect to the disposal of an interest in a mineral right;

- (viii) contributions to and other expenses incurred in respect of a rehabilitation fund for the mineral operation as required under this Agreement or the approved rehabilitation plan.
- (ix) expenses incurred by the Company in the course of reclamation, rehabilitation and closure of mining operations.
- (x) any other amounts incurred by the Company during the year directly in the course of the mining operation that may be deducted in accordance with the Extractive Industries Revenue Act 2018.
- (xi) The amount that is deductible for the cost of air tickets in respect of the Company's employees who leave Sierra Leone on their scheduled fly-in fly-out rostered breaks, shall be in accordance with Section 23 of the Income Tax Act 2000 (as amended), except during the period of force majeure as defined in this Agreement.
- (xii) Where assets that are included in the definition of qualifying capital expenditure are transferred between the Company and its Affiliates, the



value at which they are transferred shall be deemed to be their adjusted cost base subject to the Transfer Pricing provisions.

**h) Currency Issues**

- (i) The balance sheets, statements of earnings, and cash flow and other financial statements and books of account of the Company, shall be stated, maintained, and expressed in accordance with Section 42 of the Extractive Industry Revenue Act 2018.

**i) Basis of Assessing and Paying Income Tax**

Chargeable income and Income Tax payable by the Company in respect of each year shall be assessed in United States Dollars and shall also be payable in United States dollars.

**j) Application of Duties and Charges on Imports**

- (i) Notwithstanding the current charges (fees, duties, taxes, surcharges and levies) imposed directly and indirectly by GoSL on imports, GoSL and the Company agree that for the duration of this Agreement the percentage ad valorem charges (fees, duties, taxes, surcharges and levies), levied on or

payable by the Company, its Affiliates and its Contractors in respect of capital items, including but not limited to mining machinery, prefabricated structures, plant and equipment, and consumable mining stores as defined in Clause j (iv) below, shall be 1% of the aggregate of the landed value in Sierra Leone.

(ii) In the case of import of non-capital items, such as any type of fuel and lubricant, the rate of charges (fees, duties, taxes, surcharges and levies) applicable to the Company, its Affiliates and its Contractors shall be 1% of the aggregate of the landed value in Sierra Leone.

(iii) Where the Company and its Contractors and Affiliates procure fuel and lubricants from a local supplier, the rate of charges (fees, duties, taxes, surcharges and levies) applicable shall also be 1% of the aggregate of the landed value in Sierra Leone.

(iv) In this Agreement the terms mining machinery, plant and equipment and consumable mining stores shall include all machinery, plants, vehicles, and equipment useful to and used by Company and its Contractors 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 foregoing, construction materials for mining and

processing, dredges, barges, coasters, transhippers, 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 equipment, mineral stores and packaging facilities together with accessories, spare parts, lubricants, fuel, chemicals and appliances for use and used exclusively with any of the forgoing.

- (v) In addition to the above, other equipment shall include surveying equipment, laboratory equipment, computers, printers, plotters, software, etc., used by the Company and its Contractors and Affiliates in relation to mining operations and any other items required for ancillary support functions of the business. 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.
- (vi) For the duration of the Agreement, imports by the Company and its Contractors and Affiliates of health and safety, as well as all training and education equipment shall be taxed at 0.1%.

(vii) The importation by the Company's Contractors, and Affiliates shall be endorsed by the Company.

**k) Inspection of Minerals Exported**

- (i) The Company shall appoint an internationally reputable inspection company, in consultation with the NMA, at the Company's own expense, for the purposes of inspection of all minerals exported by or on behalf of the Company from Sierra Leone.
- (ii) The Company shall provide inspection reports to GoSL, together with the documentation related to Royalties.

**l) Other Taxes or Fiscal Imports**

- (i) For the duration of this Agreement, no new taxes shall apply to the Company or any of its Affiliates, other than those expressly contained in this Agreement and applicable laws at the date of ratification of this Agreement.
- (ii) Notwithstanding (i), the Company and GoSL shall at any point in time discuss and agree mutually on any fiscal imposition after the date of ratification of this agreement and as such the Company shall not be held liable to any such

imposition including penalties and interest prior to the mutual consent of both parties.

**m) PAYE and Payroll Tax**

- (i) All employees of the Company, its Contractors and Affiliates, shall be subject to the provisions of the applicable laws in respect of Income Tax, Payroll Tax, work and/or resident permits, or any similar permits which may become due on such persons.
  
