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**CONTRACTUAL ARRANGEMENTS
FOR
URANIUM EXPLORATION AND MINING**



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FOREWORD

Uranium exploration in WOCA, although having declined from a high in 1979 - 1980 stabilized since 1985 at a level of annual expenditures of US \$ 120 - 150 million (in-year-of-expenditure-dollars). About half of this amount is funded by mining companies based in the uranium consumer countries such as the Federal Republic of Germany, France, the Republic of Korea, Japan, United Kingdom etc. and expended outside their home countries, mainly in Australia, Canada and USA, but also in a number of African countries.

As WOCA's uranium production is concentrated in a few countries, - in 1986, Australia, Canada, South Africa and USA had a combined share of nearly 70% of the total -, a stronger diversification of uranium supplies may be desirable in the future.

This expected trend may result in the planning of uranium exploration projects by international uranium companies in countries in Africa, Asia and South America, which so far do not have experience in the negotiation and conclusion of contractual arrangements for uranium exploration and mining.

To provide information which can be helpful for both parties in the negotiations of cooperation agreement is the scope of this document. It contains a brief introductory part including an overview of the development of the different forms of international cooperation, a case history provided by Zambia, a report listing the essential subjects to be included in an uranium agreement as well as an example of a structure of contractual arrangements. This part is followed by an extensive annex with three "no-names-no numbers" contract texts, which were concluded in the later part of 1970s and beginning of the 1980s.

A group of consultants invited by the IAEA assisted in the drafting of reports and the selection of contract texts during two meetings in early 1986 and 1987. The consultants, whose cooperation is gratefully acknowledged, were J. Bourrel, COGEMA, France, E. Bulling, Uranerzbergbau-GmbH., FRG, H. Fuchs, Urangesellschaft mbH., FRG and N. J. Money, Geological Survey Department, Zambia. The IAEA officer responsible for this project was E. Müller-Kahle, Division of Nuclear Fuel Cycle.

EDITORIAL NOTE

In preparing this material for the press, staff of the International Atomic Energy Agency have mounted and paginated the original manuscripts and given some attention to presentation.

The views expressed do not necessarily reflect those of the governments of the Member States or organizations under whose auspices the manuscripts were produced.

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CONTRACTUAL FORMS OF INTERNATIONAL CO-OPERATION IN THE URANIUM MINING INDUSTRY

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1. Introduction

The uranium raw material activities, including exploration, production and marketing are carried out in an international frame. Significant uranium consumers such as Belgium, the Federal Republic of Germany, France, the Republic of Korea, Japan, Sweden, Switzerland, etc. are importing variable portions of their reactor related uranium requirements. In the search for an assurance of supply, uranium exploration was started in foreign countries, which have a good uranium potential associated with an appropriate political and economical climate, and led in a number of cases to uranium discoveries and the construction of mines and mills, partly or wholly owned by foreign mining companies.

In order to show the importance of these exploration programmes carried out by consumer countries that do not have any or not sufficient own uranium resources, the yardstick of exploration expenditures in foreign countries is used: overall uranium exploration in the World Outside Centrally Planned Economy Areas (WOCA) declined from a peak in 1979 - 1980 of over 750 million US\$* they declined to 150 million in 1986 or to 20%. Compared to this, the decline of exploration funds expended in foreign countries was not as pronounced: decreases from the 1980 to 1986 amounted to 42%. If we correlate the foreign expenditures with the total WOCA expenditures incurred in 1980, to about 50% in 1986.

Now we have to answer question, which are these countries and where do they carry out their activities. The main spenders are the Federal Republic of Germany, France and Japan. In 1986, these three countries accounted for about 85% of the total foreign expenditures. The second part of the question was, where do these activities take place? Number one among these countries is Canada, followed by the USA, Australia, Niger and Gabon; in addition, smaller projects are being carried out in Senegal, Nigeria, Malawi, Zambia and Zimbabwe.

This international involvement creates the need for a sound contractual base protecting the interests of both parties, in most cases the host country and the foreign mining company, the "investor". In other cases, between 2 mining companies, one national and one foreign.

2. Contractual Forms

It was just mentioned that cooperation may occur between the host government and the foreign mining company or between two mining companies, one of which may be foreign the other national. For the purpose of this report, however, it is assumed that we refer to the desired cooperation between the host government and a foreign mining company.

*in-year-of-expenditure-dollars

In the past until today there has been a development in the basic philosophy of the contract. This change reflect the political, social and economical developments that modified our world in this century and culminated in the declaration of the permanent sovereignty of each country over its natural resources.

There are a number of different contract models from which countries can select the one which is the most suitable for its social, political and economic requirements. For the convenience of analysis, the types of contracts are classified under the following headings:

- 1) the traditional concession
- 2) production sharing contracts
- 3) service contracts and
- 4) equity sharing contracts, i.e. joint ventures

2.1 The traditional concession

This form is just called "traditional" as it was the customary type of agreement at the beginning of this century. The term "concession" means "grant" which usually covers a large area over a long time, say 50 - 100 years or more, giving the concessionaire extensive rights in exploiting one or more natural resources, such as timber, bananas, or minerals and oil.

The agreements concluded along these lines were usually very simple, as in many cases there were no special laws which needed to be considered and as there were nearly no other obligation to the host country but to make payments based on the product extracted and exported, called "royalty" and on the land held under concession.

This traditional concession had the advantage for the host government that both royalty and surface payments were very easy to levy and that no major administrative organisation was necessary.

The disadvantages include the lack of control of the host government over the land held under concession and the limitation of income other than the royalty and rather nominal surface payments, especially as attempts by the host countries failed to establish an income tax system.

These circumstances led to the renegotiation or modification of this contract type in the decades 1940-60. Today, such a model would be outdated and not acceptable to any host country, as this agreement type does not allow the host country to exercise it's full sovereignty over the natural resources of its territory.

The implication of this model for the uranium industry is not certain. It may be, that the uranium mined in the Congo under Colonial rule, was produced under a concession agreement.

2.2. The production sharing contracts

This term describes arrangements whereby the product of the mining operation is divided between the host government and the investor. Production sharing contracts have been employed mainly

in the oil industry but also in uranium exploration, and were the predominant contract in the 1960s and 1970s.

In the uranium field this contract model for example was used for a uranium project in Bolivia in the mid-1970s. Parties to this agreement, were the now defunct Bolivian Atomic Energy Commission (COBOEN), a government agency and AGIP of Italy.

The basic points of this model are as follows:

- for the Exploration Phase
 - . definition of areas for exploration
 - . duration of exploration (8 years)
 - . reduction of area
 - . budget provision
 - . financing of exploration by the contractor
- for the Construction and Production Phases
 - . financing of mine and mill construction by contractor
 - . duration (20 years)
 - . production carried out by the contractor
 - . production owned by Government
 - . production sharing:
 - one share to contractor to refund exploration and operational costs
 - remaining share of production is divided between government and contractor according to the following ratios, depending on the uranium deposit mined:

	<u>low grade</u>	<u>medium grade</u>	<u>high grade</u>
Government	32%	52%	68%
Contractor	68%	48%	32%

- . financial obligation: a tax or 3% on the share of production received by the contractor.

Here we see an arrangement, in which the role of the government is already more active than in the traditional concession agreement discussed above. Advantage for the government are:

- it owns the production of the mining operation, without making any investment, or taking risks,
- it carries out the marketing for its share of production, either within the country, if there is a need for uranium, or on foreign markets; which means the country retains the sovereignty over its natural resources.

The disadvantages, however, include:

- the necessity to monitor and control the contractor's operational costs; if they are higher than normal, the contractor receives a higher refund; in other words, the contractor has no incentive for a cost efficient operation.

It can be imagined that the main advantage of this agreement type is to receive a raw material supply without any investment or risk taking, while the contractor is obliged to do so. If this

model is applicable to the present day uranium situation is doubtful, as uranium companies may not feel the need for such a high risk exposure, especially as the lack of any title or ownership on the deposit or production is a hindrance in securing outside financing.

2.3 Service contracts

This is really a contract type closely related to the production sharing model. If we take the term "service" literally, the contractor should be paid for only its services, either in cash or in kind.

In the uranium sector, no example of a concluded service contract is known to me, but I know that governments have in the past proposed this model to companies.

Basically, the features of a service contract - they are well known in the oil industry, are that the contractor finances all the investments and/or operating expenditures. His refund either in cash or in product will cover the operating costs including the depreciation of the investments made. Apart from this reimbursement of expenses including a profit margin, no further payments are made; if this would be the case, we would have to label this kind of agreement a production-sharing type as discussed above.

As stated above, no contract of this type has been known in the uranium industry. There are, however, examples, that open pit iron deposits, where marketable ore was mined, were operated by contractors. Their investments were rather small consisting mainly of drilling machines, loaders and trucks.

2.4 Equity sharing contracts - joint ventures

Now you will say finally, we come to the most important contract model, which is widely used in uranium projects in many different countries and situations, and I am sure that this model has been proposed to many organizations by foreign parties interested in the raw material potential and especially in uranium of different countries.

Let's start with the definition of the term "joint venture". The meaning of "joint" is, that an activity is done by two or more people or parties having equal rights and obligations; the word "venture" to a wide extent has a connotation of "a risky or speculative undertaking". Even if not all of our projects are that speculative they do have an essential risk element inherent to all geological exploration activities.

These definitions indicate already the essence of the uranium joint venture: shared rights and obligations aimed at minimizing risks and, consequently, the possibility to participate in a large number of projects, thus increasing the chance of success.

Since approximately 1970 a large number of uranium joint venture agreements have been concluded between government agencies and uranium companies in South America and Africa, and an even

much larger number of such contracts have been signed between private companies that formed these partnerships to split risks and expenditures. In order to remain brief, reference is restricted to agreements made between governments, or their agencies, and private companies headquartered abroad.

When we discuss the main items of such a joint venture contract, you will notice that many different legal areas are touched. As the provisions of an arrangement must be in agreement with the laws of the host country, it is important that legal specialists take part in negotiations, who are experts in mining, investment and tax laws, accounting, and financing, export and import laws and also in laws and regulations covering the workers' safety, environmental protection, etc.

Legally, the joint venture is not an entity, but rather a group consisting of several independents which decided to pool their resources in a certain proportion for a project. For the production phase, however, it may be advantageous to incorporate a "joint production company", which then constitutes one legal entity with different shareholders.

After this description of the more theoretical aspects of a joint venture, reference is made to the remainder of this report, which includes reviews of the conditions of our agreement as seen by the different parties.

3. Cooperation objectives

Of the cooperation models reviewed (traditional concession, production sharing, service contract and the equity sharing or joint venture model) the most advanced one is the joint venture. It provides an equal base for all partners, maintains the sovereignty over mineral resources, and gives the government a chance to participate in the profit of the joint venture through its equity position as a shareholder and through taxes and royalty payable by the foreign partner.

It is the obligation of the government through its organisation participating in the joint venture to maximize its profits, and here reference to "profits" is made in a wider sense. They include not only financial gains, but also technological, development and infrastructural gains.

To reach this objective, a political decision has to be made on the national priorities among which may be the following areas:

- 1) geological-technical points
 - . development of certain deposit types
 - . introduction of new exploration methodology
 - . mining and milling techniques
- 2) infrastructure
 - . regional development
 - . employment
- 3) economics
 - . income
 - . additional capital
 - . new markets for uranium

To maximize the gains to be expected from a cooperation the objectives of the prospective partner has to be known, and the government priorities in reality have to be combined with those of the other party, if an equitable agreement is to be reached. This means that all parties concerned have to reach their maximum gains.

When it is known what the government's main objective are, expected from this joint venture, we should think of the mining companies' goals. The list of its goals may not be as long as the government's one and center mainly on financial gains associated with considerations on long term assurance of supply of uranium.

4. Final Remarks

The above has outlined the different forms of co-operation under special consideration of the joint venture. The advantages and disadvantages have been mentioned, although, so far, one important ingredient for and an effect of such a cooperation was not touched: the mutual understanding for each other's social, economic, political and human circumstances and the respect for them.

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**URANIUM AGREEMENTS — CONDITIONS CONSIDERED
FUNDAMENTAL FOR SUCH AGREEMENTS:
ZAMBIA, A CASE STUDY**

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The importance of energy as a factor in the economic and social development throughout the world was brought into sharp focus in 1973 with the escalation of conventional fuel prices. A principal effect of this for nearly all countries has been an acceleration of efforts firstly to explore and exploit new sources of conventional fossil fuels, secondly to bring about energy conservation and thirdly to develop non - conventional energy sources. As a result of this, there is an active concern almost in all countries, but especially in the industrialised north and west, as to how energy needs can actually be met i.e. how to satisfy existing demand, and how to develop additional energy supply for continued growth.

The developed countries of the world with their growing desire for better quality of life and higher demands for consumer luxuries have tended to use up vast quantum of energy in one form or another. This growing demand has resulted in search for energy producing raw materials not only within their own national boundaries but outside, including the Third World nations. In order to maintain the high standards of living, many nations deficient in energy minerals have embarked on a major energy search programme to guarantee future supplies of this essential but depleting commodity. The energy of tomorrow is as relevant as that of today.

In order to secure effective development of the uranium resources of foreign lands there is need for the Developed Nations to conclude equitable agreements with host governments, usually Developing Nations of the world. In the case of Developed Nations it is the desire for commodity for sale to secure the much needed foreign exchange. In both cases the need for a mutually profitable and acceptable agreement is necessary the terms depending on market and urgency of each party to secure supplies.

In the search for minerals in foreign lands, several factors play their part. Firstly and foremost, the potential for the required mineral or at least the geological probability should exist, and should there be data and concrete evidence, so much the better. Secondly, the political environment especially peace and order should be such to induce substantial foreign investment to explore and eventually exploit the mineral.

Thirdly, the legislative framework and indeed fiscal laws should be conducive and consistent for sustained investment, without which no major deposit can be identified let alone developed. The terms and conditions of an agreement concluded should be such to give confidence, credibility and indeed an equitable standing to contracting parties to enable stable and fruitful development.

The energy minerals of Zambia which are either prospected for or exploited include, coal, uranium, geothermal springs (hot springs) and hydrocarbon. Uranium mineralisation is known within the Precambrian metasediments of Katanga age and the Upper Karoo clastics of Permo-Triassic age.

Uranium exploration in Zambia dates from 1950's when small concentrations of uranium mineral (pitchblende) were discovered in association with copper and cobalt at Nkana Mine in Kitwe. A uranium deposit of approximately 100 tonnes grading 0.2 - 0.25 per cent U3O8 occurring within the copper bearing rocks was mined from the Mindolo Section of Nkana Mine. Apart from this occurrence, small isolated concentrations of uranium are known to occur within a limited section of the Chibuluma Mine area.

The Geological Survey Department, the arm of the Government responsible for prospecting and mapping, undertook a preliminary scintillometer survey of the Southern Province in 1957. In 1958 a preliminary airborne radiometric survey was carried out with the assistance of UK Atomic Energy and a ground reconnaissance survey was also initiated. The early findings of the Geological Survey which was followed up by the former Chartered Exploration Limited was found to be of no significance at that time and hence no further work was undertaken. However, as part of the Second National Development Plan (SNDP) a systematic geophysical survey of entire Zambia was carried out between 1967 and 1976. Six Magnetic Total Field measurements and Gamma-ray Spectrometer surveys mostly under the auspices of the Geological Survey Department resulted in a number of radiometric anomalies to be demarcated all over Zambia with significant clusters of anomalies over the Karoo clastics in the Kariba area. Ground follow-up by the Geological Survey Department especially in the Kariba area resulted in the successful demarcation of a belt of potential "uranium deposits" along the western margin of the Kariba Lake. The significant discoveries made by the Geological Survey Department and the intensity of work by the private companies resulted in the enactment of the Prescribed Minerals and Materials Act in 1976 and the establishment of the Prescribed Minerals and Materials Commission.

All rights of ownership in, of searching for, mining and disposing of, minerals are vested in the President on behalf of the Republic of Zambia. However, such rights may be acquired in accordance with the provisions of the Mines and Minerals Act, Prescribed Minerals and Materials Commission Act (PMMC Act) and the Petroleum Exploration and Production Act. The Mines and Minerals Act is the principal act as it defines several issues affecting minerals, mining and institutions. The Mines and Minerals Act does not control or regulate activities relating to prospecting, exploration for and exploitation of prescribed minerals. This is provided for in the Prescribed Minerals and Materials Act enacted in 1976 and the Regulations made thereunder.

This Act defines prescribed minerals as uranium, thorium or other naturally occurring radioactive ores and includes plutonium or other artificial elements with their respective compounds and other substance that may be prescribed to be a prescribed mineral under the Act.

The Mines and Minerals Act, in general, follows the provisions contained in the Mines and Minerals Act. The major difference lies in the establishment of a Commission which is a body corporate with perpetual succession and which is capable of suing and being sued and, subject to the provisions of the Act, of doing all such acts as a body corporate may by law perform.

The Commission consists of the Prime Minister as Chairman; the Minister of Mines as Vice-Chairman; the Minister of Power Transport and Communications; the Minister of Finance; the Permanent Secretary in the Ministry of Mines, the Permanent Secretary in the Ministry of Defence; the

Secretary-General of the National Council for Scientific Research and not more than three members appointed by His Excellency the President. An officer is appointed by His Excellency to serve as Director of the Commission and the Commission may appoint a Deputy Director and such other staff as it deems expedient.

The functions of the Commission are wide and are concerned with the search for, exploitation of and usage of radioactive minerals and materials for the production of energy. In detail these functions are:

- a) to search for, mine, extract, process and dispose of prescribed minerals and carry out research into any matters connected therewith;
- b) to import and export prescribed minerals;
- c) to produce, use and dispose of atomic energy;
- d) to acquire, process, store, transport and dispose of any radioactive substance;
- e) to regulate all matters relating to prescribed minerals, atomic energy and radioactive substances, including the acquisition of patents in all cases associated therewith;
- f) to advise Government on matters relating to prescribed minerals, atomic energy and radioactive substances and on such other matters as may be referred to it, and;
- g) to regulate and control pollution levels and other health hazards resulting from natural radiation or other causes.

The Commission may enter or execute such agreements or contracts with parties considered appropriate and suitable for the purpose of carrying out prescribed minerals operations. To this end, the Commission has powers to grant for such consideration as it may determine, a prospecting licence, an exploration licence or a mining licence to any suitable person upon such terms and conditions as it may think fit; and such conditions may include the right of the Commission to participate in prospecting, exploration, development and production from any area held under such licence.

Until the enactment of the Prescribed Minerals and Materials Act all prospecting work connected with uranium was carried out under the provisions of the PMM Act. In this regard, Agip SpA of Italy has been prospecting in Zambia since 1970 and Power Nuclear Fuel Development Corporation (PNC) of Japan since 1973. The enactment of the Act and the establishment of the Commission in 1976 necessitated these companies and others to enter into an agreement with the Commission prior to the grant of a licence. The strategic importance of uranium and indeed the principal desire that nuclear mineral should be used for peaceful purposes only, were the main reasons for seeking agreements. Furthermore, the Government felt that it needs to secure at least a modest return for its depleting asset especially if the material is not to be put to direct use in the country. Equally, it was felt that the Government should spell-out its desire and level of participation in mining ventures, from the very start thus avoiding any fear of arbitrary nationalisation at a later stage. In addition, provisions to recover cost incurred by the Government over areas where licences were granted were not to be overlooked. Thus unlike in the case of licences

granted under the PMM Act, all licences under the Prescribed Minerals and Materials Act had by law required the conclusion of an agreement wherein the additional safeguards and requirements were outlined. This has proved useful and has encouraged investment confidence. The success of this procedure has been such that all hydrocarbon explorations are also now governed by similar by similar agreements under the Petroleum Act.

The five uranium agreements concluded between foreign companies and Zambia are first, with Agip SpA of Italy in 1979; second with Saarberg Interplan Uran of the Federal Republic of Germany in 1979; third with Power Nuclear Fuel Development Corporation of Japan (PNC) in 1980; fourth, with Agip SpA in conjunction with Cogema of France in 1984 and fifth with Saarberg Interplan Uran in conjunction with Central Electricity Generating Board of Great Britain (CEGB) in 1985. All these agreements reflect the essential subjects outlined in this manual and the cardinal issues covered in all are as follows:

i) FINANCIAL INVOLVEMENT:

Zambia shall not incur any cost connected with uranium exploration and mining in the country unless otherwise agreed upon between the parties.

ii) PREVIOUS PROSPECTING COSTS INCURRED BY THE GOVERNMENT OF ZAMBIA:

All costs incurred by the Zambian Government or its Agencies for prospecting for prescribed minerals occurrences shall be recoverable from the profit of the mining companies in so far as they relate to the areas.

iii) FEASIBILITY STUDY:

A detailed feasibility study of the proposed mine development (inclusive of social and economic aspects) will be submitted by the companies on conclusion of prospecting and exploration activities, which study will be reviewed by the Commission and where necessary the Commission shall request necessary amendments.

iv) ROYALTY:

The operating company shall pay a royalty annually, based on the gross value of production of that year.

v) PROFIT PERCENT TO THE GOVERNMENT OF ZAMBIA:

The amount receivable by Zambia both in terms of royalty and taxes will represent approximately 70 percent of the profit.

vi) MINIMUM-TAKE:

Should in any one year the net amount receivable by Zambia through royalty and taxes not amount to a given figure (usually twice royalty amount) then the shortfall will be topped-up by the required sum to meet the agreed amount of "minimum take". Minimum-take is usually a percentage of the total value of production. That is to say that if no profit is made in any particular year, the minimum amount receivable in that particular year shall be royalty plus the shortfall to achieve the minimum take figure. The applicability of this provision can be varied i.e. whether to become effective upon commercial production or two-four years after that.

vii) PARTICIPATION:

Zambia shall retain her option to participate in the equity of the company in two stages (25 percent at each stage) to a maximum of 50 percent depending upon the level of recovery of the capital costs incurred by the operating companies. The level of recovered investment costs to be determined on area basis (i.e. grade and mineability).

viii) ACCOUNTING:

All accounts shall be kept in local currency.

ix) TRAINING:

Training at all levels will be given to Zambian nationals by the operating companies.

x) COMPENSATION:

Adequate compensation shall be paid by the operating companies in the event of damage to third party or property.

xi) SELLING PRICE:

Sale prices obtained for uranium shall conform to the long term arm's length contracts but notice will be taken of prevailing market prices. A detailed pricing procedure in the agreements safeguards Zambia's position to obtain the best prices.

xii) DISPUTES:

All disputes shall be referred to international arbitration.

xiii) RESTRICTION ON SALES:

Uranium shall not be sold to Zambia's enemies.

xiv) PAYMENTS TO THE GOVERNMENT OF ZAMBIA:

Zambia reserves the right to receive royalty and taxes in kind i.e. yellow cake if she so desires.

xv) RENEGOTIATION:

In the event of undue erosion to profitability as a result of new circumstances, the Commission agrees to renegotiate the terms in a manner that satisfies both parties.

xvi) MONITORING:

Companies agree to be monitored by the Commission and accept all International Safety Regulations imposed by IAEA.

xvii) EXTERNAL ACCOUNT:

Adequate provision to be provided by the Bank of Zambia to allow the operating companies to fulfil all their obligations to overseas investors, creditors, safety precautions, etc. Provision of an external

account in Zambia to be allowed but all financial operations and account of the companies both in Zambia and outside will be monitored by the Bank of Zambia for the Commission.

The agreements concluded so far embody the provisions outlined above. The provisions are precautions to safeguard the interests of Zambia and her people and therefore constitute cardinal issues.

Since the enactment of the Act and establishment of the Commission three principal agreements and two supplementary agreements have been concluded. They are the Agip agreement of 1979, Saarberg Interplan Uran Agreement of 1979 and the Power Nuclear Fuel Development Corporation Agreement of 1980. In addition, the supplementary agreements have been made to include Cogema of France and Central Electricity Generating Boards(CEGB) of Great Britain. Since the conclusion of the agreements the approximate expenditure by each company up to end of 1984 is as follows: Agip:50 million Kwacha, Saarberg:8 million Kwacha, PNC: 7 million kwacha and the Geological Survey approximately half a million kwacha. The total annual expenditure since 1976 on uranium exploration by all concerned is as follows: 1976: 1.9 million; 1977: 2.8 million; 1978: 2.5 million; 1979: 2.3 million; 1980:8.4 million; 1981:9.7 million; 1982:10.2 million; 1983:10.4 million; 1984:15.10 million; 1985:32 million; and 1986:65 million. All figures are in Zambian kwacha and up to 1984 the approximate value of kwacha was 1 for 1 US dollar. In 1985 and 1986 the value has fluctuated from 4.00 kwacha to 20 kwacha per dollar.

An average of over five million US dollars is being spent annually by the companies and Zambia is probably the only country where so many companies are still exploring which not only gives credence to the leadership and government but also to the pragmatism of the agreements. The features of the Zambian contractual agreements are considered a model worth adopting, as proof of its success has been established. In drawing up the Agreements, the Commission paid great attention to the requirements of all parties and took counsel from many organisations both within and outside Zambia.

ESSENTIAL SUBJECTS TO BE INCLUDED INTO A URANIUM EXPLORATION AND MINING AGREEMENT

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The following subjects representing a check list are considered essential issues that require to be included in any uranium exploration and mining agreement. The check list, in addition provides recommendations and an outline of the underlying concepts for each contract item. Other items suitably tailored may be required to satisfy the particular legal and technical situation of the project and the special requirements of the parties involved.

1. Exploration Phase

Exploration Phase may include a reconnaissance survey of a very short duration, followed by a prospecting phase of a longer duration.

1.1 Exploration licence:

Where applicable licences are issued according to the mining laws of the host country. Exclusivity of operation may not be applicable to the reconnaissance phase.

Size of the area and duration of the licence depends on type of project (large areas for grass-root, smaller ones for advanced projects), climate etc.

Exploration phase on successful completion must lead to issue of mining license upon application, i.e. in case of discovery of ore body(ies)

No surface payments or only nominal ones (the philosophy being that money should be spent in exploration) should be required and such payments may be graduated to reflect the stage of exploration.

1.2 Exploration area

It is useful to consider a systematic reduction of areas held under licence by the investor in order to motivate the company (joint venture) to carry out work with the minimum of delay and to ensure quicker selection of the potential target area(s),

Realistic reduction schedule should be drawn up to allow for proper evaluation according to type of project, morphology, climate etc.