- (ii) Notwithstanding the provisions of any law in Sierra Leone, highly skilled expatriate employees of the Company whose skills and services are proven not readily available in Sierra Leone shall, upon written application to the Commissioner-General be granted an exemption from the payment of income tax for workers subject to an approved scheme for skills transfer to Sierra Leonean local staff of the Company.

**n) Repatriation, Holding and Introduction of Funds**

- (i) The Company, its Contractors and Affiliates shall have the right, during the term of this Agreement, to freely receive, hold in banks of their own choice, wherever located, and dispose of in any country all revenues, receipts and other foreign currency funds held by them under or in connection with their

mining operations.

(ii) The Company, its Contractors and Affiliates shall have the right, during the term of this Agreement to hold foreign currency in designated foreign currency bank accounts in their names in Sierra Leone.

(iii) The Company, its Contractors and Affiliates are allowed to quote prices, sign contract/agreement and make payment in foreign currency in Sierra Leone.

**o) Road User Charge**

The Company, its Contractors and Affiliates shall be exempt from Road User Charges 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 for a period of 10 years and thereafter shall be liable to 50% of the applicable rate.

**p) Goods and Services Tax (GST)**

(i) The Company, its Contractors and Affiliates shall be relieved from Goods and Services Tax subject to the provisions of the Goods and Services Act 2009, and shall not be liable to pay the tax levied on taxable supplies and

services of its core mining related activities in Sierra Leone and imports.

- (ii) In the case of non-core mining activities such as supermarkets, hotels and restaurants in Sierra Leone, the Company, its Contractors and Affiliates shall be required to pay all Goods and Services Tax obligations, for which it shall be entitled to refunds from the NRA.

q) **Port, Harbour Dues or Fee and Stevedoring Charges**

- (i) Notwithstanding the provisions of the various Sierra Leone Ports Authority (SLPA) Acts and Sierra Leone Maritime Administration (SLMA) Acts, and any agreement of the GoSL with any Agencies in relation to SLPA and SLMA activities, including but not limited to inspection and/or valuation services, the Company shall be exempt from all port, harbour, loading and unloading dues or fees freight levy and stevedoring charges that may be levied by either the SLPA or the SLMA or any Agencies, organization or legal entity, whether private or public, in relation to the operation of the Company built and operated Ports/Jetties (whether at Lungi and/or Pepel or elsewhere in Sierra Leone) and the Offshore Loading facility, including operations of the Company, with the 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.

(4) Provided that in all instances the Company shall not be subject to any fees, costs, levies or other forms of payment under this clause (q) where such is not in use by the Company.

(ii) The liability of the Company under the provisions of this Clause is in substitution for and not in addition to any liability that might otherwise be imposed, either hereto before or hereafter, on its carriers or agents and whether by the Sierra Leone Ports authority or any other public body in respect of the aforementioned matters.

(iii) In the event that SLPA or any other responsible public body fails to provide any of the services for which the company and its Contractors are 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 the Company and its Contractors thereby incurs any cost or expenses in providing or obtaining such services, the Company and its Contractors shall be entitled to deduct such cost and expenses from any amounts that are otherwise payable to the Sierra Leone Port Authority or any other public body



pursuant to this clause.

- (iv) The Company, its Contractors and Affiliates shall have the right to source and utilise, at its sole discretion, any stevedoring service provider (whether local or foreign), maritime and customs agent, and shipping companies for the export of Iron Ore. For the avoidance of doubt, neither Company nor its Contractors shall be required to change the flag state of any of their marine assets at any time.

r) **Community Development Fund**

- (i) The Company agree to make tax deductible payments to the Community Development Fund at 1% of FOB revenue received by the Company from its mining operations for the previous year.
- (ii) The Company shall take its social responsibility towards local communities seriously and will be carrying out community development programs including but limited to schools, hospitals, agriculture, and roads with the host communities in accordance with the Act.
- (iii) The Company, its Contractors and affiliates shall create equal employment opportunities for all, including women and youth, and give special consideration to operational communities for specific

jobs.

s) **REHABILITATION AND RECLAMATION OF MINED-OUT AREAS**

- (i) In accordance with Section 136 of the Act, EPA Act 2008 and its related Regulations the company shall develop a comprehensive Mines Closure Plan which addresses the anticipated environmental, social and economic state of the mining area during the Company's programme of mining operations. The Closure Plan shall be updated every two years, and any updates shall be subject to the EPA Board's approval.
- (ii) The Company shall elect one or combination of the funding guarantee in accordance with subsection 4 of section 136 of the Act, and Regulation 29 of the Environment Protection (Mines and Mineral) Regulation 2013.
- (iii) At any time, the EPA may require additional financial assurances including financial deposit if such assurances are reasonably required to ensure adequate funding of estimated closure costs in accordance with the Closure Plan. The Closure Plan shall also continue to provide for a process of participation by the communities in the Mining Area and other stakeholders in the development of post-closure management and monitoring.
- (iv) The company shall implement the closure plan in a progressive manner during the life of the project.

t) **Insurance**

The Company, its Contractors and Affiliates will only be required to place all or part of an insurance policy with a local insurance company or an international company that partners with a local company to the extent that the local insurance companies are able to meet the credit ratings or their requirements that may be required by the providers of finance to the Company and its Contractors and/or where such insurance can be supplied on a competitive basis in terms of price, quality and other delivery terms.

u) **National Social Security and Insurance Trust – NASSIT**

- (i) In respect of their local employees working in Sierra Leone, the Company, its Contractors and its Affiliates are required to make the required company contributions to the National Social Security and Insurance Trust.
- (ii) Non-Sierra Leonean employees working in Sierra Leone and employed by the Company, its Contractors and its Affiliates are not required to make the required employee and employer contributions to the National Social Security and Insurance Trust.

## 19. Force Majeure

- a) 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.
- b) Failure or delay in the performance by either the Company or GoSL to fulfil any obligation under this Agreement shall not give rise to a claim by the other Party or to be deemed to be a breach of this Agreement insofar if and to the extent that such non-performance is caused by Force Majeure. The period of such delay or failure, together with such period as may be necessary for the restoration of any damage done during such delay shall be added to the periods fixed in the term of this Agreement and the Licenses issued under the Agreement. The payment obligations of the Company shall be exempted 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) Any claim of force majeure must be notified in writing by the affected party to the other party within ten 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.

## **20. Termination**

- a) The Company shall have the right to terminate this Agreement at any time by providing not less than 180 days' notice in writing to the GoSL to that effect.
- b) The GoSL may suspend or terminate the Agreement in accordance with Section 52 and 53 of the Act.

## **21. Amendment**

In the event GoSL and the Company mutually agree to amend any of the provisions of the Agreement, such amendment may be effected by agreement between the parties that is evidenced in writing. Any such amendment shall take effect without further ratification by Parliament except to the extent that it may be inconsistent with any law in force.

## **22. Government Protection and Assistance**

- a) GoSL undertake to grant to the Company 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.

- b) GoSL shall support this Agreement and shall take no action which prevents or impedes the due exercise and performance of rights and obligations of the Company and will also render all reasonable assistance to enable the Company to accomplish its objectives in the best and most efficient manner and enjoy its rights and privileges under this Agreement.
- c) GoSL shall procure all relevant public bodies to make such lawful orders and administrative acts as may be desirable from time to time for this purpose.
- d) GoSL will extend to Company all reasonable assistance (including taking administrative action and other action vis-a-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 licence.

### **23. Government Warranties**

GoSL hereby represents and warrants to the Company that:

- a) Pursuant to the Act, the entire property and control of all minerals in, under or upon the Mining 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 Act) or interests in respect of any minerals located over, under or upon the Mining Area or to any improvements thereto, and GoSL inevitably agrees to indemnify the Company against any and all loss or damage arising out of or in connection with any right or claim inconsistent with any such rights and warranties.
- c) The Company shall peaceably enjoy the Mining 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 Area during the term of the Mining Lease and this Agreement.
- d) No part of the interest of the Company or its Contractors and Affiliates shall be expropriated by GoSL without prompt payment of fair and reasonable compensation in such amount or amounts as shall be determined by agreement in accordance with the Constitution of Sierra Leone.
- e) GoSL undertakes that in the event that it enacts legislation and regulations

or changes in any law, regulations, rules, policies or practices which are more favourable to the Company than such provisions shall apply to the Company if it so requests. Should the changes result in the enacted legislation and regulations or changes in any law placed a toilsome obligation upon the Company or adverse to this Agreement, then such changes shall not apply to the Company and GoSL shall grant the Company an exemption from such changes.