1.3 Minimum exploration commitment:

The minimum annual exploration expenditures cover usually amount to fraction of the proposed annual expenditure programme from year to year or as a maximum for period of 2-3 years.

An increase in such expenditure is to be reflected in accordance with progress of the project.

Flexibility should be allowed so as to carry forward excess expenditures to the following year/s, and to compensate for any shortage in previous years, provided a minimum exploration expenditure level of each year is reached in the year concerned.

1.4 Financing of exploration expenditures:

Investor may finance a larger share to minimize the risk for the host country, which, however, could participate with cash and/or contributions in kind.

Total expenditures, which should be either inflation indexed or interests credited could be carried over to operating company and in case of success will be reimbursed prior to commercial loans.

1.5 Host country-investor relationship:

A joint venture association/relationship is recommended even if host country does not wish to participate in exploration stage. In the event the host country prefers to participate, financial contribution should be in accordance with its participating interest.

In any event the host country should participate in the joint venture's (J. V.) technical committee, to ensure an early input cum information of the host government in all facets of the exploration project.

Implementing project decisions should be made by investor(s) in relation to his share of investments.

1.6 Other minerals:

Other metals associated with U-mineralization such as gold, vanadium and molybdenum minerals etc. which cannot be mined separately, must be covered by the same agreement.

However, non-associated other minerals discovered by the J.V. and which can be mined separately should be included in accordance with host country's mining law.

1.7 Feasibility study:

It is recommended that a detailed list of aspects to be considered in the feasibility study be attached to the agreement.

The following rules apply in respect to decisions on the feasibility study. The concept of positive or negative is relative and should be weighed carefully as it is dependant on such factors as time, investment level, involvement etc.

- Negative or positive for both parties: should pose no problem. "Positive" in this context means: investor is willing to proceed towards the production plan on the basis of feasibility study(ies).
- Positive for host country, but negative for investor: host country has right to attract third party after a mutually agreed period, if found, investor has option to participate or assign, provided the assignee is acceptable to the Host Government and such assignment is accomplished within a specified period.
- Positive for investor, but negative for host country: investor should have option to develop the project alone or with third party, for which the assignment claim is applicable.

1.8 Taxation and levies:

It is recommended, that all forms of taxation, levies for personnel, services and goods imported be waived, provided such services and goods are brought in to the host country for the sole purpose of the activity under this agreement.

1.9 Termination:

Investor has the right to terminate his activities year by year after satisfactory fulfillment of all obligations, and has also the right to terminate the agreement giving due notice as described under a termination clause.

2. Production Phase

2.1 Operating Company:

Production phase is defined as actual mining of the ore and the production of either a concentrate or yellow cake. To effect this phase an Operating Company may have to be locally incorporated.

Such an Operating Company may be a joint or mixed enterprise or an entirely foreign owned mining company. The criteria for this selection include the availability of the host

government as partner, legal liabilities and other implications, taxation and marketing.

While the joint venture association between host country and the investor could continue for the purpose of ongoing exploration, the production phase would require the incorporation of an Operating Company.

2.2 Participation Ratio:

The ratio of participation between the host government and the foreign investor should be defined according to the local prevailing political philosophy, available resources etc. However, the foreign investor expects to have an interest in accordance with the risk taken by him and his objective in the project (participation in profit and/or supply of resources).

2.3 Financing of Participation Share:

Financing of the share in the participation may take anyone of the following forms or a combination of them:

Case 1: Active participation would be in accordance with the participating interest of each partner; financing of such participation consists of equity capital, loans, prepayment for sales, etc., the equity part for the host government may include a free portion, which would be dependent upon the particular fiscal regime and a number of economic and financing factors, e.g. equity capital: debt capital ratio.

Case 2: Automatic participation involves the transfer of share to the host government up to a level agreed upon by the parties upon recovery of accepted returns of investments by the investor. This concept is considered as the "minimum-take" as applied in the Zambian agreements. This is in virtue of the host country's sovereignty over its natural resources.

Case 3: Programmed participation is defined as shareholding in the Operating Company by the host government through payments by instalments for such participation from the profits of future sale proceeds.

The choice of the options for the host government as regards its participation in the Operating Company may be influenced by the project's profitability, the desired level of governmental control in the operation, socio-economic factors etc. Implications of the various operations would require to be considered and adapted as appropriate for the particular agreement at a given time.

2.4 Export of production:

The partners have the right to receive their share of production in relation to their participating interest.

However, the partners may be obliged to make a decision to market their respective shares of production after the feasibility stage in order to secure the necessary income for the Operating Company. But a mutual right of first refusal to the other partners's production share may be agreed upon.

In general, the host government should agree to unrestricted export of the investor's share of production. However, the host government may preclude the sale of the said production to certain specified buyers.

The parties should, however, agree to ensure that the production be put to peaceful uses only and accept international supervision of sales and uses.

2.5. Fiscal regime:

This includes all taxes, royalties, surface rentals, fees, etc., and the totality of fiscal obligation should be known at the conclusion of the agreement. To ensure a successful implementation of the agreement there should be little or no fluctuation in the fiscal regime since investors expect a stabilized fiscal obligations. This matter has important economic implications and therefore will always be a subject of negotiations between the host government and the investor.

The components constituting the fiscal regime may be levied by the host government on a deferred basis for a specific period so as to provide ready cash flow facilities for the Operating Company. Mutually agreed provisions, however, should be provided for, in the event of default by the Operating Company.

The fiscal regime comprise:

- production related obligations:
these include royalties, import/export taxes, etc., and have a strong impact on the economics of the project and where possible facilities to waive or reduce should be considered specially for successful implementation of even marginal projects.
- profit related obligations:
these include income taxes, corporation taxes etc. and where profits are substantial a higher regime of taxation (excess profit/additional project tax) should be considered. This concept balances the above possibility of waiving or reducing taxes for marginal projects.
- tax holidays for a certain period of time should be provided as investment incentive for promotion of projects.
- reinvestment of profits: to promote the development of certain sectors of the host country mutually agreed upon, the Operating Company should be given the option to re-invest all or a portion of the profits which otherwise externalized against granting of tax benefits.
- surface rentals.

2.6 Imports:

While accepting local legislation concerning imports, to ensure a successful implementation of the project, it is recommended that no import restrictions be placed on relevant materials and supplies required for exploration and production, provided such goods and services are not available in the host country at comparable price, quality and terms of delivery.

Duty concessions on import of equipment and tax allowances are generally considered to be of value to encourage investors to undertake projects.

2.7 Foreign currency:

Provisions for the Operating Company to conduct business through foreign account be made so as to allow access to foreign currency, to service and repay loans, make payments for equipment and supplies, and for repatriation of earnings, etc.

2.8 Local personnel and training

Local personnel shall be employed by the Operating Company at all levels and during all phases of the project, provided, however, that suitable personnel are available.

The Operating Company should provide both on-the-job training and overseas training facilities for its local employees as appropriate.

2.9 Support provision by the host country:

In order to facilitate the efficient execution of the project the host country should be obliged to give administrative support for necessary permits to secure the necessary land rights, work permits, access, power, water, telecommunications, etc. and to (re-) export materials and equipment, as appropriate.

2.10 Assignment of rights:

Provisions should be included in the Agreement to allow assignments to an affiliate of the investor.

Assignments to third parties, however, should be secured only after approval by the host country, but such approval should not, however, be unreasonably withheld.

2.11 Duration of contract:

Within the framework of existing legislation, provisions for the grant of a mining licence to the Operating Company be made for the duration of the economic life of the deposit(s).

2.12 Termination:

Within the framework of existing legislation provisions be made for the definition of obligations of the Operating Company for the termination of the project.

2.13 Disputes and arbitration:

In order to resolve disputes it is recommended that neutral specialists be used to settle technical disputes in an amicable manner. This concept saves money and time for all parties. However, when disputes cannot be resolved amicably provisions be made for arbitration through the International Chamber of Commerce or other mutually acceptable bodies. The agreement, however should nominate the selected international arbitrator.

2.14 Decision making:

Decision making both during the exploration and production phases in important matters may be achieved through simple majority, larger majority or even unanimity depending on the seriousness of the issue. However, in all cases suitable safeguards would be required to be made to protect the minority share holder(s). It may be prudent to itemize the issues for which simple or large majority or unanimity is required. Examples of such issues include operating decision, termination of the project etc. in the agreement.

2.15 Transfer of technology:

Expertise and technology of the parties comprising all fields needed to the production of yellow cake be transferred without cost to the Joint Venture or the Operating Company.

2.16 Safety

Suitable provisions for mine and radiological safety be incorporated into the agreement to protect the personnel and environment. Such safety precautions ought to be in accordance with prevailing international standards.

2.17 Environmental protection and compensation

Measures be included in the Agreement to protect the environment, along accepted international standards and mining practice.

Provisions should be included to provide compensation to third party if he/she suffers loss of use of any convenience or damage to property.

2.18 Restoration of sites

Provisions have to be included that surface and subsurface disturbances including contamination of waters caused by the activities under the agreement be restored or ameliorated in accordance with international mining practice. The cost of this exercise should be provided for by financial provisions made during the lifetime of the operation.

STRUCTURING OF AN AGREEMENT

J. BOURREL

Compagnie générale des matières nucléaires,
Vélizy-Villacoublay, France

H. FUCHS

Urangesellschaft mbH,
Frankfurt, Federal Republic of Germany

N.J. MONEY

Prescribed Minerals and Materials Commission,
Lusaka, Zambia

The structuring of an agreement into various chapters (articles) may be on a chronological sequence of events or on subject-issues. The choice may be dictated by the emphasis one wishes to place. In any event the essential subjects outlined above would of necessity have to be included in one sequence or another. The subject sequence is outlined below:

1. Preamble

The nature and type contracting parties and their expression of intent to undertake exploration/mining programme in uranium.

2. Definitions

Meaning and actual content of the terms used. If there is a special Act in the host country then this section will adopt the terms of reference contained there-in, else, clear definitions would require to be made.

3. Scope of Agreement

An outline of what is proposed to be achieved by the Agreement should be given.

4. Effective Term-Date

As to when the Agreement becomes operational, may be on the issue-date of the licence.

5. The conditions attached to Exploration Licence

6. Feasibility Study

7. Grant of Mining Licence and Conditions attached to Mining Licence

- a) Formation of an Operating Company locally incorporated
- b) Fiscal regime
- c) Participation by Host Government

8. Right and Responsibilities of the Investor (Holder)/Company

- a) Management
- b) Provision of Funds
- c) Provision of Technology

- d) Training of local manpower/transfer of Technology
- e) Waste disposal
- f) Safety
- g) Compensation
- h) Reporting

9. Rights and Responsibilities of the Host Government

- a) Management
- b) Right and title to data
- c) Assistance to Operating Company in Administrative matters (work permits/entry permits etc)
- d) Right of access, water, power etc.
- e) Monitoring of operation

10. Financial Operation

- a) Foreign accounts
- b) Accounting procedure
- c) Auditing

11. Force Majeure

12. Assignment

- a) Affiliate
- b) Third Party

13. Marketing and export

- 1. Pricing procedure
- 2. Sales
- 3. Export

14. Applicable law and language

15. Disputes and Arbitration

16. Confidentiality

17. Notices

Appendix

- 1) Description of Area
- 2) Tentative list of Personnel up to Production Phase. (Production Plan Personnel will be defined in the Feasibility Study.)

Double Agreement Requirement

In some countries it is customary to conclude two agreements, both on similar format as outlined above. The first agreement generally known as "Convention d'Association" is among the partners in which the host government may be a party (as in Gabon). The second agreement ("Convention d'Etablissement") is between the "Association" and the host government.

ANNEXES 1-3

INTRODUCTION

The following contains three texts of uranium exploration and mining agreements concluded between host government agencies and foreign uranium companies in the later part of the 1970s or early 1980s.

The attached agreement texts contain neither names nor numbers such as royalty rates, free equities etc., as it is felt that they fall under the confidentiality clauses. In addition, all business-related contract conditions are subject to lengthy negotiations between the parties involved and reflect a number of variables such as the uranium price, the supply needs, the special requirements of the parties etc. Insofar, each party has to make its own decision on the economic contract terms.

In any case, the neutral texts presented as Annex 1 - 3 can serve as guidelines or for concepts and structure of uranium agreements.

Annex 1

**SAMPLE AGREEMENT
ON URANIUM EXPLORATION AND MINING
No. 1**

This AGREEMENT is made the day of
between the GOVERNMENT OF represented herein by the Minister
of Energy and Mines (hereinafter referred to as "the GOVERNMENT") of the
first part and a company incorporated in whose
registered address in , (hereinafter referred to as a
"Company" of the second part.

WHEREAS the Company has represented that it is desirous of
developing and expanding its operations for the discovery of one or more
uranium ore deposits capable of profitable exploitation in .

WHEREAS the accomplishment of the abovementioned objective needs
the assurance of a mutually satisfactory long-term agreement which both
parties wish to accomplish in a spirit of good faith and good will.

WHEREAS the GOVERNMENT, being particularly concerned about the
development of its natural resources, recognizes the importance of this
project and wishes to participate in it and to be a party to this
Agreement.

NOW THIS AGREEMENT WITNESSES AS FOLLOWS:

I - INTRODUCTORY CLAUSES

ARTICLE 1.

DEFINITIONS

In this Agreement, unless the context otherwise requires:

- 1.1 "Affiliate" means an 'associated company' as defined
by..... .
- 1.2 "Agreement" means this Agreement and the Appendices attached
hereto, and any extension, renewal or amendment thereto
entered into by the Parties.
- 1.3 "Associated Minerals" means valuable minerals associated with
uranium which are not separately exploitable, and which can
be considered co-products and by-products of uranium, it
being understood that uranium can be principal or not
principal.
- 1.4 "Commissioning of the mill" means the date on which the
treatment plant/mill shall be completed and certain agreed
production tests satisfied with issuance of a certificate of
completion by the GOVERNMENT. Such production tests shall be
specified in the Concession Agreement, in accordance with the
contents of the feasibility study.

- 1.5 "Operating Company" means a company (the "OC") to be incorporated in _____ for the exploitation of one or several economically feasible ore bodies discovered by the Company and the equity-share of which shall be the Parties' ownership.
- 1.6 "Concession period" means the maximum duration or term of years, inclusive of any extension(s), for which any single concession shall be granted under this Agreement.
- 1.7 "Contract Area" means the areas of interest selected for prospection and intensive exploration phases referred to in Articles 5 and 6 of this Agreement.
- 1.8 "Day" "month" or "year" means Calendar day, month or year.
- 1.9 "Development" means the activities and operations and other work carried out in preparing for the removal of a deposit of uranium ore after the existence of such ore has been proven including the construction of a mine and building of an ore processing mill/treatment plant or any other installation to be used for the mining, handling, treatment or for any processing of other valuable minerals.
- 1.10 "Economically feasible ore body" means an ore body which can be exploited at a profit.
- 1.11 "Exploration Operations" means all works and activities performed by the Company during prospection and intensive exploration phases under this Agreement.
- 1.12 "Exploration Results" means all raw and processed data originating or resulting from exploration operations.
- 1.13 "Feasibility study" means a study undertaken in order to determine under which conditions an ore body discovered is commercial.
- 1.14 "Geological data" means all raw and processed data referring to geological, geophysical and geochemical information of any kind.
- 1.15 "Intensive exploration" means the work and operations performed to determine the geological characteristics and the evaluation of any deposit, including the carrying out of detailed grid drilling, trenches, pits, shaft, tunnels, and all the works and operations necessary for a proper definition of the deposits, the determination of the grade and the evaluation of reserves and other works which are essential for the carrying out of the subsequent feasibility studies.
- 1.16 "Operations area(s)" means the area(s) on which the Company or the OC is entitled or obliged, in terms of this Agreement, to exercise its rights and obligations relating to the prospecting, intensive exploration, development and exploitation operations.

- 1.17 "Ore processing mill" means any mill located in the host country built for the treatment of uranium and for the production of concentrate.
- 1.18 "Other valuable minerals" means minerals other than uranium and/or radio-active minerals which can be either associated or non-associated with uranium and/or radio-active minerals.
- 1.19 "Preliminary survey period" means a period of three years from the date of the signing of the interim agreement, which shall expire on..... .
- 1.20 "Project" means all operations and activities contemplated under this Agreement for exploring, mining and milling of uranium ore and associated minerals in the host country.
- 1.21 "Prospection" means the work and operations performed to discover, within the operation area(s), the existence of deposits of uranium or other valuable minerals and includes all work such as radiometric, geochemical and geophysical studies, topographical information, mapping, trenching, sampling, preliminary drilling and preliminary metallurgical test work.
- 1.22 "Uranium" means uranium and/or any other radio-active mineral and radio-active substance produced therefrom.
- 1.23 "U.S. Dollars" means the official currency of the United States of America.
- 1.24 "Yellow cake" or "Concentrate" means any marketable product obtained by the physical and chemical treatment of ores of uranium and associated minerals in conformity with the prevailing international standards.

ARTICLE 2.

EFFECTIVE DATE

The Agreement takes effect when it is signed by both the duly empowered representatives of the Government and the Company.

ARTICLE 3.

TITLE OF CLAUSES

The titles of the clauses in this Agreement are inserted for the convenience of reference only and shall not control or affect the meaning or construction of any of the terms and provisions hereof.

ARTICLE 4.

PRELIMINARY SURVEY

THE GOVERNMENT hereby recognizes that the Company was granted a non exclusive permission to carry out a preliminary geological survey for uranium in for a period not exceeding three years from the date of execution of the interim agreement of the areas that the Government shall be allowed to involve personnel from the Geological Survey (GS) with the Company in such survey.

During the preliminary survey period, based on a previous non exclusive permission, the GOVERNMENT reserves the right to grant exclusive permissions to other parties for prospection and exploration in specific areas within the area covered by the non-exclusive permission. The GOVERNMENT shall notify the Company in writing of any application filed by such other parties within 14 days of such application.

In that case the Company, if it so desires, file its own application, within 14 (fourteen) days of receipt of the aforesaid notice. However, the GOVERNMENT will be in no way bound to grant an exclusive permission to the Company upon such application.

II EXPLORATION

ARTICLE 5.

EXCLUSIVE PERMISSION

In the event that on or before the expiration of the preliminary survey period, the Company selects, from the areas mentioned in Appendix 1, one or several areas not exceeding in total x square kilometres, the GOVERNMENT shall grant to the Company exclusive permissions for the said areas thereto (hereinafter called "EP") for the prospection and exploration of uranium provided that:

- the selected areas are not already under EP for uranium,
- where there is more than one application for an EP for uranium for the same area the GOVERNMENT shall have the right to allocate such areas to the applicant(s) as it deems suitable,
- further to the provisions of Article 11 the rights granted under this Agreement shall not restrict the right of the Government to grant rights over other minerals not associated with uranium. The Government undertakes to ensure that the Company's operations shall not be impeded by any such grant.

ARTICLE 6.

TIME-TABLE OF EXPLORATION

The Company will have x years, following the date each EP is granted, for prospection which shall encompass the broad delineation of potential targets. At the end of the prospection phase the Company shall present a prospection report outlining the results obtained and the efforts undertaken.

At any time during the prospection phase each EP, Company shall be entitled to select for the intensive exploration phase one or more promising areas not exceeding in aggregate x square kilometres. In case several EP's are granted to the Company at different dates, the Company shall modify the previous selections in order to comply at any time with the x square kilometres limitation.

Following the prospection phase there will be an intensive exploration phase. It will cover a maximum period of years. During that period the Company will carry out a detailed exploration of the contract area and will prepare a feasibility study, if favourable occurrences warranting a feasibility study are evidenced.

It is accepted that the total period of the prospection and intensive exploration phase (i.e. x years) may be extended by a period of y years only which may be exercised at the Company's option, either at the end of the prospection phase or at the end of the intensive exploration phase.

ARTICLE 7.

RISK OF EXPLORATION AND RECOUPMENT OF EXPENDITURES

7.1 Risk of exploration

- 7.1.1 The Company shall carry out the preliminary survey and exclusive permission(s) operations at its own risk. Exploration expenses recognized as such according to the annexed rules on allowable expenses shall be calculated in US dollars (of Appendix II).
- 7.1.2 All costs and expenses shall be escalated annually from the time when the expenditures have been incurred or accrued to the date of incorporation of a local Company referred to in Article 18.2.
- 7.1.3 Such annual costs and expenditures, as listed in Appendix II and including escalation shall be audited annually by an international accounting firm, according to Article 50 of this Agreement, then submitted to the GS and approved by the Ministry of Finance before the end of the year following the year on which such costs and expenditures have occurred.
- 7.1.4 All costs and expenses incurred or accrued by the Company during the Preliminary Survey and Exclusive Permission periods shall be regarded for the purpose of this Agreement as having been incurred by the Company and shall constitute a debt from the OC to the Company. This debt shall be escalated annually in accordance with the rules specified in section 7.2 hereunder and shall be repayable in priority to the Company within the first x years after the commencement of sales. Such debt shall be stipulated and repayable in US dollars.

7.2 Recoupment of expenditures

- 7.2.1 In recognition of the expenditures made by the Company under Article 7.1. above, as adjusted for inflation, the OC upon its incorporation shall be deemed to have received a loan from the Company. The amount of this loan shall be equal to the adjusted expenditure made on preliminary survey and exclusive permission(s) periods, calculated as follows:

The adjusted amount of expenditure at the time at which this Agreement is signed shall be the nominal level of Preliminary Survey expenditure from the date of signing of the interim agreement up to that time.

The adjusted level of expenditure at the end of the year in which this Agreement is signed shall be the adjusted amount of expenditure at the time of the signing of the Agreement plus the percentage increase in the United States consumer price index between the month of the signing of the Agreement and December of that same year plus the nominal level of expenditure in the remainder of that same year.

The adjusted amount of expenditure at the end of the first year following the signing of this Agreement, and at the end of each subsequent year prior to the year in which the OC is incorporated shall be the adjusted amount of expenditure at the end of the

previous year raised by the percentage increase in the United States consumer price index over the subsequent year, plus the nominal level of the expenditure on prospection and intensive exploration during the subsequent year.

The adjusted amount of the expenditure at the date of the incorporation of the OC shall be the adjusted level of expenditure at the end of the previous year raised by the percentage increase in the United States consumer price index between the end of the previous year and the month of incorporation, plus the nominal level of expenditure on prospection and intensive exploration in the year of incorporation up to the time of the incorporation.

- 7.2.2 Notwithstanding the above, it is agreed that for the purpose of calculating the debt to be repaid by the OC to the Company, there shall be no escalation in respect of rentals except as provided in Article 19.
- 7.2.3 The loan from the Company to the OC shall bear compound interest each year from the date of incorporation of the OC until fully paid at an annual rate equal to the percentage increase in the Consumer Price Index of the United States of America during that year (measured from December to December); PROVIDED that a decision has not been made for postponement of construction as provided by Article 19.2 and 19.4. In cases of such postponement but except as may be provided in local legislation the loan from the Company shall cease to bear interest from the date the decision to postpone has been made in order to facilitate the development of the project, and as a counterpart and as provided for in the GOVERNMENT shall review the fiscal package contained in this Agreement and ascertain and make what chances are required on its part to ensure the development of the project.
- 7.2.4 The consumer price index of the United States of America shall be as published on the agreement date in the International Monetary Fund's International Finance Statistics.

ARTICLE 8.

RELINQUISHMENT

The Company shall be allowed to relinquish at any time, either wholly or in part, any of the areas selected for prospection and intensive exploration and covered by the exclusive permission(s). However, it shall, by the end of the following years, have relinquished part of the contract area so that it shall not have respectively more than:

Prospection phase

Year	a	km ²	in aggregate
Year	b	km ²	in aggregate
Year (if the Company applies for an extension of the prospection phase)	c	km ²	in aggregate

Intensive exploration phase

Year	d	km ²	in aggregate
Year	e	km ²	in aggregate
Year	f	km ²	in aggregate
Year	g	km ²	in aggregate
Year	h	km ²	in aggregate
Year	i	km ²	in aggregate;

Provided that the Company shall not be allowed to extend the period of the EP beyond x years. If the Company shows that it has for good reason vigorously and diligently undertaken prospection and exploration efforts, the GOVERNMENT may, at the Company's request, waive for x years the respective allowable area requirements.

ARTICLE 9.

AREA RENTALS

To ensure prompt relinquishment of the Contract area the Company shall pay area rentals at the beginning of each year for the maximum area held under Exclusive Permission(s) at any date during each year according to the following schedule:

-	For Year	a	of each EP.	a	US\$ per square kilometer
-	For Year	b	"	b	"
-	For Year	c	"	c	"
-	For Year	d	"	d	"
-	For Year	e	"	e	"
-	For Year	f	"	f	"
-	For Year	g	"	g	"
-	For Year	h	"	h	"
-	For Year	i	"	i	"
-	For Year	j	"	j	"
-	For Year	k	"	k	"

(subsequent to the submission feasibility study and selection of areas for exploitation).

These dollar values are expressed in the prices of , , and will apply until the end of 19 . At the end of 19.., and of each subsequent year, the value will be raised by the annual increase in the consumer price index of the United States of America during that year (measured from December to December). The adjusted values at the end of each year will apply during the immediately following year.

Rentals shall become due and payable on the 15th day of January of each year of the EP on the basis of the last published index value. As soon as the index value shall have been published for the month of December of the year immediately preceding the year when such rentals are to be paid a readjustment shall be made and the Company shall pay the readjusted amount/difference within 30 days of the publication of such index.

ARTICLE 10.

10.1 WORK PROGRAMME AND BUDGETS

- 10.1 On or before November 1st of each calendar year during the Exclusive Permission(s) period, the Company shall submit to the GOVERNMENT a recommended work programme for the contract area and relevant budget for the twelve (12) months period beginning on the 1st day of January of the following year. Each work programme and budget shall be prepared by the Company with such detail as to specify the methodological approach which the Company will carry out and the scope and area involved for each group of operations.
- 10.2 Should the GOVERNMENT need clarification as to specific features of the work programme and budget or wish to propose some revision, it shall within thirty (30) days after receipt thereof inform the Company specifying in reasonable detail its reasons therefor. Promptly thereafter, the Company shall meet with the GOVERNMENT in order to discuss the GOVERNMENT's comments and to reach an agreement on the revision proposed by the GOVERNMENT.
- 10.3 The GOVERNMENT will not request any change or revision of a work programme which would result in an increase of more than ten per cent (10%) of the relevant budget. Moreover, no change or revision of a Work Programme will be made that could lead, as a consequence, to an alteration of the general objective of the said work programme or to a modification of the methods applied by the Company or to a change of the area involved by the proposed operations for each group of operations. It is understood that the Company shall prospect and develop the areas vigorously.
- 10.4 The Company shall be obliged to incur a minimum amount of expenditure during the intensive exploration phase as follows:-
- (a) for the first year thereof at the rate of US\$ a per square kilometre;
 - (b) for the second year thereof at the rate of US\$ b per square kilometre;
 - (c) for the third year thereof at the rate of US\$ c per square kilometre;
 - (d) for the fourth year thereof at the rate of US\$ d per square kilometre;

PROVIDED that

- (i) for the and years the Company shall not spend less than an aggregate of US\$ x , and for the and years not less than an aggregate of US\$ y ;
- (ii) The Company shall be entitled to carry forward -
 - (a) to the second year any amount spent in excess of the first year's requirement, and
 - (b) to the fourth year any amount spent in excess of the third year's requirement.

(iii) the aforesaid minimum requirements shall be reduced on a pro rata basis in the event the feasibility study is presented by the Company before the scheduled time or the amount of land relinquished is in excess of the amount required to be relinquished by the Company under Article 8.

- 10.5 Should the GOVERNMENT fail to notify the Company of any proposed revision within the period mentioned in paragraph 10.2 above, the work programme and budget shall be deemed to be agreed upon.

When considering Work Programmes and Budgets communicated by the Company, the GOVERNMENT shall give due consideration to the fact

that the Company alone carries by itself the risks of and provides the necessary funds for the said operations and that, for this reason, insofar as possible, Work Programmes and Budgets will be carried as prescribed by the Company.

- 10.6 Should the Work Programme and budget of a calendar year have to be revised in the course of such year in the light of changing circumstances, the appropriate revisions shall be submitted for GOVERNMENT's approval. The GOVERNMENT shall, within fifteen (15) days after the receipt of the same, either approve the proposed revision or request any clarification, failing which such revision shall be deemed to be agreed upon. In case some clarification is needed, the same 15 days delay shall apply for GOVERNMENT's approval from the date on which the Company shall have submitted the required clarification or shall have given the additional information on said proposed revision, provided that the maximum delay for approval of a revision, of a work programme and budget could not extend beyond thirty (30) days after receipt by the GOVERNMENT of a proposal for revision. GOVERNMENT's approval shall not be unreasonably withheld.

- 10.7 If the Company fails to perform its financial aggregate commitments under the annual work programme referred to in Article 10.4(i), the GOVERNMENT may request the Company to furnish security by way of an annual performance bond for the year thereafter.

Such bond shall be provided by the Company through a bank or a bonding company acceptable to the GOVERNMENT in the sum of money representing twenty (20) per cent of the budget for the respective annual work programme as established and revised in accordance with Article 10.3.

- 10.8 If the Company fails to perform its financial commitments under the annual work programme budgets covered by the bond, the bond shall be forfeited to the extent of the amount of the work budget that the Company fails to fulfil under the work programme and relevant budget.

The bond shall after its expiration be discharged and returned by the GOVERNMENT to the bank or bonding company provided that the budget as established and revised have been completed.

- 10.9 Bank interest and charges paid by the Company with respect to the bonds delivered under this Agreement shall be treated as part of allowable exploration expenses.

ARTICLE 11.

Other Valuable Minerals

Other valuable minerals associated with uranium, i.e. not separately exploitable, which can be considered by-products and co-products, shall be subject to the present Agreement.

Other valuable minerals which are not associated with uranium but which are discovered by the Company during the period of the Exclusive Permission(s) shall not be subject to this Agreement.

However, subject to the Mining Law, and provided no prior exclusive mining rights have been granted, the Company may apply to the GOVERNMENT to obtain the required mining titles for exploration and exploitation of such minerals discovered by the Company. In that case, the GOVERNMENT will grant to the Company priority when negotiating and granting such mining titles, provided that it is understood and agreed that the GOVERNMENT shall be entitled to grant the titles to other companies offering better terms.

In the event other companies have applied and have offered better terms, the GOVERNMENT shall notify the Company who shall have a right of first refusal for six weeks after receipt of such notification.

ARTICLE 12.

Licences and Permits

- (a) The GOVERNMENT shall expedite the necessary permissions and authorizations for the grant to the Company and its personnel and to its subcontractors and suppliers and their personnel of:
- necessary import licences required in respect of uranium exploration equipment and supplies including but not limited to drilling equipment, aircraft, boats, vehicles, spare parts, fuel, lubricants, food items;
 - and such other licences, permits and certificates as may be required for the operations of the Preliminary Survey and Exclusive Permission periods and for the orderly development of the project contemplated hereby.
- (b) The GOVERNMENT shall grant to the Company the required permits and consents necessary for the operation of a radio network and other communication equipment as well as of any necessary airstrip(s).

ARTICLE 13.

REPORTING

The Company shall supply all geological, geophysical, radiometric and other technical information relating to the contract area and its activities by monthly progress reports and campaign ending

reports within 3 months of the end of each field season. Such information will include raw and processed analytical data, copies of originals of assay results, field data, statistical data and all reports, evaluations and other information of any kind collected during prospection and exploration activities. Samples shall be kept at the disposal of the GOVERNMENT at the Company's facilities. The Company shall provide the GS with duplicate rock and geochemical samples which are to be examined analytically.

The information will also include copies of the originals from drilling reports. In the event of withdrawal, the Company will issue and provide a Final Exploration Report with a detailed analysis of available information.

The GOVERNMENT may, if necessary, prescribe rules and forms for the provision of the above mentioned technical information. All such information shall be confidential subject to the provisions of Article 14.

ARTICLE 14.

CONFIDENTIALITY

The parties shall treat all information relating to the mining deposit, to prospection, exploration and feasibility study, reports and other records as confidential and shall not disclose any such information to third parties during the existence of this Agreement without the prior written consent of the other party, which consent shall not be unreasonably withheld. Such confidentiality shall not pertain to areas relinquished by the Company.

ARTICLE 15.

NON-DISCOVERY

If the Company does not discover a deposit, it may notify the GOVERNMENT at any time of this result. In that case, it shall pay any rentals or other financial charges due for the respective year and may withdraw.

However, the Company shall produce a Final Exploration Report describing coherently its efforts, its results, backed by any appropriate data, reports, evaluations and findings.

The GOVERNMENT shall thereupon be free to use the areas as it deems fit.

III - FEASIBILITY STUDY AND START-UP OF CONSTRUCTION

ARTICLE 16.

FEASIBILITY STUDY

- 16.1 If the Company discovers during the exploration stage one or more deposits which might justify a commercial mining venture, it shall notify the GOVERNMENT immediately. It shall, up to the last day

of the intensive exploration phase, if possible at an earlier date, submit a feasibility study to the GOVERNMENT. This feasibility study shall be drawn up according to the most modern practices of the international uranium mining industry and shall deal in detail, supported by appropriate data, with the issues laid down in Appendix III.

- 16.2 The feasibility study shall provide all the elements permitting to properly assess the project from a technical, economic and financial standpoint, determining in particular the conditions under which the ore bodies can be exploited so that appropriate decisions can be made regarding their future development.
- 16.3 The Company shall have the option to carry out itself the feasibility study or, with the GOVERNMENT's prior approval, to have it undertaken by an independent internationally reputed consulting firm.

ARTICLE 17.

EXAMINATION OF THE FEASIBILITY STUDY

Should the Company carry out by itself the feasibility study, the GOVERNMENT may have such feasibility study examined by an internationally reputed expert selected by the GOVERNMENT in consultation with the Company and such examination shall be completed within one hundred and eighty days (180) from the date of selection of such expert. It shall bear the expenses, but it can request the Company to assist the GOVERNMENT by contributing to the expenses of such examination and of additional technical assistance during the feasibility phase to the limit of one half (1/2) per cent of the last audited amount of allowable exploration expenses prior to the implementation of the feasibility study.

If the examination indicates substantial disagreement with the feasibility study as drawn up by the Company, the GOVERNMENT and the Company shall discuss and attempt to reach an agreement on the contents of the feasibility study: If no agreement is reached, they shall jointly select, a team of 3 experts of international reputation in the uranium industry which shall be obliged to render a final opinion which shall be accepted by both parties.

ARTICLE 18.

GRANT OF MINING CONCESSION

- 18.1 After acceptance of the feasibility study by both parties, the Company shall apply for one or several Mining Concessions and the GOVERNMENT shall within 2 months of this application grant the same in respect of the areas delineated and aggregating for the whole not more than x square kilometres for y years. The Mining Concession Agreement shall contain a provision to the effect that the aforesaid concessions shall upon application be extended for respective periods of z years, as long as ore reserves allow future production.

- 18.2 Within three (3) months from the grant of the first Mining Concession, the Company, acting as founding shareholder on behalf of future shareholders, shall incorporate an OC in the host country.
- 18.3 The Mining Concession(s) shall be transferred free of any charges to the OC upon incorporation and a Concession Agreement shall be concluded between the GOVERNMENT and the OC incorporating all the provisions of the present agreement insofar as they concern the OC and the Concession period. Such provisions shall bind and entitle the OC.

The Concessions granted by the GOVERNMENT shall be attached and shall form an essential part of the Concession Agreement. The parties who accept the terms and conditions of this Agreement shall be bound to all the terms and conditions of the Concession Agreement.

ARTICLE 19.

IMPLEMENTATION OF CONSTRUCTION

- 19.1 The decision for implementation and construction of the milling and mining facilities shall be vested in the OC. The GOVERNMENT and the Company hereby commit themselves to develop the deposit(s) as soon as possible when the prevailing economic circumstances and market conditions can support a positive decision for immediate investments.

The Board of Directors shall on its first (or subsequent) meeting decide on the question according to Article 22.

- 19.2 If the parties both agree that due to the present economic and market situation the deposit(s) cannot be developed, postponement of the construction shall be decided by the Board of Directors. The parties shall meet periodically at each other's request, in Board meetings, to review the situation and to strive, directly and indirectly, for improving the technical, economical and financial conditions of the project to make it viable.

(i) The undermentioned appropriate changes in that regard may be agreed upon by the GOVERNMENT and the Company in an equitable manner with due consideration to the respective interests of both parties in order to make the project viable:

- the Company might waive part or all of its rights to the loan due by the OC (either on the interest and/or the timing of the reimbursement itself).
- the GOVERNMENT might grant more favourable financial conditions to the OC (either a reduced royalty rate and/or a reduced tax rate and/or a reduced free share in the OC).

(ii) If the parties cannot find in accordance with (i) above a solution to make the project viable, then they shall envisage according to Article 19.5 the introduction of a third party if such introduction is likely to improve and speed up the project.

- (iii) During the postponement of the implementation of the project and as long as both parties agree for such postponement, the mining rights given under the concession(s) shall not be reduced in any manner.

19.3 If in accordance with Article 22 the Company votes in favour of developing the project immediately and the GOVERNMENT votes against, then postponement of the construction shall occur.

- (i) In this case, a panel of experts shall be called upon according to Article 60. The experts shall be asked to review the economic and market reasons given by both parties in support of their decisions taking due consideration of the respective interests of the parties in the framework of the Agreement.

- (ii) if the experts agree with the reasons given by the GOVERNMENT then the decision to postpone construction shall be maintained and the parties shall only reverse such decision by the same means as stated in Article 19.2(i) above.

During the postponement of the construction, the mining rights given under the concession(s) shall not be reduced in any manner.

- (iii) If the experts disagree with the reasons given by the GOVERNMENT, and if the GOVERNMENT maintains its decision to postpone the construction, the Company shall be entitled to a just and equitable financial compensation taking into consideration the investment realized by the Company and the loss of anticipated income. Until such compensation is paid, the mining rights given under the concession(s) shall not be reduced in any manner.

19.4 If in accordance with Article 22 of this Agreement the GOVERNMENT votes in favour of developing the project immediately and the Company votes against then postponement of construction shall occur.

- (i) In this case a panel of experts shall be called upon according to Article 60. The experts shall be asked to review the economic and market reasons given by both parties in support of their decisions, taking due consideration of the respective interests of the parties in the framework of the Agreement.

- (ii) If the experts agree with the reasons given by the Company, then the decision to postpone construction shall be maintained and the parties shall only reverse such decision by the same means as stated in Article 19.2, 19.2(i) and 19.2(ii).

During a period of x years reckoned from the date when such decision of postponement has been made, the introduction of a third party shall be conditional upon the acceptance by both parties and shall occur in accordance with Article 19.5. After this period, the Company shall be bound to accept a third party proposed by the GOVERNMENT, if any, subject to Article 19.5. During the postponement of the construction and for as long as the experts agree with the reasons given by the Company for such decision, the mining rights given under the concession(s) shall not be reduced in any manner.

(iii) If the experts disagree with the reasons given by the Company, then the decision to postpone might be maintained if the Company does not reverse its decision. The parties shall try first to improve the economic situation of the project by the same means as stated in Article 19.2 and 19.2(i). The Company shall waive all future interest charges on the debt from the OC without counterpart consideration from the GOVERNMENT. The GOVERNMENT shall be entitled to find at any time a third party if such introduction is likely to improve and speed up the project, and the Company shall be bound to accept such third party under the following conditions:

- a) The Company shall relinquish its right to appoint a General Manager and its majority shareholding within the OC to this third party (at least 50 per cent and, at the Company's option, up to 100 per cent of its shares).
- b) The third party shall comply with all the provisions of the Agreement and shall be bound further to start the construction of mining and milling facilities within a period of twelve months from the date of the signature of the deed of assignment, failing which the interest of such third party shall be reassigned back to the Company.
- c) The third party shall reimburse the Company on a pro rata basis of the interests assigned to the total amount of the debt of the OC to the Company plus escalation calculated on rentals; payment to the Company by the third party shall be made upon the signature of the deed of assignment. If the interest of the third party is reassigned to the Company, it shall reimburse the third party for a consideration equal to the amount paid to it.

If after x years from the date of the initial decision to postpone the investment, the parties have found no solution among themselves or with a third party and the decision of investment has not been made, then a panel of experts will be called upon again.

If the Company maintains its original decision and the experts disagree with the reasons given by the Company, the mining rights given under the concession(s) may be withdrawn by the GOVERNMENT within sixty (60) days of the date the experts rendered their decision and the Company shall forfeit all rights to compensations.

19.5 When calling upon the introduction of a third party, the following terms shall be met, except in the case of Article 19.4(iii):

- (a) The third party shall be bound by all provisions and obligations of the Agreement.
- (b) The Company shall transfer to the third party not more than 50 per cent of its shareholding in the OC, and may retain the right to appoint the General Manager.

(c) The third party shall reimburse the Company on a pro rata basis of the interests assigned to the total amount of the debt of the OC to the Company plus escalation calculated on rentals from the time they have been paid to the time of the deed of assignment, plus a bonus calculated on the debt exception of rentals of:

- up to x per cent for the x years following the date of the decision to postpone unless such bonus prohibits the introduction of a third party.
- y per cent during the a and b years.
- y per cent during the c and d years.
- z per cent during the e and f years.
- 0 per cent after the end of the f year.

Reimbursement by the third party to the Company made within thirty (30) days following the deed of assignment. For the purpose of this clause, a third party shall mean any external Company other than the OC or the Company or the GOVERNMENT or any of their affiliates.

IV - ORGANISATION OF THE OPERATING COMPANY (OC)

ARTICLE 20.

JOINT VENTURE PRINCIPLES

The Operating Company shall be organized with the following objectives in mind: Operations shall be conducted exclusively through an Operating Company, incorporated in the host country, with shares distributed between the Company and the GOVERNMENT. The distribution of shares shall vary as the GOVERNMENT exercises its options. Management powers shall be so distributed that the GOVERNMENT, irrespective of its equity share, shall appoint the majority of the Board including the chairman of the Board. The Company shall appoint the General Manager who shall be responsible for executing Board policies and for day-to-day management. After a period of ten years from the commissioning of the mill both parties shall attempt to "nationalize" the position of the General Manager and after a period of five years the Chief Financial Controller.

In any event, the GOVERNMENT recognizes the special abilities of the Company in managing the OC and shall not interfere in a way which would be detrimental to the efficiency of operations. The Company recognizes the GOVERNMENT's constant policies to implement the principles of permanent sovereignty over natural resources through cooperation with foreign investors. The OC shall be bound by all Acts, regulations and statutory restrictions enacted by the host country.

ARTICLE 21.

COMPANY AND CAPITAL STRUCTURE

- 21.1 The Articles of Association of the Company shall at all times reflect the GOVERNMENT's participation which can be 'minor' or 'major' as defined hereunder.

21.1.1 Company Structure

Upon incorporation of the OC, the parties shall in accordance with Article 19 of this Agreement, take the decision for starting the construction of a mine and mill and for implementing the related investments. Should the parties decide to postpone the construction of these facilities, the OC shall issue such amount of the authorized share capital as necessary to cover the initial expenditure up to the date of the construction decision.

21.1.2 The following rules shall apply for the issue and allotment of shares;

- (i) in remuneration of the assets in kind represented by the Concession(s) and the rights and privileges attached to the said Concessions, the OC shall issue and allot to the GOVERNMENT or its nominees x% of the share capital of the OC which share interest shall be non-contributory for equity purposes and shall be free of any and all requirements or obligations to provide additional equity, if any related to this x% free share, should the same be required in the future to develop the property subject to the undertaking given in Article 29.
- (ii) x% of the share capital shall be thereafter issued and allotted to and paid for by the Company.
- (iii) Within an optional period of one hundred and fifty (150) days from the first issue of shares, in accordance with 21.1.1 above, or from the date of incorporation, should the parties decide on that date to start the construction of the mill and the mine, or, if there is a waiting period, from the date on which a decision is made to start the construction of the mill and of the mine, the GOVERNMENT or its nominees shall notify the OC of its or their intention to participate further in the enterprise by acquiring the whole or part of the remaining x% contributory part of the share capital to be issued.

In the event the GOVERNMENT exercises its option and notifies the OC of its intention to subscribe only part of the remaining share capital to be issued such remaining part not subscribed by the GOVERNMENT shall be issued and allotted to the Company.

In the event the GOVERNMENT or its nominees determine not to participate further in the share capital of the Company, the remaining x% contributory part of the share capital to be issued after incorporation of the Company shall be issued to the Company on termination of the optional period referred to hereupon.

- (iv) The cost to the GOVERNMENT of such further GOVERNMENT shareholding interest shall be the same as the cost of the shares of the Company held by the Company under section (ii) above.
- (v) In the event that, at the expiration of the 150 days specified above, the participation of the GOVERNMENT in the share capital of the Company has not reached x% the GOVERNMENT shall

have the right, at any time after the expiration of the aforesaid period, to purchase from the

Company such number of shares up to x% of the share capital to obtain the participation. The selling price of

such shares shall be determined in accordance with the criteria, methods and practices generally in use in the international mining industry.

If necessary, the determination shall be made by independent valuers appointed by the parties. The valuers shall be persons of standing in the investment business and familiar with the uranium industry.

ARTICLE 22.

BOARD OF DIRECTORS

The Company shall have a Board of Directors (the "Board") which shall have at least nine (9) voting members. Five (5) voting members - or a proportionate number - shall be appointed by the GOVERNMENT; 4 (four) voting members - or a proportionate number - shall be appointed by the Company. The General Manager shall be ex officio, a non-voting member on the Board. The Chairman of the Board shall represent the OC and he shall be a citizen of the host country. The Vice Chairman shall be appointed by the Company.

Decisions of the Board shall be by simple majority except that the matters listed hereunder shall require a vote of the Directors representing at least x% of the equity share and the concurrence of at least two parties not affiliated with each other:

- a) decision of exploitation,
- b) approval of work programmes and budgets,
- c) approval of financial statements,
- d) reimbursement of shareholder's advances and dividend policy,
- e) incurring debt whether long term or short term exceeding US\$ x,
- f) contracts between the OC and any other institution, agency or person in which either the GOVERNMENT, the Company or any of the Board members or chief officers or members of their family, has an interest, directly or indirectly,
- g) appointment and dismissal of officers including the General Manager and determination of compensation, bonuses and terms of employment,
- h) contracts for the development of the mine or mill exceeding US\$ x,*

* plus price escalation at the start of commercial production, on the basis of increase in value of the Consumer Price Index of the United States of America from the date of signing of this Agreement up to that date.

- i) modification in the capacity of the mine, treatment plant and any associated modifications in any other facility,
- j) altering the quality specification of the yellow cake,
- k) application of mining titles in order to exploit other minerals,
- l) uses of the treatment plant for the toll treatment of ore mined outside the concession,
- m) investment in the securities of another company,
- n) acquisition or disposal of assets valued in excess of US\$ x,*
- o) appointment and changing of auditors,
- p) change in the constitution of the OC,
- q) increase of capital of the OC by issue of additional shares,
- r) engaging in any new line of business,
- s) union agreements,
- t) agreements with the GOVERNMENT concerning the construction of infrastructures (Article 35),
- u) approval of sales prices for disposal of yellow cake under long-term and short-term contracts,
- v) marketing policies including fixing of commissions.

ARTICLE 23.

INCREASE OF CAPITAL

Should the OC decide to increase its share capital, the Company shall subscribe and pay for the new shares in proportion to its respective participation in the share capital.

The GOVERNMENT shall pay in proportion of its share minus the x% non-contributory free interest - as referred to in Article 21. The value of the assets in kind shall therefore be increased proportionately with the increase in capital, so as to maintain at any time the x% free share.

Should any party not wish to subscribe the whole or part of the increased share capital, the other party may subscribe and pay for the remaining portion or, subject to the prior written consent of the non subscribing party, the remaining share may be offered and sold to an identified third party.

* plus price escalation at the start of commercial production, on the basis of increase in value of the Consumer Price Index of the United States of America from the date of signing of this Agreement up to that date.

ARTICLE 24.

PROCEDURES OF THE BOARD OF DIRECTORS

The parties shall grant authority to their respective directors to make all necessary commitments on behalf of their respective principals. The directors shall treat information received as confidential and shall not disclose them outside the GOVERNMENT and the Company.

The Directors shall have the duty to cause the OC to conduct its business in an efficient and economical way, in the best interest of the OC with a view of achieving over a long term period the best possible rate of return on investment and in accordance with accepted business principles.

ARTICLE 25.

MANAGEMENT

The General Manager shall be in charge of general management. He shall be responsible for and have control over day-to-day operations of the OC subject to the direction and control of the Board.

A Chief Financial Controller shall be responsible to the General Manager for accounting and reporting on financial matters.

The General Manager and the Chief Financial Controller shall be appointed and dismissed by the Board. From year a to year b following the commissioning of the mill, the Company shall, after consultation with and with the consent of the GOVERNMENT, nominate the General Manager for appointment by the Board of Directors. From year a to year c following the commissioning of the mill, the Company shall also in consultation with and with the consent of the GOVERNMENT, nominate the Chief Financial Controller for appointment by the Board.

At the end of x years period, the GOVERNMENT shall, after consultation with the Company, have the right to nominate the Chief Financial Controller. After a period of y years from the commissioning of the mill the GOVERNMENT and the Company shall appoint a suitable citizen of the host country as General Manager.

The General Manager shall have the necessary qualifications and professional experiences, which according to accepted practices in the international mining industry, make him suitable to manage a project of the dimensions as envisaged in this Agreement.

ARTICLE 26.

MANAGEMENT AND BOARD

The General Manager shall report regularly to the Board on progress and projections. He shall seek the Board's directions for policies of the OC. He shall answer to the Board on all questions put to him and open up the books for inspection.

In particular, the following issues shall be submitted to the Board for prior approval:

- marketing policies and pricing mechanism, in particular all major sales contracts (e.g. extending over a period of x months or involving more than US\$ x* to one customer over a x months' period),
- union contracts,
- financing policies, in particular all loan contracts exceeding US\$ x*,
- contracts for the purchase, sale and rental of equipment, services and land exceeding US\$ x* contracts between US\$ y* and US\$ z* shall be reported as soon as possible to the next Board meeting,
- production policies, cut-off grade of ores,
- substantial expansion of facilities or reduction of facilities,
- approval of annual investment, production and exploration programme and budget, as well as extraordinary budgets and modifications,
- approval of all transactions between on the one hand the OC and on the other hand either its chief officers, or its directors or family members thereof, or the shareholders and/or affiliates of the shareholders.

ARTICLE 27.

PROCEDURE IN CASE OF DISAGREEMENT

- 27.1 Both parties shall attempt to obtain unanimity in the spirit of goodwill and with the objective of managing the OC in accordance with accepted business principles. If they should disagree on an issue, it shall be referred to the next Board meeting. If no agreement is reached, the Minister of Energy and Mines and the Chief Executive of the Company or their respective representatives shall meet and attempt to find a solution.
- 27.2 If the above course fails or if both parties choose not to take such procedure, the disagreement shall be resolved as provided for by Article 59.

* plus price escalation at the start of commissioning of the mill on the basis of increase in value of the Consumer Price Index of the United States of America from the date of signing of this Agreement up to that date.

V - FINANCIAL REGIME

ARTICLE 28.

GENERAL PRINCIPLES

The financial regime for the OC and the Company shall be governed by the principle according to which the host country expects a reasonable return in economic value for the exploitation of non-renewable natural resources under its national sovereignty while the Company expects a reasonable return on its investment with special account to be taken for the high risks of exploration, the terms and conditions prevailing elsewhere in the industry and any special efficiency to be gained by particularly good performance of the Company.

This principle implies that the risk of a decline in market price for uranium shall be shared by both parties, but also that a surge in uranium prices resulting in unexpected profitability shall be shared by both parties.

ARTICLE 29.

PROJECT FINANCING

It is hereby agreed that the OC shall finance its investment in accordance with the practices of the international uranium industry.

The GOVERNMENT and the Company shall particularly make their best efforts for the OC to find loans on the international capital market.

Both parties commit themselves to provide, if necessary, interest-bearing advances for the financing of the project, the GOVERNMENT through goods, services and products or cash in local currency.

These advances shall be repayable to the GOVERNMENT and the Company by the OC according to the decision of the Board.

The GOVERNMENT may elect to apply such cash advances as payment for shares which will be then issued in addition to shares previously issued through a corresponding increase of the OC's capital. The GOVERNMENT and the Company commit themselves, if necessary, to make available their shares in the equity of the OC as security to lenders for financing the project.

Subsequent to the submission of the feasibility study, the GOVERNMENT and the Company shall decide, in consultation with project sponsors, on a suitable debt/equity ratio.