- f) The shareholders of the Company or its subsidiaries shall not be compelled by law to cede any interest that they may have in the capital of the Company to any other person whether wholly or in part without adequate compensation.
- g) It is hereby agreed that the Company is provided with, and has, good, full, clear, clean and unfettered or encumbered legal title to such exclusive right under the Mining License and this Agreement.
- h) It is hereby agreed that no payments, compensation, or any other amounts will be or become due or owing by the Company for the transfer, ownership, or usage of all of the property, plant, assets and equipment in connection with the project currently used by the Company.
- i) Subject to the company undertaking to reimburse GoSL the sum equal to the reasonable compensation paid by GoSL as set out in the Valuation Report, and following confirmation of payment by GoSL to the liquidator



pursuant to Section 54(3) of the Act, It is hereby agreed that all of the property, plant, assets and equipment (including, all land leases or related rights) required for the Mining Operations and as held or utilised by the Company have been transferred to the company free from any encumbrance. And upon such undertaking or payment by the company, it is agreed that the Company will be recognised as the lawful and legal owner of all such assets and property transferred to the Company.

- j) All applications, processes, and formalities have been completed and/or lawfully complied by the Company in respect of this Agreement, the Mining License (including, but not limited to, any subsidiary or related applications, licences, permits or otherwise necessary to support either this Agreement and/or the Mining License) being in compliance with the laws of Sierra Leone and the GoSL ratifies and approves all of these items (as are required, necessary or desirable) in any event by virtue of this Agreement.
- k) All permits and permissions necessary for the importation into Sierra Leone of vessels, vehicles, machinery, plant, equipment, supplies and services necessary for the conduct of its operations, including but not limited to prospecting, mining, processing and transportation activities contemplated by this Agreement will promptly be granted by GoSL.
- l) All permit and permission necessary for the Company to export from

Sierra Leone any vessels, vehicles, machinery, plant, equipment, supplies, 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, free of any levy, tax or charge, provided that any export shall not have any adverse impact to the environment or the community in the Mining Licence Area or nearby areas will promptly be granted by GoSL.

- m) Without prejudice or limitation to any of the above, GoSL also and in addition to such, undertakes and warrants to the Company that it shall promptly undertake or procure any and all steps, formalities and actions required, if any, to give effect to any of the items or terms of this clause 23.

#### **24. Governing Law**

This Agreement shall be governed by, interpreted and construed, in accordance with the laws of the Republic of Sierra Leone and such rules of international law as may be applicable.

#### **25. Arbitration**

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 Chamber of Commerce (ICC) Arbitration Rules. The venue of the arbitration shall be London, England. The English language shall be used in the proceedings. The award and any decision of the Arbitration Board shall be final and binding and enforceable in and by the courts of Sierra Leone upon either party having the same force and effect as a judgement of a court of the last resort of the Republic of Sierra Leone or any other appropriate jurisdiction.

#### 26. Notice

- a) All orders, approvals, notices and communications of any kind between GoSL or any other representative of GoSL and the Company shall be in writing and the contracting parties shall not under any circumstance be permitted to allege or to reply upon any oral order, approval, declaration. Notice or communication from GoSL to the Company and any such written notice from GoSL to the Company shall be delivered to the representative of the Company in Freetown, Sierra Leone.
- b) All notices and communications from the Company to GoSL shall unless otherwise required by law or by the terms of this Agreement or unless GoSL shall direct by written instructions to the Company be mailed or delivered to the Minister.

## **27. Rights Cumulative; Specific Performance**

Each and all of the various rights, powers and remedies of a Party will be considered to be cumulative with and in addition to any other rights, powers and remedies which such Party may have at Law or in equity in the event of the breach of any of the terms of this Agreement by the other Parties. The exercise or partial exercise of any right, power or remedy will neither constitute the exclusive election thereof nor the waiver of any other right, power or remedy available to such Party. Without limiting the foregoing, the Parties acknowledge and agree irreparable harm may occur for which money damages would not be an adequate remedy in the event that any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached. It is accordingly agreed that the Parties shall be entitled to apply for an injunction to prevent breaches of this Agreement and to enforce specifically the terms and provisions of this Agreement.

## **28. Sovereign Immunity**

GoSL<sup>r</sup> unconditionally and irrevocably agrees that:

- a) the execution, delivery and performance by it of this Agreement constitute private and commercial acts rather than public or governmental acts;
- b) should any proceedings be brought against it or its commercial assets in any jurisdiction in relation to this Agreement, no immunity from such

proceedings shall be claimed by or on its behalf or with respect to its commercial assets which it now has or may acquire in the future.

### **29. Severability**

In case any provision of the Agreement shall be invalid, illegal, or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby. If, however, any provision of this Agreement shall be invalid, illegal, or unenforceable under any such applicable law in any jurisdiction, it shall, as to such jurisdiction, be deemed modified to conform to the minimum requirements of such Law, or, if for any reason it is not deemed so modified, it shall be invalid, illegal, or unenforceable only to the extent of such invalidity, illegality, or limitation on enforceability without affecting the remaining provisions of this Agreement, or the validity, legality, or enforceability of such provision in any other jurisdiction.

### **30. Counterparts**

This Agreement is duly executed in four (4) original copies, each of which shall be considered one and the same agreement with the rest. GoSL shall keep two copies and the Company shall keep two copies.

## Execution Page

Signed and Sealed on Behalf of the Government of Sierra Leone

**Hon. Musa Timothy Kabba**  
Minister of Mines and Minerals Resources



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Signature

Date: 14th June, 2022

**Hon. Dennis K. Vandi**  
Minister of Finance



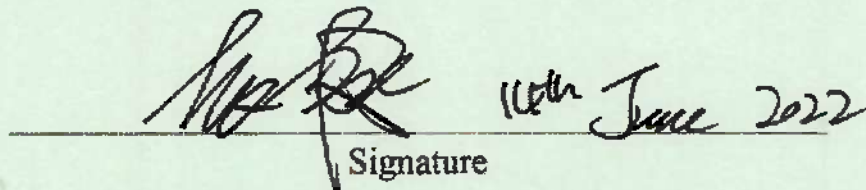
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Signature

Date: 14/6/2022

And on behalf of Kingho Mining Company

**Gilbert Zhao**  
Chief Executive Officer, Kingho Mining Company



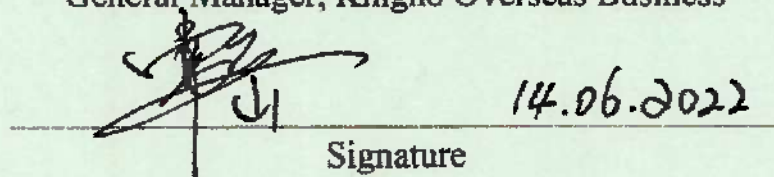
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Signature

14th June 2022

Witnessed by;

**James Chang**  
General Manager, Kingho Overseas Business



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Signature

14.06.2022

**Schedule A:**  
**Mining License**

*M*

*JMK*



MINISTRY OF MINES AND MINERAL RESOURCES  
NATIONAL MINERALS AGENCY  
(NMA)



**LARGE-SCALE MINING LICENCE No ML 1/2020**

**Granted Under**

**THE MINES AND MINERALS ACT 2009**

This Agreement made on the 7<sup>th</sup> of January, 2020 between the Government of Sierra Leone (hereinafter called "the Licensor") of one part, and **KINGHO MINING COMPANY LIMITED** (hereinafter called "the Company or Licensee") whose address is **97 Signal Hill, Wilberforce, Freetown, Sierra Leone** (which expression shall include its permitted assigns) of the other part.

**WITNESSETH AS FOLLOWS:**

1. In consideration of the payments hereinafter reserved and of the performance by the Licensee of the duties imposed upon mining licensees generally by the Mines and Minerals Act 2009 (hereinafter called "the Act"), and of the covenants hereinafter contained the Licensor does in pursuance of the powers conferred by the Act and subject to the provisions of the said Act, demise and grant unto the Licensee the minerals contained in Schedule B hereto in the area mentioned and described in Scheduled A hereto, together with in respect of such minerals and areas in right conferred upon mining lessees generally by Act. **TO HAVE AND TO HOLD** the premises hereby demised and granted unto the Company for a term of **25 years from 7th of January, 2020** and such extensions of the term as may be endorsed hereon, subject to earlier partial or full surrender or termination as provided for by Sections 34 and 55 of the Act.
2. The Company shall:
  - (a) Pay on the **7th of January, 2020** and on the same date each year in advance to the Commissioner-General NRA during the term of the licence annually in advance and without demand an annual charge of **Five Hundred Thousand United States Dollars (US\$ 500,000.00)** or a sum as may be from time to time prescribed in the regulations.
  - (b) Pay to the landowner and/or occupier through the appropriate local authority annually in advance and without demand an annual surface rent determined by mutual consent pursuant to Section 34 of the Act, for all land occupied or used by the Company for the purposes enumerated in Section 163 of the Act.
  - (c) Pay to the Commissioner-General NRA a royalty at a rate for the minerals mined as stated in Section 148 (2) of the Act.
  - (d) Provide the necessary financial surety as agreed with the Government of Sierra Leone in respect of guarantees for the costs of rehabilitation as part of the environmental

24



management programme according to Section 136 of the Act and described hereto in Schedule F.