Such ratio shall be in accordance with current uranium industry practice.

It is at present envisaged that such ratio should be in a range not exceeding the rate of x : y .

Should the GOVERNMENT decide not to provide such advances by way of cash payment in local currency, it shall furnish the corresponding part of the advance through the supply of goods and services, provided that these are valued at reasonable rates and are competitive with similar goods and services provided by external suppliers and contractors.

ARTICLE 30.

WASTE DISPOSAL AREAS

For waste disposal areas in respect of waste from the milling plant or from the leaching of waste there shall be an additional fee of US\$ x:- per acre. This rate shall be adjusted according to Article 9.

This fee shall apply to those areas designated as waste disposal areas by the OC and for such time as the areas continue to be used for that purpose.

The OC shall be obliged to keep all waste disposal areas in a safe condition.

The waste disposal areas as for all other areas contained in the concession shall be subject to the provisions of Articles 55 and 43 in respect of termination and of protection of environment.

ARTICLE 31.

ROYALTIES

- (i) The Company shall be liable to pay a royalty on all minerals produced and sold by the OC. Such royalties may be payable in kind, provided that the GOVERNMENT shall give to the OC 6 (six) months prior notice of its exercise of this option.
- (ii) From the date of commissioning of the mill, the OC shall be liable to pay to Government an annual royalty calculated at the rate of x per cent of the sales value of the minerals. This rate shall be increased to y per cent if the ratio of the total annual production costs including operating costs, interest, amortization, depreciation and the x per cent royalty to the annual sales value is less than z per cent.
- (iii) For the purpose of this clause, production costs shall include all charges, whether direct or indirect, incurred or accrued in any year by the OC for the production of yellow cake.
- (iv) Upon application by the OC yellow cake recovered from heap leaching or in situ leaching or from especially low grade deposits recognized as such by the GOVERNMENT shall be subject to 1/2 (one half) of the regular royalty rate. It is further agreed that at no time will the reduction of royalty as specified herein apply for high grade ores.

ARTICLE 32.

ACCESS TO PRODUCTION AND MARKETING

32.1 General principle

The marketing of yellow cake produced by the OC shall be the responsibility of the Board: such responsibility shall be vested in a special marketing committee to be set up by the Board, in cooperation with the shareholders. This committee shall consider, prior to the final approval of the Board, the sales contracts terms and conditions.

32.2 Access to production by shareholders

- (a) Each shareholder of the OC shall upon prior notice, have a priority right to purchase and freely export, subject to Article 32.4, a part of the production proportionate to its participation in the equity capital of the OC, subject to the election by the GOVERNMENT under Article 31(i).
- (b) If a shareholder does not exercise its right under (a), or exercises it partially, the production not so purchased shall be subject to the right of first refusal of the other shareholder or affiliates before selling to any third party.
- (c) If the OC has more than two shareholders following an assignment of rights in accordance with Article 53 and if part of the production is not purchased in application of paragraph (a) above, the production not so purchased shall be offered to those shareholders who exercised in full their rights under (a) above in the proportions which their respective participation in the share capital of the OC bear to each other.
- (d) The production purchased by shareholders shall to the greatest extent possible be based on pluriannual contracts subject to the need to have an adequate balance between short and long-term contract prices which shall be competitive with the world market price for such type of contracts.
- (e) The shareholders of the OC shall be entitled to have their rights exercised by affiliates the definition of which is given in Article 1.

32.3 Sales to non-shareholders

The production not purchased in application of Article 32.2 above, shall be sold by the OC on the international market.

32.4 Exportation

The OC shall be allowed to dispose of and export free of any charges its production of yellow cake including its sales to its shareholders subject however to the two following conditions:

- (a) The OC shall be required to contribute to the needs of any future nuclear power plant of the host country;

- (b) the host country shall be entitled to check and inspect all exportations of yellow cake including the terms and conditions of sales.

32.5 In disposing the yellow cake the OC shall endeavour to obtain sale prices which conform to fair world market prices referred to arm's length contracts in accordance with practices in use on the international uranium market, which sale prices shall apply for the purpose of the OC's tax liability and for royalty payment pursuant to the provisions of Article 31.

32.6 If there are disputes about appropriate arm's length prices and terms of sale by the OC to a shareholder, the parties will try first to settle the dispute in accordance with the conciliation procedure laid down in Article 27.1, failing which they shall have recourse to three experts in the uranium industry, acting as experts, who shall decide these issues.

- (a) Each party shall appoint one expert within one month of these parties' failure to reach agreement. Within one month of their appointment, the two experts so appointed shall agree on the appointment of a third expert, failure which at the request of the Company or of the GOVERNMENT, whichever is more diligent, said third expert shall be appointed by a neutral international body according to the Rules of the United Nations Commission on International Trade Law. In settling a price, the experts shall be instructed by both parties to arrive, within two months of the appointment of the third expert, at a fair market price by reference to arm's length transactions of major producers relating to substantial tonnages, having regard to the then current market conditions and any other relevant factors.

The parties shall submit to the experts all market information which they may possess and be at liberty to disclose to the experts any classified information relating to other contracts for the sale of yellow cake for the period for which the price is to be determined.

The experts shall be instructed to treat such market information as confidential and, in evaluating such other contracts, to have regard, inter alia, to price, currencies in which prices are expressed, duration, quantities, dates when the contracts were entered into, delivery and payment terms and the geographical locations involved.

- (b) Each party shall proceed with all due speed in the submission of market information to such experts in order to settle a sale price. The experts shall only consider market information submitted to them during a period of one month from the date of appointment of the third expert. The experts fees shall be paid by the parties in equal proportions.
- (c) The experts shall arrive at their determination unanimously or, if unanimity cannot be reached, by majority vote. Such determination shall be final and binding upon the parties and shall be considered for all purposes as if it were their own common determination.

- 32.7 The Special Marketing Committee shall inform the Board regularly of marketing conditions in international uranium markets, prices, demand and supply forecasts. It shall train qualified local professional personnel in international marketing of uranium, including stays at the Company's head office and including fellowships and secondment to appropriate institutions and related conferences.

ARTICLE 33.

FISCAL AND CUSTOMS REGIME

During the Preliminary Survey and the Exclusive Permission(s) Periods

- (i) The Company and its foreign contractors shall be exempted from duties and taxes with the exception of the following:
 - (a) travel taxes,
 - (b) licences, fees and duties for vehicles not used for the uranium project.
- (ii) The expatriate personnel of the Company and expatriate sub-contractors and their expatriate personnel shall be exempted from paying any income or similar taxes.
- (iii) The Company and its foreign contractors shall be allowed to import duty-free the equipment, materials and vehicles required for their operations excluding fuel and to re-export them duty free.
- (iv) The GOVERNMENT shall ensure that the expatriate employees of the Company and of its foreign contractors and members of their families who are resident in the host country shall be relieved of the liability to pay duty on personal effects, including a motor car per family imported for their own use on arrival in the host country or following them within six months thereafter PROVIDED HOWEVER that no goods brought into the country duty free shall be transferred or sold for use without the prior written approval of the customs authorities, who shall authorize transfer and sale only after payment of any duty involved, unless the transfer or sale is to the GOVERNMENT or with the GOVERNMENT's approval to another person.

During the Concession(s) period

(i) General Principles:

The terms and conditions established under this Agreement and in particular any provisions relating to the fiscal and economic conditions and to the mineral status applicable for the granting of mining rights shall be those resulting from this Agreement and from the national laws presently applicable. In the event of any future change in respect of the above entailing an additional burden to any party and/or the shareholders, the parties

undertake, in an equitable spirit, to revise the terms and conditions of this Agreement with a view to removing such additional burden.

In the event during or prior to the Concession period, a statutory regulation on uranium mining industry is enacted which provides for the grant of more favourable legal or fiscal conditions, the OC or the Company, as the case may be, shall be granted the right to adopt the new applicable regime for their operations.

- (ii) From and after the date of incorporation of the OC,
 - (a) all employees of the OC shall pay income tax in accordance with the Income Tax Law,
 - (b) the Company shall pay income tax at a rate of x% and the Corporation tax at a rate of y%. It shall pay Capital Gains Tax in accordance with the relevant legislation and all other taxes that may be legally chargeable on the date of signing of the present Agreement, together with all licences, fees and duties, except specifically exempted and due account being made of the following tax incentives from the GOVERNMENT as stated hereunder.
- (iii) In ascertaining chargeable income the OC shall have the right to depreciate and amortise its assets either tangible or intangible, including interim interests accrued on such assets, at the following maximum rates (straight-line method):

- Capital Exploration Expenditures:	x per cent for each year of assessment
- Plant and machinery:	x per cent for each year of assessment
- Buildings and structures, including workers houses:	x per cent for each year of assessment
- Other assets:	x per cent for each year of assessment
- Intangible assets:	to be amortised during the duration of the Concession.

For the purpose of this paragraph:

- "Interim interests" means interest paid or accrued by the OC in any year before the date of commissioning of the mill on any capital borrowed including interest on capital borrowed from shareholders for the development of the mine, mill and other facilities.
- "Capital Exploration Expenditure" means expenditure other than capital expenditure on the provision of machinery, plant, building and structures or of other tangible assets of the Company, which shall be incurred on searching for or on discovering and testing deposits, and shall include all

allowable exploration expenses recognized as a debt from the OC to the Company and adjusted as referred to in Article 7 of this Agreement up to the date of commissioning of the mill.

- (iv) The OC shall be exempted from being liable to and the GOVERNMENT shall remit or waive the payment of the following duties and taxes:
 - (a) customs duties and consumption taxes on materials (excluding fuel), and equipment imported and exported by the Company through its contractors or sub-contractors for the operations of the OC during the construction and exploitation periods, either for mining or for prospection operations as well as customs duties for import and export of personal belongings of their expatriate staff,
 - (b) property tax on its net property as far as it relates to all property that is reasonably necessary for the conduct of its exploration or mining operations,
 - (c) any tax or duty, either direct or indirect, levied on raw materials and products to be integrated wholly or in part during the processing and manufacturing of a finished product or which are subject to transformation during said processing or manufacturing.
- (v) The OC shall be entitled to carry forward losses incurred in any year after the date of the commissioning of the mill and for each year of assessment for a maximum period of x years. These losses shall be deducted without any limitation in amount from the net income before taxes. In determining the taxable income for any year of assessment, there shall be first deducted the earliest loss carried forward which arose in the x preceding years. For the purpose of this clause, "losses incurred in any year" means the excess of all deductions permitted under this Agreement and the national tax laws presently applicable over Gross Income in any year of assessment. It is agreed that for fiscal purposes, no losses could be declared by the OC before the commissioning of the mill.

(vi) Double Taxation

This Agreement has been designated in the expectation that before the commencement of commercial production the Governments the countries and of any foreign company that may become a party to this Agreement, will have to come to an agreement on double taxation which will in particular allow withholding taxes on dividends to be due in x-country to be credited against tax obligations in y-country or in the country of other foreign shareholders of the OC.

The GOVERNMENT shall do its best to conclude double taxation treaties preferably on the basis of the recommendations by the UN Expert Group on Double Taxation Treaties, and the Company shall undertake all reasonable efforts to persuade its Government and other related governments to enter into such double taxation treaties with the host country.

Subject to the signing of a fiscal convention in the purpose of affording relief from double taxation to foreign shareholders of the OC, the following rules shall be applied for computing withholding taxes:

- (a) The OC, and its shareholders, its contractors, sub-contractors and its money-lenders shall be exempted of "withholding tax on payments", in the meaning of the Income Tax Law,
- (b) "Withholding tax on distribution", in the meaning of the Income Tax Law, shall be limited to x%.
- (vii) The OC will be permitted to deduct immediately from income an allowance for reconstitution of the mineral deposit equal to the exploration expenditure in the host country outside the mining concession, up to a total of x per cent of total capital expenditure in the first five years of commercial production and to a further x per cent of total capital expenditure after the fifth year of commercial production.

Special Mining Royalty (S.M.R.):

- (i) The OC shall be liable for special mining royalty in respect of any year in which the "accumulated net cash position" as calculated in the manner set out hereunder is a positive amount. The rate of SMR shall be x per cent of the "accumulated net cash position" in any year, to be paid at the time at which tax on income earned in the relevant year is paid.
- (ii) For the purposes of SMR in relation to the OC's "Net cash position" in respect of any year means the result (which may be negative) obtained by aggregating:
 - (a) The Net Income after taxes for that year as ascertained for Income and Corporation tax purposes.
 - (b) Any amounts allowed in that year by way of interest, depreciation and amortization of assets, either tangible or intangible, or other allowances in respect of total capital expenditure and subtracting the sum of:
 - (i) The balance of total capital expenditure incurred in that year after there has been deducted any recoupment and proceeds of capital assets sold or disposed of in that year,
 - (ii) Any interest received in that year, the "accumulated net cash position" in relation to any year means the amount ascertained according to the following formula:

$$\frac{A}{B} \times C(100\% + D) + E$$

Where -

- A - the mean of the average of the daily published buying and selling rates of the currency in which the OC's income tax is assessed (hereafter in "local currency") against the

currency of the United States of America during the year for which the calculation is being made (expressed in local currency units per U.S. dollar);

- B - the mean of the average of the daily published buying and selling rates of the local currency against the currency of the United States of America during the year immediately preceding the year for which the calculation is being made (expressed in terms of local currency units per U.S. dollar);
- C - the accumulated net cash position at the end of the year preceding the year for which the calculation is being made, expressed in local currency;
- D - the percentage rate for each year for which the calculation is being made which is equal, at OC's option, either to the U.S. Deflator Index or to the percentage rate of interest per annum on domestic corporate borrowings rated AAA in the United States of America as published in the Survey of Current Business by the United States Department of Commerce/Bureau of Economic Analysis and averaged over that year (or if such rates are not published a rate determined in such manner as the parties shall agree from time to time to be an equivalent rate) plus x percentage points on either of these rates;
- E - the net cash position for the year for which the calculation is being made, expressed in local currency;

Provided that where the accumulated net cash position for any year is a positive amount the accumulated net cash position at the end of that year shall be deemed to be the same for the purpose of calculating the accumulated net cash position for the subsequent year.

(iii) In any year in respect of the income and accumulated net cash position of which the total amount of OC's income and corporation tax and special mining royalty that are payable plus the amount of any SMR liability carried forward under this sub-clause exceeds x per cent of income before taxes in that year, as defined by the Income Tax Law, the OC shall delay payment of that part of the special mining royalty that can be considered to be the excess of the total tax and special mining royalty over x per cent until the year following the year in which they would otherwise have been paid, except that payment in any year in relation to SMR carried forward under this clause shall not cause the total of income after tax and SMR to fall below fifty per cent of what it otherwise would have been in that year.

Tax disputes

Should a tax dispute arise in connection with this Agreement between any national Government Department and the OC, its shareholders, directors, personnel, contractors and sub-contractors related to the applicable fiscal regime, then the

GOVERNMENT shall not take any compulsory or executory measures, but the competent Tax Authorities shall issue a ruling against which the OC may appeal within three months to the system of dispute settlement as provided by Article 59 herein.

ARTICLE 34.

FOREIGN EXCHANGE

Preliminary Survey and Exclusive Permission(s) Periods:

The foreign currency requirements of the Company shall be met by sources held abroad. These payments shall be deemed as having been made in the host country and shall be subject to declarations to the Government's Exchange Control Authorities.

The Company shall be entitled to open and operate in its name, with a nominated commercial bank, with the approval of the National Bank, a US dollars account and to make payments abroad from this account in respect of goods and services to be supplied by foreign sources for the operations under this Agreement.

Concession(s) Period:

- (i) The OC shall have the right on approval of the Board and with the National Bank's consent, to open through a local commercial bank, external bank accounts with corresponding banks nominated abroad when such external bank accounts shall be necessary in order to manage loans made by outside banking institutions for project financing or when the OC shall be required to institute advance deposits as a guarantee on loans.
- (ii) The OC shall comply with the applicable foreign exchange laws and regulations and, in conformity with such laws and regulations, shall have the rights and privileges set forth in this section.
- (iii) The OC shall be obliged to repatriate to the host country all payments made by foreign purchasers of yellow cake and, out of the proceeds received in foreign currency, the OC shall convert into local currency that portion which shall correspond to the amounts needed to meet expenditures in local currency, including taxes, levies and any other local expenditure.
- (iv) The portion of the proceeds to be retained in foreign currency by the OC shall be determined in such a way as to allow the OC:
 - to pay abroad its foreign contractors and suppliers,
 - to reimburse such amounts due to the Company as stipulated in Article 7.2 of this Agreement,
 - to reimburse foreign loans with relevant interest,

- to transfer dividends and make payment for all debt due to its shareholders under the Agreement without restriction (i.e. reimbursements of advances made by shareholders, sales or shares, sales of assets, etc.),
- to meet any other obligation assumed by the OC in foreign currencies,
- to pay abroad for its foreign expatriate personnel the part of the total net amount due to them, after deduction of local taxes for their salaries and allowances.

The National Bank guarantees the free transfer and availability of the foreign currencies held in these accounts.

VI ECONOMIC DEVELOPMENT FOR THE HOST COUNTRY

ARTICLE 35.

INFRASTRUCTURE

The Company and the GOVERNMENT shall agree, during the course of the feasibility study, on a programme of construction of infrastructural facilities required for the operations of the OC (roads, railways and other systems of haulage, harbours and landing facilities, telecommunication, airports, schools, townships, medical facilities, electricity). This Agreement shall determine the distribution of financing for infrastructure, the charges and other rules concerning the use of infrastructural facilities by the OC and the general public.

The feasibility study shall take due consideration of the timing of infrastructure construction and of costs incurred by the OC either through direct assumption as part of its pre-production expenses or through facilitation of financing of GOVERNMENT undertakings by the OC.

ARTICLE 36.

TRAINING AND EMPLOYMENT OF LOCAL NATIONALS

36.1 General Principles

The Company or the OC, as the case may be, shall give preference to local nationals in all levels of employment to the extent such personnel are available and either well qualified for the position or suitable for required training for the job within a reasonable time. In any event, the Company or the OC shall undertake in cooperation with the GOVERNMENT, particularly once a decision to develop a deposit has been made, a vigorous training programme for local personnel to attempt as best as possible that within ten years from the incorporation of the OC there are suitable local nationals for positions in all levels of the OC. Training shall include skills for production, the processing of uranium ore to yellow cake, maintenance, finance, personnel management and international marketing. Such training shall consist of course training, but also on the job training, of fellowship and of

training and job facilities within other enterprises of the Company and its Head Office.

36.2 Preliminary Survey
Prospection and Exploration Period

The GOVERNMENT shall be entitled to supply professional and technical personnel and staff suitable for the preliminary survey period and the prospection and intensive exploration operations who shall fully participate in all operations and receive suitable additional training if necessary. It is agreed that for each calendar year during the prospection phase the number of personnel assigned by the GOVERNMENT shall not exceed x percentage of the Company's team of corresponding technicians and professionals assigned to the operations. However, the Company shall be free to select and employ suitable local personnel in keeping with the objectives of "nationalization". All efforts shall be taken to increase the number of local personnel to be assigned during the intensive exploration stage.

The Company shall pay the GOVERNMENT for the remuneration of seconded personnel and shall cover all field expenses and provide services comparable to those it provides its own personnel in the field. The remuneration to be paid shall be oriented at the actual monthly salary rates of seconded personnel in the GS plus fringe benefits and an overhead charge of x% on these amounts. The GOVERNMENT and the Company shall agree on a price schedule submitted by the GOVERNMENT and approved by the Company.

It is understood that the Company is entitled to ask for replacement of any seconded personnel who proves unsuitable and does not show the proper spirit of work, cooperation and learning provided always that the Company shall show good reason.

The Company shall, within six months of the signing of this Agreement, in consultation with the GS, submit a training programme for suitable employees of the GS. The aforesaid training programme shall be implemented immediately by the Company at its own expense with respect to trainees remunerations. Such expenses shall be included in the allowable exploration expenses as dealt with in this Agreement.

The Company shall also provide, at the request of the GS, provided this does not interfere with the efficiency of its operations, a limited number of students each year with an opportunity of practical work in cooperation with the University.

36.3 Production Period

In case a decision to develop a deposit is made, the OC shall, in consultation with and with the consent of the Company and the GOVERNMENT elaborate an extensive training programme for employment of suitable local nationals at all levels of the OC. This programme shall also provide for on-going cooperation with

the GS and the University and particularly for on-the-job training and for teaching facilities in geology and mining engineering.

The objective of the said programme shall be to reach within the time-table set for the below the following targets of nationalization of employees:

	unskilled	skilled	clerical	professional	management
	a				
Year a	..%	..%	..%	...%	-
Year b	..%	..%	..%	...%	..%
Year c	..%	..%	..%	...%	..%
Year d	..%	..%	..%	...%	..%
Year e	..%	..%	..%	...%	..%

The selection of employees shall be according to criteria and policies set forth by the Board. There shall be a special personnel committee on the Board charged with carrying out the nationalization plans. Personnel relations shall be subject to the labour laws and regulations in force in the host country. If the targets set forth shall not be met, the OC shall report at the end of the respective year to the GOVERNMENT, shall describe the positions not filled with local nationals and the procedures employed for hiring them for these positions and the reasons why local applicants have not been found having the suitable qualifications and why the training programme instituted did not result in the preparation of suitable candidates.

The GOVERNMENT shall facilitate the employment of necessary expatriate personnel and shall accelerate the granting of visas and work permits, provided however that expatriate employees in positions for which nationalization targets have not been reached shall apply for renewal of their work permits for respective twelve (12) months periods with a statement by the OC declaring why a suitable local replacement has not been found yet.

ARTICLE 37.

PROCESSING

Processing of the ore up to the stage of yellow cake shall be undertaken in the host country through the project's envisaged processing plant.

Should there, at any time in the future, be new developments in uranium related technologies, which would make further processing of uranium and related materials in the host country feasible, the Company and the OC shall, to the extent this is economically and technically feasible and compatible with international obligations, consult with the GOVERNMENT with the view of establishing such facilities in the host country.

In the event that the host country, at any time in the future, obtains a nuclear power plant, the OC hereby undertakes and agrees, if feasible, to supply such plant with all necessary yellow cake needs, subject to Article 32.

In such event the Company shall use its best endeavours to assist the GOVERNMENT with the procurement of nuclear fuel materials or services.

ARTICLE 38.

PROMOTION OF ECONOMIC DEVELOPMENT IN THE HOST COUNTRY

The Company and the OC, as the case may be, shall give preference to the maximum extent compatible with efficient operations, to products and services produced and offered locally, provided these are offered at terms and conditions which are not less favourable for the OC than terms and conditions offered by external suppliers. In particular, they shall give preference to local construction enterprises and use buildings which can be constructed by using materials and skills available in the country, provided they meet with international industry standards, shall employ local sub-contractors for road construction and transportation and shall purchase locally, as far as reasonably possible, household equipment, furniture and food.

Should such services and products not be available or not be available at acceptable rates and conditions, then the OC shall, subsequent to the decision to develop the project, study the possibility of setting up, eventually in cooperation with its foreign suppliers, business enterprises in the host country which can supply such services.

At the mining sites, the OC shall set up a special business development programme, with an officer responsible for managing it, to promote the local supply of building materials, services, maintenance, transportation and foodstuff to the OC and its employees. The OC shall also encourage its contractors and sub-contractors to follow these principles.

At the end of each year of mining operations, the OC shall submit a report on the relationship between foreign-sourced and local goods and services, on measures taken to enhance the role of local goods and services and proposed improvements. This report shall show the performance of the economic development obligations of the OC over the years.

The OC shall strive constantly to improve that performance.

ARTICLE 39.

TRANSPORTATION AND SHIPPING

The OC shall, to the extent this is feasible and acceptable in view of the rates and conditions available, maximise the use of vessels chartered in the host country and other means of transport available locally.

If necessary, the OC shall set up joint arrangements with local firms for the transportation of the yellow cake.

ARTICLE 40.

POWER SUPPLY

During the period of the feasibility study, and thereafter, the Company and the GOVERNMENT shall consider the optimal method of supplying power to the mining and processing operations.

In any event, they shall give preference to sources of energy available locally, including especially prospective hydroelectric power developments.

VII — CONDUCT OF OPERATIONS

ARTICLE 41.

MINING

The OC shall conduct its operations in accordance with the best practicable mining and engineering standards used in the international uranium industry. It shall comply with all applicable mining, engineering and safety standards as they evolve and in particular as they are recommended by the International Atomic Energy Agency.

It shall use the concession areas with efficiency and not commit unnecessary waste. It shall provide for the health and safety of all workmen and return in a safe state any land which is no longer necessary for operations. In particular the OC shall comply with all statutory mining regulations as laid down by the authorities from time to time.

The OC shall employ efficient mining practices and reduce unnecessary waste of mineralized material containing uranium if such rock can be mined and processed in an economic way.

ARTICLE 42.

FOREST AND LAND PROTECTION

The OC shall minimize the negative impact of its operations on forest, land quality, wildlife and human settlements.

In particular, it shall take care to avoid fires and soil erosion of the land. It shall also not interfere with, and shall make suitable arrangements for cooperation if there are timber operations on its concession areas provided that such operations shall not impede the operations necessary for mine development, plant construction and operations and transportation of yellow cake and equipment.

ARTICLE 43.

PROTECTION OF THE ENVIRONMENT

The Company or the OC, as the case may be, shall preserve and protect the natural environmental conditions of their areas.

The shall take corrective action, from time to time and before the relinquishment of areas, as may be necessary for soil conservation and anti-stream and anti-air pollution.

In particular, they shall conduct operations so as to minimize air pollution and not to unlawfully pollute any surface or sub-surface

fresh water supply and so as to hold erosion and flood damages to a minimum and to maintain terrain and landscape waste disposal areas in a reasonable manner and replant them in an economical way.

The Company and the OC, as the case may be, shall in all respects comply with statutory regulations as laid down by the competent Government authorities.

ARTICLE 44.

RIGHTS OF WAY

Notwithstanding any other provisions of this Agreement, the GOVERNMENT reserves the right without liability, to grant to qualified applicants rights-of-way for pipelines, power, telephone, telegraph and waterlines PROVIDED HOWEVER, that the Company or the OC, as the case may be, shall be duly notified of such intentions and that the applicant shall make appropriate arrangements so that his installations do not unduly interfere with the Company's or the OC's operations.

ARTICLE 45.

WATER SOURCES

The Company or the OC, as the case may be, shall not be entitled to diminish the quality or quantity of any existing source of water being used for domestic or livestock purposes without making reasonable efforts to provide the users thereof with a comparable supply and source of water.

ARTICLE 46.

PROTECTION OF INDIGENOUS POPULATION

The Company and the OC, as the case may be, shall not unduly disturb and interfere with the living conditions of indigenous population settled in their prospection, exploration and concession areas. In particular, they shall not sell liquor and other intoxications to indigenous settlements and shall instruct their employees and contractors to do likewise. They shall respect and cause their employees and contractors to respect the customs of indigenous populations.

If, at any time, a resettlement appears to be absolutely essential, they shall act with utmost caution, in consultation and with the consent of the GOVERNMENT and the authorities of the settlement, in persuading the settlers to resettle and providing a fully adequate resettlement in accordance with the reasonable interests of the population.

ARTICLE 47.

RESTORATION AFTER MINE SHUTDOWN

After the shut-down of mining operations of any mine, the OC shall reforest the area to prevent soil erosion. It shall also ensure the safety of the area by resurfacing mine pits and holes and permanently sealing shafts.

If, as the result of a mine shut-down, the local population would be severely affected, the OC shall consult with the GOVERNMENT and use its best efforts to assist the GOVERNMENT in a programme for the resettlement and re-employment of their local employees.

VIII - REPORTING AND INSPECTION

ARTICLE 48.

REPORTING IN THE EXPLOITATION PHASE

During the exploitation phase, the same basic principles for reporting applicable during the exploration stage shall apply. The OC shall in addition, file with the GOVERNMENT an annual report, which shall contain the information that is generally required in the industry for an annual report for projects of the kind envisaged, and in particular it shall contain information on:

- production statistics, including information on the cut-off grade, the grade and quality of uranium ore mined,
- marketing information, including information on short and long-term contracts, customers, marketing conditions, development of world market prices, shipping conditions and vessels chartered,
- income statements, including tax payments, duty payments, foreign exchange transactions, budget plans,
- importation information, including number, source and price paid for items imported with reference to used and new items,
- employment information, including a breakdown of nationalization according to various levels of employment,
- information on construction completed, in progress and planned,
- information on a breakdown of local and foreign-sourced purchase of supplies and services including its development from the date of the commissioning of the mill.

In particular, the OC shall submit an annual report on the transactions between the OC and the shareholders or any affiliate. This report shall include information on sales, purchases, subcontractors, transfer of technology, marketing and all other related transactions, and shall contain a breakdown report on the cash and kind remuneration received by the shareholders or any affiliate. The report shall also list all

remuneration received by employees and directors of the OC, be it of direct or indirect nature, loans or payments in cash or kind or any other transaction.

ARTICLE 49.

INSPECTION

The Company and the OC, as the case may be, shall maintain their books and all records in originals in the host country. Such records include originals of field reports, drilling reports, assay reports etc. to the expiration of this Agreement.

The GOVERNMENT may, at any time, at its own expense, with or without the assistance of experts, carry through an inspection of these books and records. However, it is understood that such inspections shall only be held in longer intervals if there is no good cause for immediate inspection and they shall not serve to interfere with the efficiency of operations.

ARTICLE 50.

AUDIT

The Company and the OC, as the case may be, shall observe international accounting principles recognized in the host country.

On or before a certain date in each year the Company and the OC, as the case may be, shall file with the GS and the Internal Revenue Authorities audited statements of accounts relating to the amounts expended according to the list of allowed exploration expenses in Appendix II during the previous year ending on 31 December. The audit shall be performed by chartered accountants or international accounting firms selected by the Company or the OC and approved by the National Authorities. If there are accounting firms of international recognition in the host country, the Company or the OC shall give preference to these.

ARTICLE 51.

CONFIDENTIALITY

The OC and its shareholders shall observe and require their employees, contractors and advisers to observe confidentiality concerning all technical data and all information of a proprietary character provided that on request the other party waives this confidentiality requirement, which shall not be withheld without good reason.

IX - GENERAL PROVISIONS

ARTICLE 52.

LICENCES - PATENTS

TRANSFER OF TECHNOLOGY AND ASSISTANCE

The Company shall transfer under an exclusive basis its proprietary technology related to mining and processing of uranium

up to the stage of yellow cake concentrates to the host country (licences, patents and other technology) free of charge to the OC for local application. The OC shall keep such technology confidential and shall not divulge it or cause it to be divulged without the consent of the Company.

Should any such technology in the course of operations be developed and proprietary rights be granted, then the Company, the GOVERNMENT and the OC shall be jointly entitled to such rights and technology.

During development and exploitation phases, the Company shall continuously provide the OC from its Headquarters with all the assistance, the advisory support and the supervision by way of technical services and studies necessary for the OC to carry out its activities as requested by the OC. The actual costs of such services excluding any element of profit but including a reasonable rate of overhead expenses (to be negotiated) shall be charged by the Company to the OC.

ARTICLE 53.

ASSIGNMENT

- 53.1 The Company may, at any time during the prospection, intensive exploration, development and production periods, transfer its rights under this Agreement to an affiliate. It is understood that the Company, in that case, shall guarantee the continuing performance of its obligations by the transferee.
- 53.2 The Company may, during the prospection, intensive exploration, development and production periods, assign its rights and obligations under this Agreement to a third party with the prior written approval of the GOVERNMENT. Such approval shall not be withheld when it is shown that such party is professionally and financially competent, and that such third party is acceptable to the GOVERNMENT.
- 53.3 The Company may also and under the same conditions as mentioned in paragraph 53.2 of this Article assign a part of its contractual position to a third party.
- 53.4 In all cases of assignment and transfer, the assignee/transferee shall become a party to this Agreement, together with the Company in case of a partial transfer, and shall be bound to comply with the provisions of this Agreement. It is agreed that any profits to the Company resulting from any transfer or assignment will be subject to the provisions of the Capital Gains Tax Law.

ARTICLE 54.

LIABILITY FOR DAMAGES

The Company or the OC, as the case may be, shall be liable to the GOVERNMENT for any damage resulting from any breach (or violation) of their obligations under this Agreement. In the event of any

dispute as to liability and/or to the damages payable then such dispute shall be determined according to the procedure laid down under Article 59 for Arbitration.

In connection with claims of individuals, including claims relating to the existing Laws, such as for damages due to nuisance and negligence, the Company or the OC, as the case may be, shall be liable to any person/s for damages payable under the local laws and any such claim, if not settled by the parties, shall be determined by the competent local courts.

The Company and the OC will hold the host country harmless from all suits for injury or claims for damages to persons and property resulting from their operations under this Agreement.

ARTICLE 55.

WITHDRAWAL AND TERMINATION (EXPLORATION STAGE)

55.1 Withdrawal by THE COMPANY

The Company may withdraw from this Agreement by giving six months notice if in its business judgement the continuation of operations becomes technically or economically unfeasible. The withdrawal shall become effective at the end of the six months period following the date when such notice has been received by the GOVERNMENT.

In the case of withdrawal, the Company shall have the right to remove movable property as provided by Article 56 of this Agreement. It shall restore the areas used and damaged as provided by Article 56. It shall pay any fees due up to the time the withdrawal becomes effective. It shall submit a final exploration report, as described in Article 25 of its efforts, its findings and all originals from reports, evaluations, maps, assays, samples, drilling tests and related activities PROVIDED THAT before the Company removes its property from the country and before any payments due to the company are made, it shall obtain from the GS a certificate of compliance with its obligations.

In the event of such withdrawal the Company shall have no further obligations except those incurred up to the date of such withdrawal.

55.2 Termination by the GOVERNMENT - Default

- (a) The GOVERNMENT may terminate this Agreement during the Preliminary Survey and Exclusive Permission periods if any of the following events shall occur:
- (1) the Company shall fail to make any of the payments required under this Agreement on the payment date/s,
 - (2) the Company shall contravene or fail to comply with any other obligation under this Agreement,
 - (3) the Company shall become insolvent or commit any act of bankruptcy or enter into any agreement or composition with

its creditors or takes advantage of any law for the benefit of debtors or go into liquidation, whether compulsory or voluntary.

- (b) If for any circumstance during the terms of this Agreement, there should occur a cause of termination referred to in (a), the Company shall have a term of grace of ninety (90) days to remedy said cause of termination, and the Agreement shall subsist in full force. Said term of grace shall commence on the day following the date of authentic written notice given by the GOVERNMENT to the Company informing the latter of its default.
- (c) Should the Company fail to remedy the default within the above mentioned term of grace, and subject to paragraph (d) hereinafter, the GOVERNMENT may, by notice to the Company, terminate this Agreement.
- (d) Independently, the Company shall, during said term of grace, have the right of disputing whether there has been any contravention or failure to comply with the conditions hereof, and within seven (7) days of such notice refer the dispute to arbitration in accordance with article 59.2, and thereafter diligently prosecute its claims thereunder. While the said issues of dispute or termination are not resolved, the GOVERNMENT shall not terminate this Agreement except as the same may be consistent with the terms of the arbitration award, provided however that, if it results from the arbitration decision that the Company must execute partially the obligation which gave rise to disagreement between the parties, the GOVERNMENT shall not terminate this Agreement if the Company execute and comply with such obligation within a thirty (30) day period following the date on which the tribunal has rendered its award. During the arbitration proceedings, the operations of the Company and the OC shall be carried on and the rights and obligations of the Company and the OC shall continue to exist.
- (e) No delay or omission or course of dealing by the GOVERNMENT shall impair any of its rights hereunder or be construed to be a waiver of an event specified in paragraph (a) of this section or an acquiescence therein.
- (f) Upon termination of this Agreement by the GOVERNMENT, every right of the Company hereunder shall cease (save as specifically otherwise provided hereunder) but subject nevertheless and without prejudice to any obligation or liability imposed or incurred under this Agreement prior to the effective date of termination.
- (g) In the case of termination, the Company shall pay all fees and other liabilities due up to the date when such termination becomes effective. It shall have the obligation of restoration and reporting as in the case of withdrawal. Its rights to remove its movable assets and have any bonds or payments due to it returned can only be exercised if the GS has issued a certificate of compliance as in the case of withdrawal.

ARTICLE 56.

ASSETS UPON TERMINATION, WITHDRAWAL OR EXPIRATION

(EXPLORATION STAGE).

56.1 Upon termination or withdrawal pursuant to Article 55 or upon expiration, all non-movable assets of the Company shall become the property of the GOVERNMENT without charge on the effective date of termination, withdrawal or expiration.

- (i) (a) All light vehicles including motor cars and land rover type vehicles of the Company shall become the property of the GOVERNMENT free of charge.
- (b) The Company may give, free of charge, or sell to the GOVERNMENT all of its other movable assets within thirty (30) days from the date of termination, withdrawal or expiration.
- (c) In the case of an offer of sale, if the GOVERNMENT does not accept within thirty (30) days of the date of the offer, the Company may sell, remove, or repatriate such assets without any charge during a period of sixty (60) days after the expiration of the offer.

All such movable assets not sold, removed or repatriated shall become the property of the GOVERNMENT free of charge after the above period.

- (ii) Notwithstanding the foregoing, the GOVERNMENT by notice to the Company may require the removal or destruction of any movable assets of the Company in the contract area(s) and if the Company does not remove or destroy such assets within a period of thirty (30) days from the date of the GOVERNMENT's notice to that effect, the GOVERNMENT may cause such removal or destruction at the expense of the Company.
- (iii) The Company shall take all reasonable measures to ensure that all of the non-movable assets to be offered or to be transferred to the GOVERNMENT or transferred to the GOVERNMENT in accordance with this clause shall be maintained in the same condition in which they were at the date of the termination or withdrawal or on the date on which the Company knew that such termination or withdrawal would occur and any such asset shall not be disassembled or destroyed except as specifically provided in this clause.

56.2 Upon termination pursuant to Article 55 or upon expiration of this Agreement, the Company shall leave the contract area(s) and everything thereon in a safe condition. In this connection, unless the GOVERNMENT otherwise directs, the Company shall, in accordance with good mining industry practice, fill up or fence and make safe all holes and excavations to the reasonable satisfaction of the GOVERNMENT. In addition, the Company shall take all reasonable measures to restore the surface thereof and all structures thereon not the property of the Company to a good and safe condition. In the event that the Company fails so to do, the GOVERNMENT may so restore and make the contract area(s) and everything thereon safe at the Company's expense.

The Company shall have the right to enter upon the said area(s) for the aforesaid purposes, subject to the rights of the surface owners or others, for a period of sixty (60) days from the effective date of termination - expiration or such longer period as the GOVERNMENT may decide.

- 56.3 The parties hereby agree to make provision in the Concession Agreement for dealing with assets during the exploitation stage.

ARTICLE 57.

FORCE MAJEURE

Failure on the part of the Company or the GC, as the case may be, to comply with any of the terms and conditions hereof shall not be grounds for termination or give the GOVERNMENT any claim for damages insofar as such failure arises from "force majeure", if the Company or the OC has taken all appropriate precautions, due care and reasonable alternative measures with the objective of avoiding such failure and of carrying out its obligations hereunder. The Company or the OC shall take all reasonable measures to remove such inability to fulfil the terms and conditions hereof with the minimum of delay.

For the purpose of this clause, the term "force majeure" shall include acts of God, strikes, lockouts or other industrial disturbances beyond the reasonable control of the party affected and resulting in work stoppage or interruption, acts of public enemies, wars, blockades, insurrections, riots, epidemics, landslides, lightning, earthquakes, fires, storms, floods, washouts, arrests and restraints of governments and people, civil disturbances and explosions, quotas and other controls affecting the parties and their suppliers, and any other cause beyond the reasonable control of the party affected, but shall not include any event caused by a failure to observe good mining industry practice or by the negligence of the Company or the OC, as the case may be, or any of their employees or contractors.

The Company or the OC, as the case may be, shall notify the GOVERNMENT within reasonable time of any event of "force majeure" affecting its ability to fulfil the terms and conditions hereof, or of any events which result in the death or injury of any person in the contract area or any event which may endanger the natural resources of the said areas, and similarly notify the GOVERNMENT of the restoration of normal conditions within reasonable time thereof.

If, as a consequence of force majeure, operations hereunder remain in substantially total suspension for an uninterrupted period of more than x months, the duration of the terms of this Agreement shall be extended by the period of such suspension(s).

ARTICLE 58.

LAW APPLICABLE

RELEVANCE OF CONTRACTUAL TERMS.

This Agreement and the relation of the parties thereto shall be governed by the laws of the host country.

Provided that where it is necessary for the implementation of this Agreement that the Government shall pass the necessary legislation and issue the necessary regulations to provide for the adaptation and modification of laws (as provided for by Article 63 - Enabling Clause) all the terms and conditions of this Agreement shall be of full force and effect pending the adaptation and modification of the laws.

It is further agreed that any disputes which are the subject of arbitration shall be resolved in accordance with International Arbitration procedure, and that International Arbitration Rules in force at the time of the settlement of the dispute shall be used, and that the procedure of the national Arbitration Law shall not be applied by the parties.

ARTICLE 59.

CONFLICT AVOIDANCE AND CONFLICT RESOLUTION

59.1 CONCILIATION PROCEDURE

If any conflict should arise during the duration of this Agreement, the parties shall attempt to settle it by informal negotiations. If such negotiations fail, the parties shall refer them to a meeting between the Chief Executive of the Company and the Minister of Energy and Mines of the host country or their respective representatives. If no agreement results, both parties shall jointly appoint a neutral international conciliator in foreign investment and mining law to make a non-binding recommendation within 90 days after appointment.

Should both parties not reach agreement on such a conciliator within 60 days from the date of such disagreement, each party may request the Secretary General of an international organization, or if he cannot make such appointment, the Chief Executive of the Inter-American Development Bank to appoint the conciliator.

Should the parties not reach an agreement on the conciliator's recommendation, either party may request arbitration within 60 days.

59.2 ARBITRATION

Any dispute, controversy or claim arising out of or relating to this Agreement, or termination or invalidity thereof, including the question of material breach of contract, damages, and fair, prompt and equitable compensation, shall be settled by arbitration in accordance with the Arbitration Rules of for the time being in force.

- (a) the appointing authority shall be the Secretary General of an international organization or if the said appointing authority refuses to act or cannot act or fails to appoint the third arbitrator as laid down in the Secretary General of an Arbitration Court shall be requested to designate the appointing authority.

- (b) The number of arbitrators shall be three.
- (c) The place of arbitration shall be in the host country or any other places to be agreed between the parties.

Whatever the result of the arbitral decision, such decision shall be binding between the parties and cannot be the subject of any appeal or other recourse and the decision and judgement so obtained shall be recognized and be enforceable in the appropriate court of any party's country, or in any other country having valid jurisdiction.

ARTICLE 60.

DISPUTES OF A PRIMARILY TECHNICAL NATURE

Notwithstanding the provisions of Article 59, should disputes which are of a primarily technical nature arise during the duration of the Agreement, the parties shall jointly select one, or, if either party requests, three experts of international reputation and familiar with the uranium industry who shall make a binding decision.

Such an expert's decision shall be taken by using the procedural rules as provided by certain international organization.

If both parties cannot agree on the composition of the expert team, the expert or the consulting firm, the appointing authority for the third arbitrator under Article 59 shall be asked to appoint him (them).

Disputes as to whether a disagreement is or is not of a primarily technical nature shall be settled in accordance with Article 59. In that case the neutral international conciliator shall be an expert familiar with uranium mining industry and his decision shall be binding upon the parties.

ARTICLE 61.

WAIVER OF OBJECTIONS

Both the GOVERNMENT and the Company shall waive objections against the arbitration proceedings and its award unless the arbitrators did not follow the rules set forth in this Agreement, did not have jurisdiction under this Agreement or violated basic principles of fair procedure. Non-participation in the proceedings shall not give a reason to reject arbitration or the award.

Both parties shall recognize the arbitration awards as binding and final. Both parties shall submit to the awards and its execution. No party shall raise the objection of immunity which is explicitly waived for all purposes.

ARTICLE 62.

COOPERATION OF THE PARTIES

The parties to this Agreement agree that they shall at all times use their best efforts to carry out the provisions of this Agreement to the end that the project may at all times be conducted with the greatest efficiency and for the maximum benefit of the parties, the Company of the OC, as the case may be, agree to plan and conduct all operations under this Agreement in accordance with the uranium mining industry practices for the sound and progressive development of the uranium mining industry in the host country, to give at all times full consideration to the aspirations and welfare of the people of the host country and to the development of the nation, and to cooperate with the GOVERNMENT in promoting the growth and development of the country's economic and social structure and, subject to the provisions of this Agreement, at all times to comply with the laws and regulations of the host country.

At any time during the term of this Agreement the Company and/or OC and the GOVERNMENT may consult with each other to determine whether in the light of all relevant circumstances the financial, fiscal or other provisions of this Agreement need revision in order to ensure that the Agreement operates equitably and without major detriment to the interest of either party. Such circumstances shall include the conditions under which the mineral production is carried out such as size, location, and overburden of mineral deposits, the quality of the mineral, the market conditions for the mineral, the prevailing purchasing power of money and the terms and conditions prevailing for comparable mineral ventures. In reaching agreement on any revision of this Agreement pursuant to this Article both parties shall ensure that no revision of this Agreement shall prejudice the OC's ability to retain financial credibility abroad and to raise finance by borrowing internationally in a manner and on terms normal to the mining industry.

The Minister of Energy and Mines shall for the satisfactory implementation of the project cause the Government departments or other ministries and authorities to be duly informed of the rights and obligations given to the parties.

ARTICLE 63.

ENABLING CLAUSE

The GOVERNMENT hereby affirms that this Agreement is consistent with its laws and regulations and it shall take all steps that are necessary for the implementation of this Agreement and shall pass the necessary Acts and issue the necessary regulations to provide for the adaptation and modification of laws which affect the implementation of this Agreement.

ARTICLE 64.

TERM AND EFFECTIVENESS

This Agreement shall be effective through the prospection and intensive exploration stages under the E.P.(s) and the Mining Concession stage(s) as provided for herein.

ARTICLE 65.

NOTICES

Any notice, request or communication sent or given by one party pursuant to the provisions of this Agreement shall be made in writing and shall be sent by registered mail, telex or cables or delivered in person to the following addresses:

In case of the GOVERNMENT:

In the case of the Company:

Any notice or other communication shall be deemed to have been properly given or sent by registered mail or delivered as aforesaid to the party to which it was addressed only when such notice or other communication has been received by such party.

ARTICLE 66.

It is expressly provided that the Appendices listed below form an integral part of this Agreement:

- Appendix I - Company's non-exclusive preliminary survey area. (not included)
- Appendix II - List of allowable exploration expenditures.
- Appendix III - Scope of the feasibility study.

IN WITNESS WHEREOF, the parties have caused this Agreement to be duly executed in two (2) copies each of which is authentic.

For the GOVERNMENT

For the Company

By

By

APPENDIX II

LIST OF ALLOWABLE EXPLORATION EXPENDITURES

For the purpose of this Appendix, "operations" will cover preliminary survey, prospecting and intensive exploration performed by the Company or by any affiliate in case of assignment of rights according to Article 53.

Costs and expenses listed hereunder shall include without limitation all expenditure, costs, fees, liabilities and charges paid, incurred or accrued in relation to the operations and for work performed to determine the geological characteristics and the existence and evaluation of a deposit. The list of allowable exploration expenses, shall include but shall not necessarily be limited to the following items:

A - Excluded charges

Negotiation expenses are excluded.

B - Direct charges

1) Rental, Easement, Licences and Permits

area rentals or other cost and expenses incurred on the acquisition of all rights of way, easement, licences and permits for free ingress and egress to and from the contract area(s) or the preliminary survey area(s) and of any non exclusive permission(s) granted therein.

2) Labour

2.1 The cost of the Company's employees and consultants permanently or temporarily assigned to conduct and perform the operations.

2.2 The cost of the Company's employees shall be charged at the Company's option either by application of rates based on cost experience and approved by the GS or by application of actual costs accrued or on a "when and as paid basis" which shall include but shall not be limited to:

- (a) Salaries or wages and any bonuses paid to geologists, draftsmen, electronic technicians, administrative employees, consultants, other employees and workers,
- (b) Costs and expenses of holidays, vacations, sickness, disability, recruiting, termination and other customary allowance applicable to the salaries and wages pursuant to the Company's usual practice and legal assessment,
- (c) The Company's costs and expenses of established plans for employees group/insurance, hospitalization, pensions, thrift plans, retirement and all other insurances covering the Company's employees.
- (d) Costs and expenses for allowances in kind, fringe benefits and other benefit plans which are customary in the Company.

2.3 The cost and expenses of the technical personnel and staff supplied by the Government shall be charged as provided for in Article 36.2 of this Agreement.

3) Training of Personnel

3.1 All costs and expenses incurred by the Company for the training of, and other education programmes for, the Company's local employees.

3.2 All costs and expenses incurred by the Company for training the technical personnel and staff supplied by the Government in accordance with the provisions of this Agreement.

4) Equipment, Materials and Supplies

The cost and expenses of materials, equipment and supplies purchased or rented (either obtained from outside sources or from the Company) and required in the conduct of the operations. Any additional costs such as, for example, insurance, customs duties and other related costs for equipment, materials and supplies.

5) Freight, Travel and Related Expenses

All travel costs and expenses in connection with the project of all personnel and consultants to and from the Country where the project is located and other countries and of head office personnel on visit . For employees and consultants assigned to such travel expenses shall include their moving expenses and the travel expenses of their dependents. The costs and expenses of various transport freight and other related costs for equipment, materials and supplies.

6) Maintenance and repairs

Any costs and expenses of maintenance and repair of all equipment and materials owned by the Company or rented.

7) Insurance

Premiums paid for insurance on the Company's property or on activities or transactions and for the protection of the Company. All costs and expenses incurred or paid in settlement of any and all losses, claims and damages, and other expenses, including legal services, not recovered from insurance carriers.

8) Services

The cost of contract services, including professional and consultant, procured from outside sources.

The cost for services other than as covered by paragraph B of this list performed by the Company in/or outside the country where the project is located and/or its affiliates and/or sub-contractors for

the benefit of the operations. Charges for technical and administrative services procured by outside sources or by the Company as described herein shall include, but shall not be limited to: laboratory analyses, drafting, reporting, radiometric, geophysical and geological works and studies, topographical information, mapping, trenching, sampling, engineering, reserved studies and related services, data processing, drilling, all works necessary for a proper definition of the deposits, including all concentration and metallurgical test work, detailed grid drilling, shaft, tunnels and the installation, feeding and operation of a pilot plant if required and all other works which are necessary for the carrying out of the subsequent feasibility studies, including costs of the Company's contribution, if any, to the examination of the feasibility study, as referred to in Article 17 of the Agreement.

9) Legal Costs

All costs and expenses of handling, investigating and settling litigation or claims arising by reason of the operations or necessary to protect or recover the Company's property.

10) installations in the Country, where the Project is located

All costs and expenses of installing and maintaining offices, camps (including catering services for both expatriate and national staff) and facilities such as housing, warehouses, water systems, road systems, air fields, port installations, etc.... which are necessary for the good performance of the Company's exploration activities.

11) Conversion of currencies

Any exchange difference resulting from the conversion of currencies.

12) Other expenditures

Any other costs and expenses incurred by the Company in connection with the operations which are not covered and dealt with in the foregoing provisions.

C Overhead

The Company shall add in the statement of expenditures an overhead charge to the total of direct charges except area rentals.

This amount would take into consideration general assistance and advisory functions of the Company's headquarters abroad to the Company's mission in the host country for the benefit of the operations, except to the extent that such services represent a direct charge as provided for in paragraph B. Such functions shall comprise, but are not limited to:

- general assistance in the elaboration of programmes and budgets, in third party contracts and in the settling of financial and legal matters,
- coordination of procedures,

- administrative assistance for management of personnel assigned to the project,
- general assistance on matters such as settlement of the organization structure for the Company's mission in the host country, supervision and interpretation, software for scientific computation, mail, telex and telephone communications with the Company's mission in the host country.

Overhead shall be computed as follows:-

12,5% for an amount of direct expenditures up to US\$3 Million per year,

10%: from above US\$3 Million to US\$6 Million per year,

4%: from above US\$6 Million to US\$8 Million per year,

2%: over US\$8 Million per year.

The above amounts of direct expenditures (3, - 6, - 8M\$) shall be escalated annually from the month of December 1981 to the month of December for any of the subsequent years on the basis of the United States Consumer Price Index.