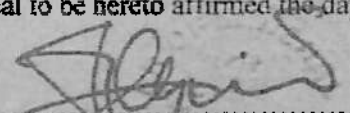
- (e) Expend a sum of not less than one percent of one percent of the gross revenue earned by the mining operations in the previous year from the date of the first sale of minerals on community development activities

3. The Company hereby covenants with the Licensor to comply with the provisions of the Act and amending Acts and Rules and regulations under the Act, and with any instructions lawfully given, and in particular:

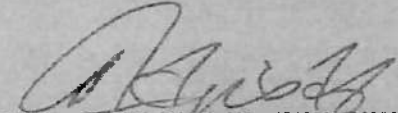
- (i) To conduct mining operations, unless prevented by unavoidable accident, continuously, vigorously and effectually in accordance with the programme of mining operations approved by the Licensor at Schedule C hereto.
- (ii) To exercise the rights herein granted in such manner so as not to unlawfully interfere with or unreasonably hinder those having a legitimate right, their agents, servants and laborers, to enter the land and pass to and from such areas according to Schedule D hereto.
- (iii) Where continuation of mining activity beyond the term of the Licence is required, not later than ninety (90) calendar days before the expiry of the Licence, the licensor apply to the Mining Cadastre Office for a renewal.
- (iv) Report to the Mining Cadastre Office using form C25 any change in registered details of the mineral right, including but not limited to address, phone and email contact information of the license holder and/or registered agent.
- (v) To promote local employment and comply with the agreed programme of employment and training of citizens of Sierra Leone approved by the Licensor according to Schedule E hereto.
- (vi) To conduct operations in such a manner that is reasonably practicable in order to minimize, manage and or mitigate any environmental impact, and to rehabilitate the land as far as is possible, according to Schedule F hereto.
- (vii) Wherever practicable to procure goods and services from within Sierra Leone, pursuant to Section 163 of the Act and Schedule G hereto.
- (viii) To promote conditions of safe operation and healthy working practices such that workers and others affected by the mining operations are not exposed to any hazards to their health and safety.
- (ix) Comply with all financial provisions of the Act and act in accordance with generally accepted international business practices in regard to the sale of minerals <or precious stones>.
- x. To promote sustainable development, enhancement of general welfare and improvement in the quality of life of the local community affected by the mining development as described by the Community Development Agreement according to Schedule H hereto.

4. The Company shall be entitled to all rights and privileges whether or not referred to herein, granted under the Act.
5. Nothing contained herein shall exempt the Licensee from any obligation, condition, or requirement contained in any other Act of the Republic of Sierra Leone.

IN WITNESS WHEREOF, the Licensor hereto has set his hand and Seal and the Company has caused its common seal to be hereto affirmed the day and year first above written.

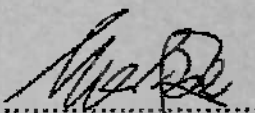
 8/1/20  
.....  
SIGNED, SEALED AND DELIVERED BY  
**HON. FODAY RADO VOKIE**  
The Minister of Mines and Mineral Resources  
representing the Government of Sierra Leone

In the presence of:

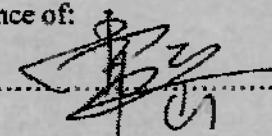
  
.....  
**Mr. Thomas Berison Lansana**  
PERMANENT SECRETARY

• SIGNED, SEALED AND DELIVERED for and on behalf of

..... **KINGHO MINING COMPANY LIMITED** .....

 G.M.  
.....  
<Name and position in Company>

In the presence of:

Name:  .....

Address: .....