APPENDIX III

SCOPE OF THE FEASIBILITY STUDY

In accordance with articles 16 and 35 of this Agreement the Company shall submit to the GOVERNMENT a full report on the feasibility study conducted by the Company or by another Company on its behalf. Without limiting the generality of Article 16, these investigations and studies shall include:

- 1 - A thorough geological investigation and proving of the ore deposits in the contract area to the extent necessary for the economic feasibility of the Project to be judged and the testing and sampling of those deposits substantially in accordance with the agreed past work programmes. Specifically it will include an estimation of recoverable ore reserves taking into account the technical and economic exploitation constraints (extraction and ore treatment) including particularly the influence of the cutoff grade waste, and dilution.
- 2 - In respect of the mine exploitation, study and selection of the mining methods, haulage and extraction methods.
- 3 - Study of the ore treatment with results of tests made in laboratory and pilot plant, and estimation of water, energy, chemical products consumption.
- 4 - Size and main lines of the project based on 1, 2 and 3 above.
- 5 - Time table of construction and estimation of investment costs (including working capital) and cash outlays.
- 6 - Study of ancillary facilities:
 - supply of various utilities, electric power, fuel, steam, air, etc.....)
 - supply or production, storage of sulphuric acid and/or other solvents.
 - offices, industrial buildings, warehouses, storage facilities for solvents and explosives, maintenance facilities.
- 7 - An investigation into the location and preliminary design of an airstrip and associated landing and terminal facilities, if deemed necessary.
- 8 - Preliminary investigation for the development of a suitable town, if deemed necessary, including preliminary design of housing facilities and associated social, cultural and civic facilities as may be necessary to meet the needs of a community of such a size as is likely to be generated by the Company's operations within a period of five years following the commissioning of the mill.

- 9 - A study into future work force requirements for the Project which will assist the OC in the estimation of the kind and extent of training required to attempt the replacement of foreign workers by local staff and a maximum use of local employees as is consistent with the efficient operation of the Project, as required by the Agreement.
- 10 - Physical impact studies into the likely effects of the operation of the Project on the environment, such studies to be carried out under the supervision of appropriately qualified independent consultants.
- 11 - Estimation of operating costs by cost objective (mine, treatment plant, administration) broken down into fixed and variable costs (per ton mined or treated and concentrates) and into material costs, labour costs and services.
- 12 - Profitability studies

These studies shall comprise timetables of the projected cash flows estimated in money of the day over the life of the project and shall determine profitability indicators for the total capital investment on a cash investment basis and with respect to equity capital alone taking due account of the debt financing.

Annex 2

**SAMPLE AGREEMENT
ON URANIUM EXPLORATION AND MINING
No. 2**

URANIUM EXPLORATION AND MINING CONTRACT

BETWEEN

AND

Chapter I

GENERAL

Clause 1. PURPOSE OF THE CONTRACT

1.1. The purpose of this Contract is to carry out exclusive exploration for radioactive minerals in the area covered by the Contract, to construct the necessary installations and to mine radioactive minerals which may be found in the said area, as described in Clause 3 of this Contract, which forms part of an area requested by [the National Atomic Energy Authority (NAEA)] from the Government as contribution and situated in

1.3. Without prejudice to the stipulations of this Contract it is understood that in respect of radioactive minerals which may be obtained in the Contract Area and in the part with which it is concerned the Company will have the same rights and obligations under the national laws as persons who carry out mining of radioactive minerals of national ownership within the country.

1.4. The NAEA and the Company agree that they will carry out exploration, construction and mining production activities in the Contract Area, that they will share between themselves the costs and risks thereof in the proportion and according to the terms stated in this Contract and that the properties acquired and the radioactive minerals produced and transported to the delivery site will belong to each Party in the stipulated proportions.

Clause 2. APPLICATION OF THE CONTRACT

This Contract refers to the Contract area which is delineated in Clause 3 or to the part thereof, subject to its terms, that will result from the application of Clause 8.

Clause 3. CONTRACT AREA

.....

Clause 4. DEFINITIONS

For the purposes of this Contract, the terms contained in it shall be understood and used in accordance with the definitions given below.

- 4.1. "Calendar Year": the period of twelve (12) consecutive months beginning 1 January and ending 31 December.
- 4.2. "Contract Area": the areas of land where the Parties may operate under the terms of this Contract.
- 4.3. "Concentrate": the commercial end product from the processing plant. This product shall contain a minimum of e U_3O_8 or e ThO_2 to be fixed by the Control Board. In the case of uranium, the concentrate shall not contain less than 75% e U_3O_8 unless the NAEA accepts evidence to the effect that a lower percentage is technically or economically acceptable.
- 4.4. "Contractor": any natural or legal person, distinct from the Operator, who has signed a contract with the Operator or with the Parties, for the account of the latter, for the provision of labour, works or services intended for the conduct of Mining Operations.
- 4.5. "Contract": the present agreement, together with any enlargement, renewal or modification which may be made by agreement between the Parties; the attached Annexes form an integral part thereof.
- 4.6. "Joint Account": the record to be kept by the Operator by means of account books, in accordance with the laws of the country, for credit or debit to the Parties pro rata of their respective interests in the Joint Operation referred to in, and subject to, this Contract.
- 4.7. "Commercial Deposit": one or more deposits containing radioactive minerals in conditions that would justify commencement of the Construction Period. A deposit will be declared to be commercial by the NAEA and/or the Company on the basis of feasibility studies.
- 4.8. "Duration of the Contract": the period during which the present Contract will be in force, counting from the "Effective Date".
- 4.9. "Exploration": the complex of activities, operations or work carried out for the purpose of prospecting for and verifying the existence, location, content and quantities of radioactive mineral in the deposits. It also includes the activities with a view to determining the treatment required and to submission of feasibility studies.
- 4.10. "Mining": the complex of mining activities, operations or work for the purpose of technical extraction of the mineral and its transport to the processing plant and its appropriate enrichment.
- 4.11. "Effective Date": [to be specified]
- 4.12. "Date of Start of Production": for each Commercial Deposit the date on which thirty consecutive days of operation of the processing plant at 60% of the designed capacity are completed or, at the latest, four years after declaration of a "commercial deposit".

- 4.13. "Subsidiaries and Affiliates": a "subsidiary" is a company which is managed or controlled financially by another, parent company. An "affiliate" is a company whose management or control is carried by the parent company through or with the help of one or more of its subsidiaries or of companies connected to the parent or to its subsidiaries. A company is financially managed or controlled when 50% or more of its capital belongs to the parent directly or through or jointly with its subordinate companies or their subsidiaries or affiliates.
- 4.14. "Interest in the Operation": the share of the obligations and rights acquired by one of the Parties in the Construction and Mining of the Contract Area.
- 4.15. "Libor": London Interbank Offering Rate for deposits in United States dollars at six months from the date concerned.
- 4.16. "Delivery Site": the site or place where the Concentrate is delivered by the Operator to the Parties for checking, weighing and dividing. This site will be located in the processing plant.
- 4.17. "Mine": the deposit of radioactive minerals, including the installations built and the equipment used for extraction of crude ore and its transport to the processing plant.
- 4.18. "Crude Ore": extracted ore which has not been processed.
- 4.19. "Radioactive Minerals": any association, aggregate and/or combination of uranium and/or thorium in the natural form.
- 4.20. "Construction": the complex of activities intended for development of the mine, its installations, the processing plant and the infrastructure needed to put the deposit into production.
- 4.21. "IAEA": the International Atomic Energy Agency.
- 4.22. "Joint Operation": the activities and work carried out or in the process of being carried out in the name of the Parties and related to Construction and Mining, as stipulated in this Contract.
- 4.23. "Mining Operations": all Exploration, Construction and Mining operations and any other operation or process for the production of Concentrate, including its packaging and transport to the delivery site.
- 4.24. "Operator": the one who is responsible to the Parties for the Joint Operation.
- 4.25. "Parties": the National Atomic Energy Authority (NAEA) and the Company and/or their respective assignees.
- 4.26. "Exploration Period": the period during which exploration of the Contract Area is carried out under the terms and conditions laid down under this Contract, beginning on the Effective Date.
- 4.27. "Mining Period": for each Commercial Deposit, the period between the date of start of production and the date of termination of the Contract.
- 4.28. "Construction Period": for each Commercial Deposit, the period between declaration as a Commercial Deposit and the date of start of production.

4.29. "Processing Plant": all installations intended for processing crude ore with a view to obtaining the Concentrate.

4.30. "First Option": the priority right of the Parties to accept or to reject a proposal on the same conditions as those offered to third parties.

4.31. "Content of Ore": the percentage of e U_3O_8 or e ThO_2 contained in the crude ore.

Chapter II

EXPLORATION

Clause 5. TERMS AND CONDITIONS

5.1. From the effective date referred to in Sub-clause 4.11, or earlier if so authorized by the NAEA, the Company shall under its own management begin geological investigation and studies of the Contract Area. The Company shall for its account and risk and in collaboration with the NAEA staff carry out the following activities in the Contract Area or in areas technically related thereto:

- (a) During the first year of the exploration period it shall submit to the NAEA:
 - (1) Monthly reports on activities, including all relevant geological data;
 - (2) An annual report on the whole area including: geological sections, geological summary of the whole area, radioactive anomalies (location, description and chemical analyses of samples), conclusions etc. and a request for retention of one or more areas with a total surface not exceeding % of Contract Area. (This request should contain geological characteristics, location of anomalies and geological sections on a 1:10 000 scale);
 - (3) Analyses of all the samples collected.
- (b) During the second year the Company undertakes in respect of the area chosen:
 - (1) To submit to the NAEA monthly reports on activities, including relevant geological data;
 - (2) To submit to the NAEA an annual report including a detailed geological map (1:10 000) based on available topographic maps, geological sections (1:500), detailed radiometric study, study of the anomalies, results of boreholes drilled, conclusions (geological study and tectonic study) etc.;
 - (3) To submit to the NAEA analyses of all the samples collected;
 - (4) To expend a minimum of US\$ per square kilometre within the country.
- (c) Starting from the third year, during the remainder of the Exploration Period the Company undertakes in respect of the area chosen:
 - (1) To submit to the NAEA monthly reports on activities, including all relevant geological data;
 - (2) To submit to the NAEA annual geological, mining and metallurgical reports including as far as possible:
 - ⊗ reserves, type, quality and contents of the radioactive deposit(s), mining method to be used, investment, costs of

production, machinery and infrastructure required, scale of production and life of the project etc.;

- (3) To submit to the NAEA analyses of all the samples collected;
- (4) To carry out a minimum of ... metres of drilling or to expend a minimum of ... US\$ per square kilometre per year within the country.

5.2. The ore treatment process shall be defined and the required laboratory and pilot-scale tests shall be carried out during the Exploration Period, for which purpose the sample material be exported. The amount of drilling carried out during the same period should make it possible to classify the reserves as possible, probable and proven.

5.3. Upon completion of each year the Company shall retain its rights over the Contract Area or may renounce the Contract provided it has fulfilled the annual obligations mentioned above.

5.4. The Company shall employ at least 50% national personnel at all levels in order to carry out the exploration activities. In any case it shall comply with the provisions of the national labour laws.

5.5. The Exploration Period shall have a duration of four years without prejudice to the stipulations of Clause 5.6.

5.6. If the Company has satisfactorily fulfilled the obligations set forth in Sub-clause 5.1, the NAEA will at the request of the Company extend the exploration period by an additional period of two years. Subject to justification, the NAEA may grant the Company a further extension of the exploration period by two years; however, the NAEA shall not refuse this extension without a justifiable cause. During the periods of extension the Company will be obliged to carry out drilling operations in the area amounting of at least ... metres per annum or to expend a minimum of ... US\$ per square kilometre per year unless this extension is requested for the purpose of carrying out studies on the treatment process.

5.7. If during any year of the Exploration Period the Company decides to perform activities which relate to the obligations of the next year, it may request the NAEA's approval to carry out those activities. If the request is approved by the NAEA, the latter will determine in what form and to what extent the transfer of those obligations will be made.

5.8. Starting from the date of declaration of a Commercial Deposit and thenceforth the Company shall automatically and without additional costs assume in respect of the deposit a 49% interest in the operation and in the ownership of the radioactive mineral to be extracted during the validity of the Contract. The remaining 51% interest in the operation and in the ownership of the radioactive mineral shall belong to the NAEA.

5.9. The Company is obliged to hand over to the NAEA all data which it may have on the areas returned and such data may be used freely by the NAEA.

Clause 6. PROVISION OF DATA DURING EXPLORATION

6.1. The NAEA shall supply to the Company on request all available data which it may have in its possession concerning the Contract Area. The costs of reproduction and supply of such data shall be charged to the Company.

6.2. During the Exploration Period the Company shall supply to the NAEA, all geological and drilling data, as these are obtained, in reproducible originals, copies of geological reports, reproducible originals of all drilling records that the Company may have, copies of the final drilling report including sample and core analyses and any other data relating to drilling, studies or interpretations of any nature that the Company may have concerning the Contract Area without limitation.

6.3. The Parties agree that all data which may be obtained in the execution of this Contract on the areas retained will be confidential in character during the validity of the Contract. By agreement between the Parties the data may be exchanged with companies associated with them. The foregoing understanding is without prejudice to the obligation to provide to the Ministry of Mines all data requested by it in conformity with the laws and regulations in force.

Clause 7. EXPLORATION BUDGETS AND PROGRAMMES

7.1. The Company shall have the right to prepare, in accordance with the provisions of this Contract, the programmes and budgets necessary for conducting Exploration in the Contract Area. These programmes and budgets shall be drawn up, as far as possible, in such a form as would cover the Contract Area and shall be communicated to the NAEA.

7.2. The accounts of costs during the Exploration Period shall be maintained as laid down in the Accounting Procedure in Annex B. At the time of the first declaration of a Commercial Deposit by the NAEA or in its default by the Company, the adjusted exploration costs shall be apportioned in the following proportion: NAEA 51% and Company 49%.

The greater part of the exploration costs shall be defrayed by the Company although the NAEA will contribute personnel from its staff, vehicles and equipment and provide logistic support.

In order to make up its share of contribution the NAEA shall pay the necessary sums until 51% of the accumulated costs is reached during Exploration or the NAEA may pay at the beginning of the Mining Period with its share of the sale of the Concentrate. In any case, the sums to be reimbursed by the NAEA shall be adjusted as laid down in Clause 39.

7.3. The exploration costs incurred by the Parties subsequent to the first declaration of a Commercial Deposit until the termination of Exploration of the zones agreed upon in this Contract and during the period specified therein shall be regarded as exploration costs for the Commercial Deposit or Deposits arising from this Contract and shall be debited to the Joint Account.

Clause 8. RETURN OF AREAS

Upon completion of the first year the area subject to this Contract shall in no case exceed ... % of the original Contract Area. Upon completion of the fourth year it will be reduced to a maximum of ... % of the initial Contract Area. At the end of the Exploration Period, it will be reduced to the Commercial Deposits plus a reasonable area to allow efficient Mining Operations. These areas shall be the only portion of the Contract Area which will finally remain subject to the terms of this Contract.

Chapter III

CONSTRUCTION AND MINING

Clause 9. TERMS AND CONDITIONS

9.1. When the Company has established in an acceptable manner, in accordance with the normal uranium mining practices, that a radioactive mineral deposit is commercial, it shall inform the NAEA of this fact in writing together with the basic evidence which justifies its conclusion. The NAEA shall within ninety calendar days from the date of such notice study and decide whether or not it will accept the commercial nature of the deposit.

9.2. If the NAEA does not accept the existence of the Commercial Deposit, it shall notify the Company to that effect within ninety calendar days, giving its reasons, and shall proceed thereafter to reach agreement with the Company on additional studies and the time which would be necessary to demonstrate the minimum results on the basis of which it would accept the commercial nature of the deposit. The time required and agreed upon between the Parties for these studies shall be, if necessary, additional to the Exploration Period envisaged under this Contract.

9.3. Upon completion of the additional studies agreed upon the NAEA shall have thirty calendar days to state in writing whether or not it accepts that the deposit is commercial; the failure to provide such a statement within the period indicated shall mean the NAEA's acceptance of the commercial character.

The declaration of a Commercial Deposit by the NAEA shall commit it to a contribution, and reimbursement, of 51% of the Exploration costs in accordance with Sub-clause 7.2 and to sharing in the Construction and Mining costs as specified in Clause 21.

9.4. If the NAEA does not accept the existence of a Commercial Deposit after the additional studies referred to in Sub-clause 9.2 have been carried out, the Company shall have the right to declare the existence of a Commercial Deposit. In this event, the Company may carry out Construction and put the deposit into production for its own account and risk and take the entire proceeds of the sale of the Concentrate minus the contribution referred to in Clause 13, until the Company's earnings from the Concentrate after deduction of the costs of mining, storage, loading and unloading and any other additional costs incurred by the Company are equal to the amount defined as the sum of (a) the reimbursement to which it is entitled owing to its share in the adjusted exploration costs in accordance with Clause 7, and (b) the adjusted costs for the exclusive account of the Company for Construction of the deposit.

When the Company has been reimbursed the amount specified in this sub-clause, all goods acquired by it for mining the deposit and paid for as indicated in this sub-clause shall pass into the ownership of the Joint Account without any costs. However, considering the Company's financing conditions, the NAEA may at any time begin to participate financially by paying its share (%) of the adjusted costs which had been incurred until that time and not reimbursed through sale of the Concentrate. In any case, the NAEA undertakes to abide by the contracts for the sale of the Concentrate in force at the time and the sales prices agreed upon therein.

9.5. If during the exploration period the Company does not accept the existence of a Commercial Deposit, the NAEA shall have the right to develop and put it into production for its own account or in association with third parties. If the NAEA intends to develop it for its own account it shall pay in advance one hundred per cent of the Company's share of the adjusted costs of Exploration of the deposit; if the NAEA intends to develop it together with third parties, it shall pay in advance one hundred and fifty per cent of the above costs.

Should the NAEA intend to develop it together with third parties, the Company will have the right of the first option to develop it together with the NAEA; if the Company exercises this option, the NAEA will only recognize its share of the adjusted Exploration costs as specified in Clause 7.

9.6. Upon commencement of the Construction Period, the area declared as a Commercial Deposit shall be defined and the other areas shall continue to be in the Exploration Period considering the provisions of Sub-clauses 5.5, 5.6, 7.3 and Clause 41. The Construction Period shall be three years, during which time the Operator shall carry out on behalf of the Parties the following activities and studies to be charged to the Joint Account:

- (a) Additional detailed drilling;
- (b) Development of the mine;
- (c) Construction of the processing plant;
- (d) Appropriate facilities for Mining Operations which are required for commercial mining of the radioactive mineral deposits at a specific level of production;
- (e) Construction of roads to the delivery site, facilities, equipment and infrastructural works for the management of the radioactive mineral both in the mine and at the delivery site.

9.7. With a view to the Operator's carrying out the Construction programmes approved by the Control Board the Construction Period may be extended by an additional year, at the Operator's request, so that all the facilities needed for putting the deposit into production can be completed in accordance with the targets established by the Control Board.

9.8. The Mining Period shall commence on the date of expiry of the Construction Period, which will end on the date of start of production.

Clause 10. TECHNICAL CONTROL OF OPERATIONS AT EACH COMMERCIAL DEPOSIT

10.1. The Parties agree that the Company will be the Operator during the Construction Period and during the first ten years of the Mining Period for each Commercial Deposit and, as such, with the limitations stipulated in this Contract, will have control over all operations and activities which may be considered necessary for the Construction and the Mining of the radioactive mineral obtained in the Contract Area. The Company will propose the name of the Operator's manager to the Control Board. After the first ten years of the Mining Period the Control Board will name a new Operator, who shall be one of the Parties. The new Operator will propose the name of the Operations Manager to the Control Board.

10.2. The Operator will have the obligation to carry out all Construction and Mining work in accordance with internationally recognized industrial standards and practices, employing for the purpose the best technical methods and systems needed for mining the radioactive mineral in an efficient and economical manner. In order to execute these activities the Operator may make use of contractors, preferably from within the country.

10.3. The Operator will be considered to be an entity distinct from the Parties for all purposes of this Contract and as concerns the application of civil, labour and administrative legislation and its relations with the personnel or their service in accordance with Clause 32.

10.4. The Operator shall have the right to relinquish this function by means of written notification to the Control Board six months before the date on which it wishes the relinquishment to take effect. The Control Board shall appoint the new Operator.

10.5. On completion of the first ten years of the Mining Period the Company should have trained on the job a sufficient number of national personnel so that at least 95% of the personnel needed for carrying out the Operator's jobs are nationals of the country. These persons should be distributed as far as possible at all levels of the operation.

Clause 11. CONSTRUCTION AND MINING BUDGETS AND PROGRAMMES FOR EACH COMMERCIAL DEPOSIT

11.1. After the declaration of each Commercial Deposit and as soon as engineering studies and bids for acquisition of equipment and for execution of the work permit the Operator shall submit to the Control Board an overall programme of operation and a budget for the Construction Period, including all equipment and facilities needed to start commercial mining of the deposit. Within sixty calendar days following the receipt of the budgets and programmes the Control Board shall notify the Operator in writing of the changes which it wishes to propose. In that event, the Operator shall take into account the comments and modifications proposed by the Control Board in preparing the budget and programmes, which shall be submitted for final approval to the Control Board at a meeting convened for that purpose.

The budgets and programmes for the Mining Period shall be submitted by the Operator so that they cover annual calendar periods and they shall be submitted for consideration of the Parties by 15 September of the preceding year at the latest. Within thirty calendar days following the receipt of such budgets and programmes the Control Board shall notify the Operator in writing of the changes which it wishes to propose. In that case, the Operator shall take into account the comments and modifications proposed by the Control Board in preparing the budget and programmes, which shall be submitted for final approval to the Board at a meeting convened for the purpose to be held on 15 November of each year at the latest. Should the overall budget not be approved by 30 November, the items of the budget on which agreement is reached shall be approved by the Control Board and those which are not approved shall be submitted immediately to the Parties for further study and final decision in the manner indicated in Clause 19.

11.2. The Control Board may introduce additions or revisions into the approved budget and programmes but save in cases of emergency these should not be made with a frequency of less than three months. The Control Board shall decide on the proposed additions and revisions at a meeting to be convened within thirty calendar days following the submission thereof.

11.3. The purpose of the programmes and budgets will be mainly:

- (a) To determine the operations to be carried out during the Construction Period and during each calendar year of Mining;
- (b) To determine the costs and expenditures which the operator is authorized to incur.

11.4. The terms "programme" and "budget" shall mean, respectively, the plan of work mentioned earlier and the estimated costs and investment to be incurred by the Operator for the various aspects of Construction and Mining such as:

- (a) Capital investment on Construction and Mining, including drilling for the purpose of increasing reserves; and
- (b) General construction and equipment such as industrial and camp facilities, transport equipment, construction equipment, drilling and production equipment, including infrastructural buildings and equipment;
- (c) Maintenance and operating costs such as production, geological work and administration;
- (d) Working capital requirements;
- (e) Contingency funds.

11.5. The Operator shall incur costs and investment and carry out the Construction and Mining Operations in accordance with the programmes and budgets referred to in this clause. Except with express authorization of the Control Board and save as provided in Sub-clause 11.7, the Operator may not exceed the amount of the budget by more than 10%

11.6. The Operator shall not, of its will alone, start any project or charge to the Joint Account any costs which are not approved in the budget and which exceed one hundred thousand US dollars or its equivalent in local currency per project or per quarter.

11.7. The Operator is authorized to incur expenditures chargeable to the Joint Account without the prior authorization of the Control Board when these concern emergency measures intended to safeguard the personnel or the property of the Parties, such as emergency expenditures due to fire, flooding, storms or other disasters, emergency expenditures essential for protection and maintenance of property, emergency expenditures essential for the operation and maintenance of production facilities and emergency expenditures essential for the protection and preservation of materials and equipment needed for operation. The Operator must in such cases convene a special meeting of the Control Board in order to obtain the latter's approval with a view to continuing the emergency measures.

Clause 12. PRODUCTION

12.1. Every six months, or as often as may be necessary, the Operator shall determine with the Control Board's approval the work required in order to obtain the production approved by the Control Board, which will take into account the sales contracts signed by the Parties.

12.2. The Operator shall prepare and deliver to each Party at regular intervals of three months a report stating the total production of Concentrate and each Party's share of the product. The Operator shall likewise provide to the Parties every six months a forecast of production and sale for the next six months.

Clause 13. TAXES AND ROYALTIES

13.1. During Mining in the Contract Area the Operator shall make over to the NAEA as tax five per cent of the proceeds of the sales and Concentrates produced in that area. The Operator shall pay the tax in kind at the option of the NAEA, in which case, the NAEA shall for its own account and risk take from the delivery site the percentage of production corresponding to the tax.

13.2. The tax received by the NAEA under Sub-clause 13.1 includes royalties which are due under the law to the State, provinces or municipalities and it is for the NAEA to refund them; in no case shall the Company be responsible therefor or for any payment to these bodies on this account.

Clause 14. DISTRIBUTION AND DISPOSITION OF THE CONCENTRATE

14.1. The Concentrate shall be measured in accordance with the rules and methods accepted by the uranium mining industry at the delivery site and in all cases, including that referred to in Sub-clause 9.4, the whole of the production which might not be needed for payment of the tax referred to in Sub-clause 13.1 shall be divided in ownership in the following proportion: NAEA 51% and Company 49%.

Where Sub-clause 9.4 applies, the NAEA shall make over to the Company its share of the Concentrate in conformity with the same sub-clause.

14.2. Except where Sub-clause 9.4 applies, the NAEA may dispose of its share of the Concentrate to fulfil agreements signed by the Government. In such a case, it shall inform the Control Board sufficiently in advance and shall honour the obligations undertaken previously by the Board.

The NAEA as a body responsible for implementation of agreements shall take special care to avoid damage to the Company and shall apply, inter alia, the principles of equality and equity in dividing those commitments between the partnership contracts and uranium Mining contracts which it may sign.

14.3. The transport of the Concentrate, which is the property of each of the Parties, from the delivery site shall be effected for the account and risk of each of them.

14.4. Without prejudice to the fulfilment of Sub-clause 14.2, the Control Board shall define the commercial policies which will govern the Contracts for the sale of the Concentrate resulting from the joint mining. This policy involves inter alia:

- (a) Fixation of the minimum acceptable prices;
- (b) Establishment of mechanisms for fixation of prices for future deliveries;
- (c) Determination of payment conditions;
- (d) Agreement on options to be offered to customers;

- (e) Fixation of the maximum and minimum quantities to be sold to each customer.

The Control Board shall sign and approve all relevant sales contracts without prejudice to the stipulations contained in the following sub-clause.

14.5. In the event of the Parties being unable to reach agreement within the Control Board on the sales policy, each Party shall have the right to dispose of its share of the Concentrate which is not committed in sales contracts agreed upon previously, subject to fulfilment of Clause 15.

14.6. When Sub-clause 14.4 is applicable, the Company shall act as the Commercial Agent of the Joint Operation with the following obligations, inter alia: to provide to the Control Board all information which it may have on the supply and demand of the Concentrate on the world market, the actual needs of potential customers, contracts concluded by competitors and, in general, all information which may facilitate the Control Board's choice of sales contracts in accordance with the policies laid down.

The Agent shall negotiate contracts for the sale of Concentrates on behalf of the Parties, subject to the Control Board's instructions and approval. For this work the Agent shall be remunerated in accordance with international standards concerning the marketing of uranium.

Clause 15. MUTUAL GUARANTEES

15.1. No commitment on transfer of the Concentrate, including where Sub-clause 9.4 applies, may be made unless each of the Parties has given the other the right of first option of purchase within thirty calendar days from the date of the offer in respect of the part of production concerned in this commitment except in the following cases:

- (a) When the offer accepted by the customer is in conformity with the sales policy defined by the Control Board;
- (b) Where it relates to the quantity committed by the NAEA in fulfilment of agreements approved by the Government in accordance with Sub-clause 14.2;
- (c) The case referred to in Sub-clause 15.2.

15.2. Where Sub-clause 14.5 applies the Party which wishes to sell undertakes to inform the other of the minimum conditions under which its Concentrate will be offered for sale. If the other Party does not wish to buy under these conditions, the Party wishing to sell may do so under conditions which are not more unfavourable than those offered. If the Party wishing to sell cannot obtain on the market conditions which are more favourable or equal to those offered is obliged to propose a new set of conditions to the other Party.

15.3. So far as the Company is concerned, the invoice for its part shall serve in all cases as the basis for accounting, fiscal, compensation, tax and other purposes.

Clause 16. PROVISION OF INFORMATION AND INSPECTION DURING CONSTRUCTION AND MINING

16.1. The Operator shall hand over to the Parties, as they are obtained, reproducible originals (in sepia) of borehole drilling records, histories, electrologs, analyses of samples collected in the mine and all routine reports relating to the operations and activities carried out in the Contract Area.

16.2. Each Party shall have the right, at its own cost and for its account and risk and through its authorized representatives, to inspect the mine and the facilities in the Contract Area and the activities related thereto. Such representatives shall have the right to examine cores, samples, maps, drilling records, surveys, books and all other sources of information relating to the execution and obligations of this Contract and those resulting from it and concerning the Parties.

16.3. In order that the NAEA can carry out the functions agreed upon in Clause 29, the Operator shall prepare and provide in time all information required by the government.

16.4. The information and data relating to the Construction and Mining work shall be treated as confidential in terms of Sub-clause 6.3 of this Contract.

16.5. The Operator shall in every way collaborate with the Technical Committee and the External Auditor so that they can carry out the tasks assigned to them under Clause 26 and in particular those related to the provision of information to the Parties.

Chapter IV

CONTROL BOARD

Clause 17. COMPOSITION AND ORGANIZATION

17.1. Within thirty calendar days following the first declaration of a Commercial Deposit each Party shall nominate two representatives and their respective alternates who will make up the Control Board and shall inform the other Party in writing of the names and addresses of its representatives and alternates. The Parties may replace their representatives or alternates at any time, notifying the other Party in writing of the change. A vote or decision by the representatives of a Party shall commit that Party. If one of the principal representatives of any Party is unable to attend a meeting of the Board, he shall designate in writing the alternate who should attend. The latter shall have the same authority as the principal representative.

17.2. The Control Board shall hold regular meetings at least during February, May, August and November, at which it will review the Construction and Mining programmes proposed by the Operator, study and analyse the reports of the Technical Committee and the External Auditor and also the immediate plans. Annually, in every November, the Control Board shall hold a special meeting to discuss and approve the annual programme of operations and the expenditure and investment budget for the next calendar year.

17.3. Any one of the Parties or the Operator may request that special meetings of the Control Board be convened to analyse specific conditions of the operation. The Chairman of the Board shall notify in writing fifteen days in advance the date of the meeting and the topics to be discussed. Any matter not included in the announcement of the meeting may be taken up during the meeting, subject to approval by the representatives of the Parties on the Board.

17.4. Each representative of the Parties shall have one vote in any matter discussed at the Control Board. Any resolution or decision adopted by the Control Board must have the affirmative vote of the majority in order to be valid. The quorum required for the validity of the decisions of the Control Board shall be four members, two of each Party.

The decisions taken by the Control Board in conformity with the above procedure shall be final and binding on the Parties and the Operator.

17.5. The representatives of the Parties shall constitute the Control Board invested with full authority and responsibility for laying down and adopting the Construction and Mining programmes and budgets relative to the present Contract.

17.6. The Secretary of the Board, who shall be an employee of the Operator and be appointed by the Control Board, shall co-ordinate and act as the moderator of the Board's meetings. The Secretary shall prepare detailed records and minutes of all meetings as well as summaries of all discussions held and decisions taken at the Board.

In order to be valid, the records should be approved and signed by the representatives of the Parties who shall be given a copy of the records as soon as possible.

17.7. The Control Board shall elect from among its members a Chairman, who should be one of the representatives of the Government.

17.8. All costs connected with the functioning of the Control Board shall be charged to the Joint Account.

Clause 18. FUNCTIONS

18.1. The Control Board shall have inter alia the following functions:

- (a) To make and approve its own rules;
- (b) To appoint the Operator in case of relinquishment;
- (c) To appoint the External Auditor for the Joint Account;
- (d) To approve or to reject the overall Construction programme and budget, the annual programme of Operations and investment on Mining and any modification or revision thereof and also to authorize supplementary expenditures;
- (e) To lay down rules and policies for expenditure;
- (f) To approve or to reject any proposal for expenditure made by the Operator which is not included in the approved budget, provided the amount exceeds one hundred thousand US dollars or its equivalent in local currency;
- (g) To advise the Operator and decide on matters submitted by the latter for the Board's consideration;
- (h) To establish sub-committees which it may deem necessary and to lay down the functions which they should carry out under its direction and which are to be charged to the Joint Account;
- (i) To approve the designed capacity of the processing plant on the basis of feasibility studies;
- (j) To approve loans negotiated by the Operator on behalf of the Parties for the conduct of the Mining operations;
- (k) To prepare programmes for on-the-job training of the national personnel, chargeable to the Joint Account, for carrying out the Operator's work and Mining operations;
- (l) To define the type and frequency of reports on operations and production and any other information to be supplied by the Operator to the Parties, chargeable to the Joint Account;
- (m) To supervise the operation of the Joint Account with the assistance of the External Auditor;
- (n) To authorize the Operator to conclude, for the Joint Operation, contracts for amounts exceeding two hundred thousand US dollars or its equivalent in local currency;
- (o) To establish rules for division of the Concentrate which should take into account the latter's specifications and the stipulations of this Contract;

- (p) To approve rules for acquisition of the processing plant and substantial extension thereof and to determine the procedure for acquisition of equipment;
- (q) To define the policy for the sale of the Concentrate and to approve sales contracts for Concentrates;
- (r) To approve the appointment of the Operator's Manager;
- (s) In general, to carry out all functions authorized in this Contract which do not pertain to another entity or person under a specific clause or by legal or regulatory provisions;
- (t) To study the reports of the Technical Committee and to make recommendations to the Operator on the basis of the results of those studies.

Clause 19. DECISION IN CASE OF DISAGREEMENT DURING OPERATION

19.1. Any project related to the operation whose implementation requires the Control Board's approval, as laid down in this Contract, and on which there is no agreement between the representatives of the Parties on the Board shall be submitted to the highest executive of each Party for joint decision.

19.2. If the Parties reach an agreement or a decision within sixty calendar days after the occurrence of the disagreement, they shall inform the Secretary of the Control Board to that effect who shall convene a meeting of the Board within fifteen calendar days following the receipt of the communication. The members of the Board shall be bound to accept this decision at such a meeting.

19.3. If the Parties do not reach an agreement on the difference within sixty calendar days following the date of the occurrence of the disagreement, the operations may be carried out in conformity with Clause [illegible] or, in default thereof, Clause 28 shall apply.

Clause 20. SAFETY

The Mining Operations referred to in this Contract shall be conducted subject to the following measures being taken.

20.1. The Operator shall establish a radiological protection system under which all personnel working directly with radioactive minerals and their concentrates, both physical and chemical, shall be subject to radiological monitoring rules.

These rules shall be applied to all personnel by means of radiological, pulmonary, haematological and physiological examinations. The personnel who during their whole working period come into contact with radioactive minerals and concentrates shall carry dosimeters (film, photoluminescent or thermoluminescent dosimeters) and be subject to systematic monitoring of the dose received.

20.2. The Operator shall apply the rules recommended by the IAEA in respect of the maximum permissible dose for workers occupationally exposed to radiation.

20.3. The Operator shall arrange for the separation of the person who has exceeded the permissible dose levels from work involving risks of radioactive contamination or overdose.

- 20.4. The Operator undertakes to install health physics systems at the facilities and processing plants so as to reduce or prevent risks due to radiation damage and contamination from solids, liquids or aerosols by appropriate ventilation and use of gloves and, if necessary, masks.
- 20.5. The Operator also undertakes to carry out the Mining Operations under healthy conditions, i.e. by avoiding any type of radioactive or other contamination which might endanger the ecological balance.
- 20.6. The transport of uranium ores and their concentrates shall be carried out in compliance with the IAEA regulations.
- 20.7. When solids of low specific activity are transported outside the limits of the radioactive mineral deposits or the processing plants, the packaging which is customary in the uranium industry shall be used.
- 20.8. During the handling of any radioactive mineral the temporary contamination must not exceed 100 picocuries per square centimetre.
- 20.9. During the handling of radioactive liquids, especially during transport operations, consideration must be given to whether the liquids are pyrophoric and/or corrosive compounds, in which case the containers and packaging must be fire-proof and/or corrosion-proof and must bear labels with the word(s) "PYROPHORIC" and/or "CORROSIVE", as appropriate.
- 20.10. The NAEA, in the exercise of its powers in matters of radiation control, shall oversee the application of the rules referred to in this Clause.
- 20.11. The costs which may be incurred in connection with the application of the rules referred to in this Clause shall be charged to the Joint Account.
- 20.12. Without prejudice to the provisions of this Clause, any additional modifying regulations which may be approved as a consequence of new scientific and technical advances made on the subject shall be duly complied with. In any case, the radiological safety regulations of the NAEA shall be applied as the minimum requirements.

Chapter V

JOINT ACCOUNT

Clause 21. MANAGEMENT

21.1. Without prejudice to the provisions of the other clauses of this Contract, the Exploration costs shall be dealt with as laid down in Clause 7 of this Contract and in the Accounting Procedure, which is part of Annex B.

21.2. From the time of declaration of a Commercial Deposit, the ownership of the rights and interest in the operation of the Commercial Deposit shall be divided in the following proportion: NAEA 51% and Company 49%.

Thenceforth all costs, payments, investments and liabilities incurred for the conduct of the operations, except as provided in Sub-clause 21.1 [?], in conformity with this Contract shall be debited to the Joint Account in accordance with the Accounting Procedure in Annex B, which is an integral part of this Contract.

Subject to the provisions of Clause 9, the payment for all properties acquired and used since the declaration of a Commercial Deposit in order to carry out the Construction and Mining activities shall be made in the following proportion: NAEA 51%, Company 49%.

21.3. In conformity with the programmes and budgets approved by the Control Board, the Parties shall make available to the Operator, at a bank to be designated by the latter, their due shares of the budget within the first five working days of each month, as requested by the Operator and in the currency in which the expenditures have to be made, converting it into local currency or US dollars. If the Company has no funds in local currency which may be necessary for covering its share in that currency, the NAEA shall have the right to provide such funds and to receive credit for the contributions which it should make in dollars, calculated at the official rate for purchase of exchange certificates by the central bank on the date at which the NAEA makes the contribution in local currency, provided that such a transaction is permitted by law.

21.4. The Operator shall submit every month to the Parties and to the External Auditor, within thirty calendar days from the end of each month, a monthly statement showing the sums advanced, the expenditures made, the outstanding obligations and a report on all debits and credits to the Joint Account to be prepared as per Annex B.

21.5. If one of the Parties fails to contribute to the Joint Account the sums due from it at the specified date, that Party will thenceforth be considered the "Defaulting Party" and the other Party the "Reliable Party". If the Reliable Party should make the contribution due from the Defaulting Party the latter shall owe the other Party from the date of default, in addition to the principal, an interest at the rate of one-and-one-half times the commercial interest fixed by the [central bank] and applicable to the currency in which the contributions were due. After sixty calendar days of default the Reliable Party will have the option of receiving from the Operator the "net value of the sales" which is due to the Defaulting Party until the amount owed is covered, minus the percentage corresponding to the contribution. In order to exercise this option the Reliable Party shall notify the Defaulting Party in writing of its intention to that effect not less than thirty calendar days in advance of exercising the option. The "net value of sales" shall mean the

difference between the sales price of the Concentrate minus the costs of transport, storage, loading and unloading and any other cost related to the Concentrate which may be incurred by the Reliable Party.

The same procedures shall apply if the Operator makes the contribution on behalf of the Defaulting Party, in which case the Operator shall be considered the Reliable Party.

21.6. Regardless of the percentages of production received by each Party under this Contract, all costs of the Joint Operation shall be charged to the Parties in the proportion of 51% for the NAEA and 49% for the Company.

21.7. Anyone of the Parties may review and object to the monthly statements of account referred to in Sub-clause 21.4 within six months from the end of the calendar year concerned, clearly specifying the parts objected to and the reasons therefor.

Any account which has not been reviewed and objected to within this period shall be regarded as final and correct.

21.8. The Operator shall keep accounting records, vouchers and reports which may affect the Joint Account in local currency in conformity with the laws of the country and any debit or credit to the Joint Account shall be made in accordance with the Accounting Procedure set forth in Annex B, which forms part of this Contract. In the event of any inconsistency between the Accounting Procedure in Annex B and the provisions of this Contract, the provisions of the latter shall prevail.

21.9. The Operator may sell materials or equipment during the Construction Period and the Mining Period for the benefit of the Joint Account when the value of the items sold does not exceed fifty thousand US dollars or its equivalent in local currency per calendar year. Sales exceeding these amounts or those relating to immovable property must be approved by the Control Board. In any case, every sale of materials and equipment must be communicated to the Control Board.

21.10. All machinery, equipment and other goods or movables acquired by the Operator for implementation of this Contract and charged to the Joint Account shall be the property of the Parties: 51% of the Government and 49% of the Company. However, should one of the Parties decide to terminate its interest in the Operation during the first seventeen years of the Mining Period, except in the case dealt with in Clause 25, that Party shall sell to the other Party its entire interest in those goods at a reasonable commercial price or at their book value, whichever is the lower. If the other Party does not wish to buy those goods within ninety calendar days following the formal sales offer made to it, the Party desiring to withdraw shall have the right to offer its interest to third parties, subject to the provisions of Clause 27. If the Company should decide to withdraw after the expiry of seventeen years of the Mining Period, its rights in the Joint Operation shall be transferred free of cost to the NAEA.

Chapter VI

DURATION OF THE CONTRACT

Clause 22. MAXIMUM DURATION FOR EACH COMMERCIAL DEPOSIT

This Contract shall enter into force on the Effective Date and shall have a duration not exceeding thirty-two years divided into the following periods: an Exploration Period of up to eight years, a Construction Period of up to four years and a Mining Period of up to twenty years. In the events envisaged in this Contract, in which the Exploration or the Construction Period is extended, the total duration will in no case be considered extended beyond thirty-two years without prejudice to the stipulations in Sub-clause 28.6 and Clause 34.

Clause 23. TERMINATION

This Contract shall be terminated in any of the following cases.

23.1. Upon expiry of the Exploration Period if no Commercial Deposit has been declared.

23.2. Upon expiry of the duration of the Contract as stipulated in Clause 22.

23.3. On any date at the Company's will, subject to the fulfilment of the obligations and terms referred to in Clause 5 and others accepted under this Contract.

23.4. On special grounds referred to in Clause 24.

Clause 24. GROUNDS FOR LAPSE

24.1. The NAEA may declare this Contract to have lapsed at any time before the expiry of the period stipulated in Clause 22 in any of the following cases:

- (a) Liquidation of the Company or its assignees;
- (b) Transfer this Contract, in full or in part, by the Company or its assignees without complying with the provisions of Sub-clauses 27.2 and 27.3;
- (c) Financial incapacity of the Company or its assignees, which will be presumed when there is a judicial declaration of bankruptcy or when a creditors' meeting takes legal proceedings against them;
- (d) Failure to carry out the obligations assumed by the Company in pursuance of this Contract.

24.2. The NAEA may not declare this Contract to have lapsed except after sixty calendar days following a written notice to the Company or its assignees clearly specifying the grounds invoked for such a declaration. The declaration of lapse may be made only if the Company has not submitted satisfactory explanations to the NAEA or if it has not remedied the failure to fulfil the Contract, the foregoing without prejudice to the Company's right of seeking legal redress as it deems appropriate. However, if the remedy of the failure invoked by the NAEA as the ground for termination requires more than sixty calendar days and the Company is remedying the failure diligently, the NAEA shall allow it the necessary time in conformity with usual practice for such a remedial action.

Clause 25. OBLIGATIONS IN CASE OF TERMINATION

25.1. Upon termination of the Contract in conformity with Sub-clauses 23.2 and 23.3 during the Construction or Mining Period the Company shall leave in production the Commercial Deposits which may be productive on that date and shall hand over the buildings and other movable and immovable properties of the Joint Account situated in the Contract Area, all of which shall pass free of cost into the possession of the NAEA, together with the rights and goods acquired for the benefit of the Contract even if the former or the latter may be outside the Contract Area.

25.2. If the Contract is terminated on any ground after the first seventeen years of the Mining Period, the whole of the Company's interest in the machinery, equipment or other goods or movable items used or acquired by the Company or by the Operator for execution of this Contract shall pass free of cost into the possession of the NAEA.

25.3. If the Contract is terminated during the first seventeen years of the Mining Period, the provisions of sub-clause 21.10 shall apply.

25.4. In case the Contract is terminated by declaration of lapse, the ownership of the rights and interest belonging to the Company, as represented by its 49% share in the Joint Operation, shall revert free of cost to the NAEA in conformity with the legal rules in this matter.

25.5. Upon termination of the Contract on any ground and at any time the Parties shall be bound satisfactorily to carry out its legal obligations to each other and to third parties as well as those assumed under this Contract.

25.6. In case of declaration of lapse, the Company's rights stated in this Contract in its capacity as Interested Party and as Operator shall cease if at the time of such a declaration the Company is acting in those two capacities referred to.

25.7. In case of termination of the Contract during the Exploration Period or upon completion thereof without a Commercial Deposit having been declared, the Company shall retain the ownership of the goods and equipment which it will have contributed during this period.

25.8. If upon termination of the present Contract on grounds other than lapse the NAEA requires the services of third parties for operation, distribution or technical assistance in connection with the Contract area, it shall grant the Company the option of rendering those services under the same conditions as third parties.

25.9. In the case of mining of several Commercial Deposits using common services, when one or more of them are reverted on grounds other than lapse, agreement shall be reached so that the reversion or reversions are not prejudicial or detrimental to the mining of the deposits which are not reverted.

Chapter VII

MISCELLANEOUS PROVISIONS

Clause 26. TECHNICAL COMMITTEE AND EXTERNAL AUDIT

26.1. After declaration of the first Commercial Deposit, the Control Board shall establish a Technical Committee consisting of up to three representatives nominated by each Party.

26.2. The Control Board shall make rules for the working of the Technical Committee so that it can act as adviser at the meetings of the Control Board.

26.3. The members of the Technical Committee shall be specialists in the different aspects of the Joint Operation and shall confine its work to matters related exclusively to the implementation of this Contract. They shall be kept informed at all times by the Operator of the progress of work.

26.4. The Technical Committee shall act as the technical adviser to the representatives of the Parties on the Control Board, communicate to them its recommendations and report to the Control Board, so that the latter can take its decisions with full knowledge of the facts, concerning:

- (a) All documentation, information, studies and data relating to the operations in progress;
- (b) Budgets and programmes of work;
- (c) Nature of the work carried out.

It is understood that the Technical Committee will have no administrative or executive functions in the Joint Operation and that its powers will be solely consultative.

26.5. The Operator shall provide the representatives of the Technical Committee with all facilities for carrying out their functions (access to information, access to work sites, etc.) and make available to them the necessary means of transport.

26.6. All costs connected with the work of the Technical Committee shall be charged to the Joint Account.

26.7. After declaration of the first Commercial Deposit the Control Board shall appoint an External Auditor which shall be an independent firm of auditors of recognized standing. The Auditor shall have the following functions:

- (a) To make sure that the Operator's accounting methods, books and balance sheets conform to the country's legal requirements, to the present Contract and to the decisions of the Control Board;
- (b) To examine all transactions, inventories, records, books, correspondence and activities of the Operator;
- (c) To examine all vouchers of the Operator's account;
- (d) To examine the Joint Account referred to in Clause 21;

- (e) To verify that all insurance policies guaranteeing goods or interests in the Joint Operation are executed and renewed in time;
 - (f) To verify that transactions which are funded from the Joint Account conform to legal requirements, to the provisions of this Contract and to the resolutions of the Control Board;
 - (g) To report timely in writing to the Control Board and to the Operator on the irregularities observed in the activities of the Joint Operation;
 - (h) To certify the accounts and balance sheets of the Joint Operation and to submit a report thereon to the Control Board and to the Technical Committee;
 - (i) To audit all accounts transferred by the Operator to each of the Parties and those passed by each of the Parties to the Joint Account;
 - (j) To supply to the Control Board and to the Technical Committee reports requested by them on matters related to their functions;
 - (k) To submit to the Control Board a report on the work carried out by the External Auditor since the last audit report was submitted to the Board;
- (l) Any other functions assigned to it by the Control Board.

26.8. All costs and fees paid to the External Auditor shall be charged to the Joint Account.

Clause 27. RIGHTS OF ASSIGNMENT

27.2. Without modifying the terms of this Contract the Company shall have the right to assign or transfer the whole or a part of its share, rights and obligations arising out of this Contract, subject to the fulfilment by the assignee of the requirements laid down under national law, to any person, company or group having the financial and technical capacity to carry out the Contract and the legal capacity to operate in the country.

In case of assignment to a person, company or group which is not a subsidiary or an affiliate of the Company, prior authorization of the NAEA shall be required.

27.3. If this assignment is partial, the Company and the assignee shall be jointly responsible for the obligations under the Contract.

27.4. If the Company seeks from the NAEA authorization for full or partial assignment of this Contract and more than sixty calendar days have passed since the receipt by the NAEA of the relevant request by registered letter without a negative reply, it shall be understood for all purposes that the request has been accepted provided that the request was made under this clause.

27.5. The NAEA reserves the option to assign its rights derived from this Contract to government agencies.

Clause 28. DISAGREEMENTS

28.1. Cases of disagreement between the Parties over legal questions relating to the interpretation and execution of the Contract which cannot be settled amicably shall be cognizable by the country's judiciary and be referred to it for decision.

28.2. Any difference of fact or of a technical character which may arise between the Parties in connection with the interpretation or application of this Contract and which cannot be settled amicably shall be referred for final decision to experts appointed in the following manner: one by each Party and a third by common consent by the principal experts. If the latter cannot agree on the appointment of the third expert, he shall be nominated at the request of any one of the Parties by the head of the country's professional association of engineers, who may not nominate a citizen of the country or of the country of the Company.

28.3. Any difference concerning accounting which may arise between the Parties in connection with the interpretation or execution of the Contract and which cannot be settled amicably shall be referred for decision to experts who must be certified public accountants to be appointed in the following manner: one by each Party and a third by the two principal experts; in the absence of agreement between the latter and at the request of any one of the Parties, the third shall be nominated by the country's central board of accountants.

28.4. The Parties declare that the decision of the experts shall have the full force of a compromise between them and consequently such a decision shall be final.

28.5. In case of disagreement between the Parties on the technical, accounting or legal nature of a controversy, the latter shall be regarded as legal and Sub-clause 28.1 shall apply.

28.6. If a disagreement over non-financial or non-commercial matters and its settlement involve a delay of more than thirty calendar days in the implementation of this Contract, any one of the Parties may request the experts or judges, as appropriate, mentioned in this Clause to restore or suspend the Contract period affected by the disagreement, notwithstanding the stipulations of Clause 22.

Clause 29. REPRESENTATION

Without prejudice to the rights which the Company may legally have as a consequence of legal provisions or the clauses of this Contract, the NAEA undertakes to represent the Parties before the national authorities in matters relating to Exploration, Construction and Mining in the Contract Area, whenever this is necessary, and shall furnish to government officials and agencies all data and reports which may be legally required. The Operator shall prepare and provide to the NAEA information requested by it.

The costs which the NAEA may incur in order to attend to any matter referred to in this Clause shall be charged to the Joint Account and when such costs exceed ten thousand US dollars, or its equivalent in national currency, prior approval of the Control Board shall be necessary. The Parties declare that in any relations with third parties neither the stipulations of this Clause nor those in any other clause of the Contract will imply the grant of a general power of attorney or that the Parties have formed a civil or commercial partnership or any other relationship under which any one of them

could be considered to be jointly responsible for acts of omission or commission by the other Party or that they possess authority or power of attorney binding the other Party.

Clause 30. RESPONSIBILITIES

The responsibilities assumed by the NAEA and the Company in connection with this Contract with respect to third Parties shall not be joint and consequently each Party shall be severally responsible for its share of the costs, investment and liabilities resulting therefrom.

The Operator shall carry out the operations referred to in this Contract in an efficient and appropriate manner and in accordance with practices normally used in this type of operation, it being understood that at no time will it be responsible for errors of judgement or for losses or damage not resulting from obvious negligence of the Operator. It is understood that obvious negligence in this case is limited to the failure on the part of the Operator to use his best judgement and to exercise care in appointing its employees and contractors for the conduct of the Joint Operation.