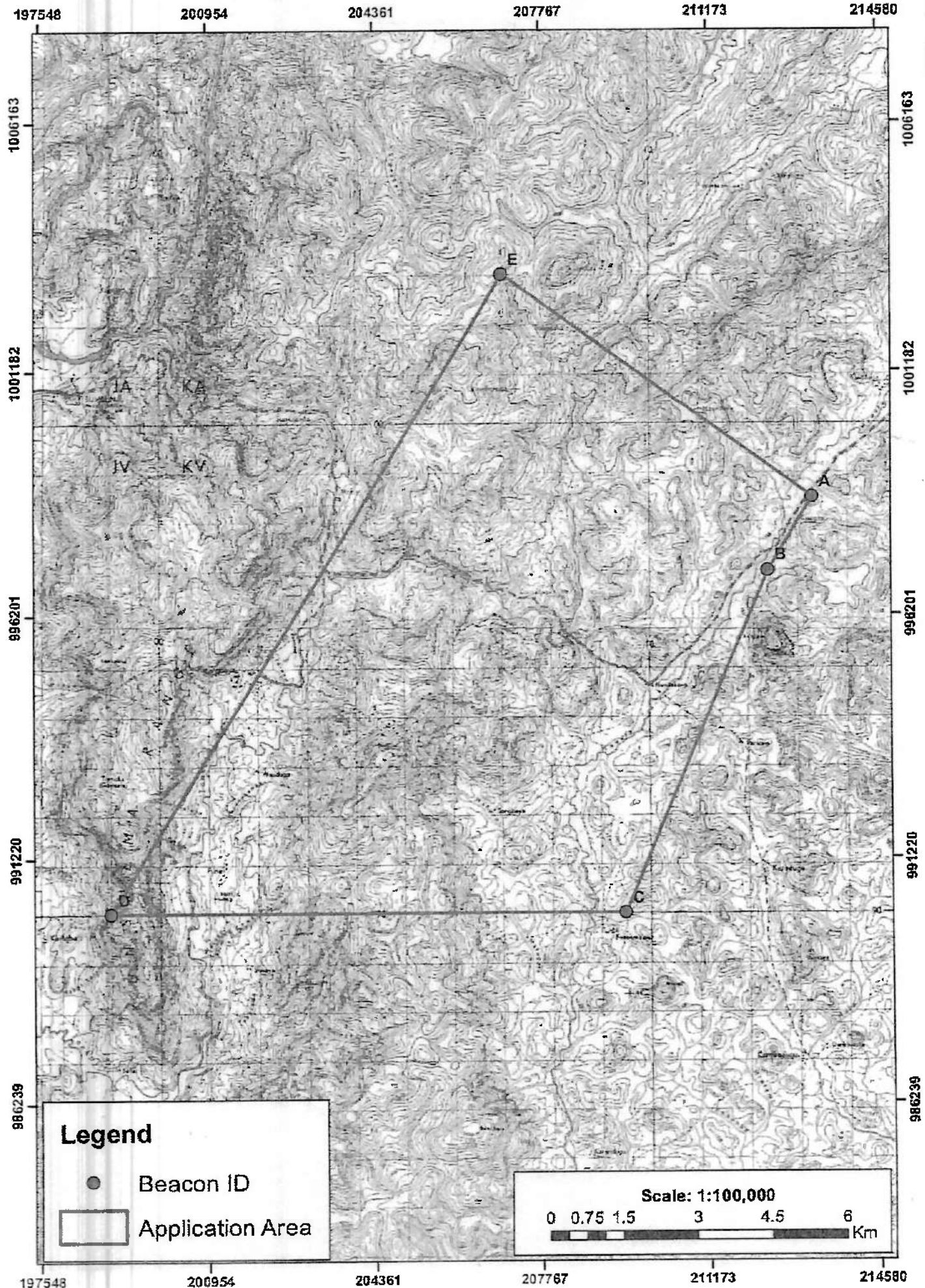
Occupation: G.M of Kingho OVERSEAS

**SCHEDULE A**

<Description and plan>

# KINGHO MINING COMPANY LIMITED

## Application for a Large-Scale Mining Licence



<b>Schedule</b>		
<b>Beacon ID</b>	<b>X-Coord</b>	<b>Y-Coord</b>
<b>A</b>	213291.7	998596.2
<b>B</b>	212391.7	997096.2
<b>C</b>	209491.7	990096.3
<b>D</b>	198991.8	990096.3
<b>E</b>	206991	1003096
<b>Area = 102.6 sq km</b>		
<b>Chiefdoms = KALANSOGIA, SAMBAIA BENDUGU, KAFE SIMIRA</b>		
<b>District = Tonkolili</b>		
<b>UTM Zone = 29N</b>		