Clause 31. TAXES, CHARGES AND SO ON

The charges and taxes to which the Parties become subject after the opening of the Joint Account but before they receive their shares of the Concentrate produced and which are levied on the Construction and on the Mining of radioactive minerals shall be debited to the Joint Account. Under the country's law income and capital taxes and surtaxes shall be the exclusive responsibility of each of the Parties in the ratio of their incomes from the sales contracts or their shares of the Concentrate.

Clause 32. PERSONNEL

32.1. Under the terms of this Contract and subject to rules to be established, the Operator shall be free to appoint the personnel required for the Operations referred to in this Contract and may lay down their remuneration, functions, categories, number and terms and conditions.

32.2. In any case, the Operator shall comply with the legal requirements and the provisions of this Contract which lay down the proportion of national and foreign employees and workers.

32.3. The Company during the Exploration Period and the Operator during the Construction and Mining Periods shall have the right to carry out any work under this Contract through contractors, subject to the Control Board's powers to approve contracts whose value exceeds two hundred thousand US dollars or its equivalent in national currency.

32.4. The Control Board shall prepare programmes for on-the-job training of the national personnel, to be charged to the Joint Account, in pursuance of the provisions of Sub-clause 10.5. The Technical Committee shall inform the Board of the implementation of these programmes.

Clause 33. INSURANCE

The Operator shall take out all insurances required under the country's laws. It shall also require each contractor carrying out any work in pursuance of this Contract to obtain and keep valid those insurances which the Operator considers necessary. The Operator shall also take out other

insurances which the Control Board deems necessary. The External Auditor shall keep the Control Board informed of the implementation of this Clause.

Clause 34. FORCE MAJEURE OR ACT OF GOD

The obligations to which the Contract refers shall be suspended for the whole of the period during which any of the Parties is unable to carry them out fully or partly owing to unforeseen events constituting force majeure or Act of God such as strikes, lockouts, wars, earthquakes, floods or other disasters, governmental laws or regulations or decrees that limit the obtaining of essential equipment and items and in general for any non-financial reason actually impeding work, albeit not listed above, which affect the Parties and are beyond their control. If one of the Parties is unable, owing to force majeure or Act of God, to discharge its obligations derived from this Contract, it shall promptly notify the other Party thereof for its consideration, specifying the causes of the impediment. The existence of force majeure or Act of God may in no case extend the Mining Period of a Commercial Deposit beyond twenty calendar years from the date of start of production, as stipulated in Clause 22; however, any impediment due to force majeure or Act of God during the eight-year Exploration Period or during the four-year Construction Period for a Commercial Deposit, referred to in Clause 22, which may last more than thirty consecutive days shall extend these periods by the duration of the impediment.

Clause 35. APPLICATION OF NATIONAL LAWS

For all purposes of this Contract, the domicile of the Parties shall be (town) (country).

The national law shall apply to all parts of this Contract and the Company shall be subject to the jurisdiction of the national courts, save as provided in Clause 28, and renounces any intention of having diplomatic recourse in all matters concerning its rights and obligations derived from this Contract except in the case of denial of justice.

It is understood that there is no denial of justice when the Company in its capacity as a Party or Operator has had every recourse and means of action which can be taken under the country's laws in the courts of the country and has been able to have recourse as provided under this Contract.

Clause 36. PROTECTION OF THE ENVIRONMENT

During the Construction and the Mining of radioactives minerals in the Contract Area, the Operator shall take all the necessary measures in accordance with the usual rules of mining and the country's relevant mining laws and regulations in order to avoid harm to persons and resources in the region or regions related to that area, especially rivers, soil, flora and fauna. The Operator shall rehabilitate the land affected by the Mining Operations as soon as possible in accordance with programmes agreed upon by the Control Board and supervised by the Technical Committee.

Clause 37. TECHNICAL KNOW-HOW

37.1. The Operator shall make available free of cost for the Joint Operation his non-patented knowledge and know-how needed for execution of the Contract so that it can be carried out under the best technological and economic conditions.

37.2. Patents, information or procedures relating to radioactive ore processing that may be obtained during the execution of the Contract and financed from the Joint Account shall be the property of the Parties in the proportion of their interest in the Operation.

Clause 38. OTHER MINERALS

38.1. If in the course of the Mining Operations covered by this Contract the Operator or one of the Parties discovers deposits of other minerals outside the deposits of radioactive materials, it shall communicate in writing such discovery to the Parties. All rights derived from such discoveries shall be the property of the Parties in the proportion of their interest in the Operation. The Government shall deal with the relevant requests in accordance with legal provisions in force on the subject and with Clause 29.

38.2. If during the execution of the Mining Operations the radioactive minerals found are associated and/or combined with other minerals and the latter are the by-product of mining, the Operator may process such minerals, subject to agreement with the Parties through the Control Board.

Clause 39. ADJUSTMENT OF COSTS

The "adjusted costs" of Exploration, Construction and Mining mentioned in the present Contract are the original costs in US dollars adjusted annually at the LIBOR rate + 2 points. The consolidation of the costs and their adjustment shall be made on 31 December of the year concerned at the rate in force on that date.

Clause 40. PRICING OF THE CONCENTRATE

The payments or reimbursements referred to in Sub-clauses 7.2, 7.3, 9.4, 9.5, 21.1 and 21.5 shall be made in United States dollars. If necessary, other systems of pricing the concentrate will be based on the price agreed upon in the sales contracts.

Clause 41. ADMINISTRATIVE UNITY

The Control Board, the Technical Committee, and other bodies as well as External Audit, Accounting Procedure, etc. which are established in connection with the declaration of the first Commercial Deposit shall govern all subsequent Commercial Deposits.

Clause 42. NOTIFICATIONS

In order to be valid, notifications or communications between the Parties under this Contract or connected to it must mention the relevant clauses and shall be sent to the Parties at the following addresses:

Any changes of address shall be notified in advance to the other Party.

[signatures]

ANNEX B

ACCOUNTING PROCEDURE

The present Procedure shall serve as the basis for making credits and debits incurred between the Parties in connection with the operations involving the properties defined in the present Contract. The terms used or defined in the present Contract shall have the same meaning when used in this Accounting Procedure. The joint activities are hereafter called Joint Operations and all charges shall be made to the Joint Account, which will commence as envisaged in Clause 21 of the said Contract; this Accounting Procedure may be revised by written agreement between the Parties. The Parties will henceforth be called [the National Atomic Energy Authority (NAEA)], and the Company, which expressions shall have the same meaning as is ascribed to them in the aforementioned Contract.

The Joint Account defined in Sub-clause 4.6 of the above-mentioned Contract shall be divided into three principal ledgers as follows:

(a) Joint Account (Explanation - debits and receipts)

This account is for all entries in accordance with the details given hereafter and shall be divided monthly in its totality in the proportion of 51% for the NAEA and 49% for the Company, i.e. it will serve as the basis for monthly invoicing, as laid down in this procedure, so that every month it will be left with a balance of zero.

(b) Joint Current Account for Operation

The advances received by the Parties and the debits or credits resulting from invoicing them shall be entered into this account, which will at all times show a debit or credit balance for each of the Parties, as the case may be. This account shall be divided into two sub-accounts, depending on the original currency of the transaction: national currency and US dollars.

(c) Ledger for Joint Goods

The Operator shall keep a ledger for all goods acquired through the Joint Account which are subject to inventory, indicating in detail the class of assets, the date of acquisition and their costs. The accounts mentioned in (a) and (b) above form part of the official accounting records of the Operator. The three accounts shall be subject to Clause 26 "External Audit", referred to in the Contract.

Clause 1. ADVANCES, INVOICES AND ADJUSTMENTS

1.1. Advances. Although the Operator shall pay and disburse in the first instance all costs incurred in accordance with the Contract, debiting to each Party the percentage of its share, it is agreed that in order to finance the said share, each Party shall, except where Clause 9.4 of the Contract applies, at the request of the Operator and as stipulated hereafter, advance to the Operator, from the date of declaration by the Parties of a Commercial Deposit within the first five calendar days of each month at the latest, the proportion of the estimated costs of the operations for that month. These advances shall be made in the local currency and in US dollars, depending on the needs stated in the budgets and in the requests for funds made by the Operator within the first twenty calendar days of the month immediately preceding that in which the contribution is due.

1.2. Invoicing. From the date of start of the Construction Period the Operator shall invoice the Parties, within thirty calendar days from the last day of each month, for their respective proportional share of the costs incurred during the month. The invoices shall give the usual details contained in the Operator's accounting procedures, including a detailed summary for each account separately, the costs in local currency and in US dollars.

1.3. Adjustments. The invoices shall be adjusted between the Operator and the Parties after deduction of advances in local currency and in dollars. When the advances made by any one of the Parties differ from its share of actual costs determined for each period, the differences in local currency and/or US dollars shall be adjusted in the invoices of the following month at the official rate. The payment of invoices shall not affect the right of the Parties to question or enquire about their accuracy within six months from the end of each calendar year to which the invoice refers.

Clause 2. DEBITS

Subject to the limitations prescribed hereafter, the Operator shall debit against the Joint Account and shall invoice each Party in accordance with the established percentages for the following costs:

2.1. Personnel

2.1.1. National and foreign employees

(a) The salaries of the Operator's employees and workers who are working directly for the benefit of the Joint Operation, including extra payments for overtime, night differential, payment for Sundays or other holidays and the respective compensations and in general all payments that constitute salaries.

(b) Social security, benefits, insurance, subsidies, grants, bonuses and, in general, any benefit which is not salary and which is granted to workers and/or their family members or dependants, paid individually or collectively, whether by virtue of a labour contract under the national labour law and/or by award of an arbitrator or in a voluntary manner. Of the foregoing, by way of simple enumeration, the following may be noted: severance pay, leave, retirement and disability pensions, benefits and assistance for sickness and occupational and non-occupational accidents, gratuity, life insurance, compensation for cancellation of contract, trade union, contributions, all classes of bonuses, subsidies and assistance and housing, savings, health and, in general, social security schemes.

(c) Camp costs and related service facilities. These costs also include (but are not limited to) those costs indicated hereafter, regardless of whether services are provided free of charge or against payment, whether to all workers, their dependants or family members, or whether they are provided voluntarily or compulsorily. Such services include:

1. Medical care, medicine, surgery and hospitalization.
2. Camping and services related to it, including buildings, repair and improvement.
3. Costs of on-the-job training.
4. Recreation for workers.
5. Maintenance of schools for workers, their children and family dependants.
6. Social security or assistance schemes and camp security.

(d) It is understood that the costs and services mentioned in (a), (b) and (c) above shall be charged to the Joint Account when under provisions of the law, collective agreements and/or arbitration awards or voluntarily they relate directly or jointly to contractors, intermediaries and/or their workers who are working for the benefit of the Operation.

(e) The indirect personnel costs referred to in (b) above may be charged directly or prorated according to rates which may be agreed upon between the Parties at periodic intervals, each being allocated a percentage of the direct payroll referred to in (a) above.

2.1.2. The Control Board, the Technical Committee and External Audit. The costs claimed by the members of the Control Board, the Technical Committee and the External Auditor, including salaries, social security, travel costs and, in general, the costs mentioned in Sub-clause 2.1.1 of this Annex.

2.1.3. Specialized Advisers. In the case of qualified personnel who do not at present reside in the country and who may be needed occasionally to render supervisory services for the Joint Operation and whose services have not otherwise been charged in part or in full to the Joint Account, such services shall be charged in the appropriate proportion and shall include salaries, travel costs, cost of housing (while residing in the country) and, in general, any cost which is included in Sub-clause 2.1.1 of this Annex.

2.2. Material, Equipment and Supplies. The material, equipment and supplies needed for the Joint Operation, whether imported or purchased locally, shall be procured by the Operator and the costs shall be charged to the Joint Account while the Operator must make the respective payments. The value of the material, supplies and equipment shall be advanced in full to the Operator in accordance with the procedure established in Sub-clause 1.1 (Advances). The material, supplies and equipment shall be kept, if necessary, in a warehouse indicated by the Operator. The cost of maintenance of the store for the Joint Operation shall be charged to the Joint Account in the manner specified in Sub-clause 2.2.3. The material, supplies and equipment shall be charged to the warehouse account of the Joint Operation on the basis of "book value" as determined below:

2.2.1. Book value. It is understood that the "book value" shall be established on the basis of the value given in the import documents or the local costs as follows:

(a) In the case of imported material, equipment and supplies, the book value shall include the net price on the manufacturer's or supplier's invoice (after all discounts), purchase costs, freight and charges for delivery between the place of supply and the embarkation point, freight to the port of entry, insurance, import duties or any other taxes, handling from the vessel to the customs warehouse and transport to the warehouse of the Joint Operation.

(b) In the case of locally procured material, equipment and supplies, the "book value" shall include the vendor's net invoice (after deducting all discounts) plus sales tax, purchase costs, transport, insurance and such other costs paid to third parties from the place of purchase to the operational storage site, including the respective installation costs.

(c) The material shall be charged to the Joint Account in the original currency of purchase so that it is charged in the same manner to each Party.

2.2.2. Prices. The material, equipment and supplies delivered for the Joint Operations shall be priced in the following manner:

- (a) New material at the book value;
- (b) Secondhand material in good condition which is serviceable and equipment which can be used later without repair may be returned to the warehouse by the Operator at 65% of their book value, the corresponding credit entry being made into the Joint Account. When used again, this material shall be charged at the same book value.

2.2.3. Warehouse Management. The Operator shall take the responsibility for running the warehouse of the Joint Operation, including the maintenance of records appropriate for such operations.

All normal costs of the warehouse of the Joint Operation shall be charged monthly to account of the Joint Operation.

2.2.4. Local Transport of Material. In the case of material dispatched through an outside carrier, the costs according to the invoice of the transporting company.

2.2.5. Material for Cancelled, Postponed or Modified Projects. When the warehouse has an accumulation of stores owing to modification, postponement or cancellation of projects approved by the Parties, the costs of such material shall be charged to the Joint Account.

2.2.6. Loss or Damage of Material in Transit. The Joint Operation shall be charged for losses or damage of material, supplies or equipment in transit from the point of embarkation and for those occurring between the point of embarkation and the warehouses of the Joint Operation. The losses or damage occurring in the warehouses of the Joint Operation or those occurring during the transport of this material, supplies or equipment from those warehouses to the place of operations shall also be charged to the Joint Account.

2.3. Travel costs. All costs of travel incurred in the interest of the Joint Operation by the national or foreign personnel such as costs of transportation, hotels, board etc.

2.4. Costs of on-the-job training of the national personnel: Costs of travel, subsistence, registration and other costs incurred in connection with on-the-job training of the national personnel to enable them to carry out Operator's tasks.

2.5. Services. The services obtained from third parties for the Joint Operation, including contractors, at the actual cost thereof.

2.6. Repairs. The cost of repair of equipment or items belonging to any Party which are intended for use in the Joint Operation unless these costs have already been charged through rentals or in another manner.

2.7. Litigation. The costs to the Joint Operation in connection with threats of litigation or actual litigation (including investigation and securing of evidence), release of attachments, legal verdicts and claims and handling of claims, accident compensation, death compensation and funeral costs, provided always that these charges have not been admitted by an insurance company and covered by the additional and proportional charges mentioned in Sub-clause 2.1.1 above. When legal services are provided in such

matters by permanent or outside lawyers, whose full or partial recommendations are included in the administrative overheads, no additional charges shall be made for their services but only the direct costs incurred in these processes shall be charged.

2.8. Damage or loss to the goods and equipment of the Joint Operation: All necessary replacement or repair costs for damage or losses caused by fire, floods, storms, thefts, accidents or the like. The Operator shall inform the Parties in writing as soon as possible of the damage or losses incurred.

2.9. Taxes and Rentals. The value of all imports, charges or taxes paid or due on account of the Joint Operation shall be charged to the Joint Account. Likewise the value of the rentals, rights and compensations paid for improvements, occupation of soil etc. shall be charged to the Joint Account.

2.10. Insurance:

(a) The premia paid for insurance taken out in respect of the operations referred to in the Contract, together with all costs and damages due and paid and all losses, claims and other costs which have not been covered by the insurance companies, including the legal services mentioned in Sub-clause 2.7 of this Procedure, shall be charged to the Joint Account.

(b) When there is no insurance, the actual costs incurred which are mentioned in the preceding paragraph and paid by the Operator shall also be charged to the Joint Account.

2.11. Departmental costs. The proportional part of salaries, social security and departmental costs of one of the Parties to whom responsibility is assigned in respect of operation in the Contract Area, such as the departments of production and exploration, mining engineering, drilling, geology and geophysics both in the country and abroad. Such charges shall be based on the direct services rendered by the personnel of these departments to the aforementioned operations in proportion to similar services rendered to operations of exclusive interest to the same Party or any third party to which the Party renders service. For these charges the basis shall be the time sheets.

2.12 Overheads. In order to cover all overheads which are not envisaged in this Accounting Procedure and which are incurred by the Operator, such as industrial relations, industrial services, administrative services and the like, the Operator shall debit as follows:

(a) In the case of items in the budget for expenditure, purchases and work or services by third parties which is approved by the Control Board - 5%;

(b) In the case of items in the budget for costs of operation (Construction and Mining) which is approved by the Control Board or any other cost - 15%;

(c) The percentages or excess administrative costs may be readjusted by the Parties with the approval of the Control Board.

2.13. Financial Costs. All financial costs under the heading Operations incurred by the Operator on behalf of the Parties and with the approval of the Control Board.

2.14. Miscellaneous Expenditure. Any other relevant expenditure incurred by the Operator for the development, maintenance and operation of the Area covered by the Contract and approved by the Control Board.

Clause 3. CREDITS

3.1. The Operator shall credit to the Joint Account, inter alia, the receipts from:

(a) Recovery from insurance in respect of the Joint Operation, the premia for which were charged to that Operation.

(b) Sales of geological data authorized previously by the Control Board, provided that the costs connected therewith were charged to the Joint Operation.

(c) Sales of goods, plants, equipment and material belonging to the Joint Operation.

(d) Rentals received, refunds of claims concerning customs or transport duties etc. must be credited to the Joint Operation if such rentals or refunds pertain to the said Operation.

3.2. Warranty. In the case of faulty equipment, when the Operator receives the relevant settlement from the manufacturer or its agents, it shall be credited to the Joint Account.

Clause 4. DISPOSITION OF EQUIPMENT, CAPITAL AND MATERIAL

4.1. Sales by the Operator to third parties of major material and capital equipment which were charged to the Joint Account may be effected only with the approval of the Control Board (Chapter V of this Contract). The proceeds shall be credited to the Joint Account; for this purpose only, major material is defined as any asset which has an estimated sales value of more than fifty thousand US dollars or its equivalent in national currency.

4.2. The minor material charged to the Joint Account which is not required in the Operation or is returned to the warehouse may be sold by the Operator and the proceeds shall be credited to the Joint Account.

4.3. Prior authorization of the Control Board shall be required for every case of abandonment or dismantling of assets having a book value or an estimated value of fifty thousand US dollars or more, or its equivalent in national currency, whichever is the higher.

4.4. Neither of the Parties shall be obliged to buy the other's interest in surplus material, whether new or second hand. Withdrawals of surplus major items such as derricks, tanks, motors, pump units and piping shall be subject to the approval of the Control Board. However, the Operator shall have the right to dispose of damaged or unserviceable items in any manner.

Clause 5. INVENTORIES AND AUDIT

5.1. At the end of the calendar year, the Operator shall take inventories of all physical assets of the Joint Operation.

5.2. The Operator shall notify the Parties in writing of its intention to take an inventory one month before the date of beginning the inventory so that the latter can arrange to be represented. However, the failure of one of the Parties to be present at the inventory-taking shall not detract from the validity and effectiveness of the inventory so taken by the Operator.

5.3. The Operator shall furnish the Parties with a copy of each inventory.

5.4. Any inventory adjustments for surplus or shortage amounting to more than ten thousand US dollars shall be referred to the Control Board for consideration and approval.

5.5. Audit. Subject to this Accounting Procedure, the Parties may inspect and verify, using their own auditors, the Operator's records relating to the Joint Operation. The costs of such inspection shall be borne by the Party concerned.

Clause 6. DIVISION OF INCOMES FROM SALES

The net income from sales by the Operator shall be divided between the Parties in accordance with the Contract. The division shall take place [within 10 days](?) after the receipt of such sales incomes by the Operator.

Clause 7. EXPLORATION COSTS

7.1. In order to give effect to the provisions of Clause 7 of the Contract, the NAEA during the Exploration Period and the Company during the same period shall keep accounts as stipulated in the present Annex and, to the extent applicable, especially as specified in detail in Clause 2 thereof.

7.2. The Parties shall exchange every six months, reckoned from the effective date of start of the Contract, the information referred to in Sub-clause 7.1 of this Annex and may express their disagreement concerning that information within six months from the end of the calendar year in which it is provided.

7.3. After a Commercial Deposit has been declared the exploration costs referred to shall be treated as stipulated in Clause 7 of the Contract.

7.4. The NAEA, on the one hand, and the Company, on the other, may engage the services of an External Auditor during the Exploration Period for the purpose of inspection and verification of the other's records. The Parties declare that they will collaborate in every way so that this auditing can be carried out.

Clause 8. PRE-INVESTMENT COSTS

All costs related to the conduct of the Exploration activities, in conformity with the Accounting Procedure set forth in the present Annex and to the extent applicable especially as specified in detail in Clause 2 thereof, shall be entered in the books by the NAEA and the Company from the date on which the NAEA authorizes the Company to start Exploration work.

For the purposes of the present Contract the costs shall be admitted as Exploration costs and to that end each Party is obliged to submit to the other Party within six months from the effective date those costs duly verified, certified and adjusted in accordance with the present Accounting Procedure in conformity with Sub-clauses 5.5 and 7.2 of Annex B.

FOR [National Atomic Energy Authority]

(signed)

For the Company

(signed)

Annex 3

**SAMPLE AGREEMENT
ON URANIUM EXPLORATION AND MINING
No. 3**

AGREEMENT BETWEEN

A NATIONAL ATOMIC ENERGY COMMISSION

AND

FOR THE GRANT OF PROSPECTING/EXPLORATION/
MINING LICENCES FOR RADIOACTIVE MINERALS

This AGREEMENT made this day of between a national Atomic Energy Commission (hereinafter called the Commission) an Agency of the Government of established under of (herein called the "Act"), acting on its own behalf and on behalf of the Government of of the one part, and the Company a corporation established pursuant to the with its registered officers in (hereinafter called), of the other part.

WITNESSETH:

Whereas, by virtue of section three of the Act, the Commission is empowered, subject to the directions of the President, to administer control and regulate all rights of ownership in, searching for, mining and disposing of radioactive minerals; and

Whereas, of the Act confers power on the Commission to grant for such consideration as it may determine, a prospecting a licence, exploration licence or mining licence to any suitable person upon such terms and conditions as it may think fit; and technical capacity, proven experience and all other means necessary to actively and efficiently cooperate with the Commission in radioactive minerals operations in and,

Whereas, the Company has already carried out prospecting activities and desires to commence prospecting and the Commission is willing to grant it, pursuant to the Act and Regulations made thereunder, prospecting licences covering the areas described in , which licence granted therein shall be governed by the terms and conditions of this Agreement;

Now, therefore, the parties hereto in consideration of the premises and their respective rights obligations, undertaking and commitments hereinafter set forth, have agreed as follows:

Article 1

Definitions

In this agreement, unless the context otherwise requires :

1.1. "affiliated Company" means

- a) a Company or public entity which is either a direct or indirect subsidiary of the Holder, or of which the Holder is a direct or indirect subsidiary;
- b) a Company or public entity which is a direct or indirect subsidiary of a Company or public entity of which the Holder is a direct or indirect subsidiary.

For the purpose of this definition, a Company or public entity is a "subsidiary" of another Company or public entity if the latter owns more than x per cent of all shares of the former carrying voting rights, so as to fully control all resolutions of any and all shareholders' meetings as well as the election of the majority of the directors of such Company or public entity, and to exert complete managerial control;

1.2. "Agreement" means this Agreement and the annexes thereto and any extensions, renewal or amendments thereto entered into by the parties;

1.3. "concentrate" or "yellow cake" means any marketable product obtained by the physical and chemical treatment of uranium ores in conformity with prevailing international standards;

1.4. "crude ore" means untreated ore;

1.5. "date of commencement of production" the date on which the regular treatment of crude ore to produce concentrate first starts;

1.6. "development" means the activities and operations and other work carried out in preparing for the removal of a deposit of ore of radioactive minerals after the existence of such ore has been proved, including the construction and building of a mill, a treatment plant or any other installation to be used for the mining, handling, transporting, milling, treatment or for any other processing of radioactive minerals;

1.7. "exploitation" means the activities, or operations and other work carried out in mining, extracting and producing ores of radioactive minerals, working a deposit of such ores and other work related thereto, including milling and treatment in the treatment plant;

- 1.8. "exploration" means the activities, operations and other work performed in ascertaining the existence, location, type, quantity and quality of a deposit of radioactive minerals;
- 1.9. "exploration licence" means an exploration licence issued under the radioactive minerals Regulations;
- 1.10. "mining licence" means a mining licence issued under the radioactive minerals Regulations,
- 1.11. "ore grade" means the percentage of uranium evaluated in the form of uranium oxide (U_3O_8) in the crude ore;
- 1.12. "party" means the Commission or the Holder or Company established under this Agreement and includes any subsidiary Company;
- 1.13. "radioactive minerals" shall have the meaning assigned thereto in the legislation.
- 1.14. "radioactive minerals operations" means all the operations of prospecting, exploration, development, exploitation, treatment and transportation of radioactive minerals from the mining area of the mining licence, the treatment plant, any other operation including the production, marketing, sales and export of concentrate; such sales and export shall not necessarily mean to include the Commission's share of the concentrates;
- 1.15. "programme" means the programme of intended prospecting or exploration operations submitted in accordance with the appropriate Regulation, as may be amended from time to time;
- 1.16. "prospecting" means intentionally to search for radioactive minerals and radioactive minerals deposits;
- 1.17. "prospecting licence" means a prospecting licence issued under the radioactive minerals Regulations,
- 1.18. "treatment plant" means any plant situated in the country for the treatment of crude ore for the production of concentrate;
- 1.19. " U_3O_8 " means uranium oxide, the quantity of the element of uranium in which shall be established by assay and converted into U_3O_8 by multiplying the quantity of uranium by 1.179249;
- 1.20. "work programme" means the programme of intended development and mining operations submitted in accordance with Regulation to as may be amended from time to time;
- 1.21. "Holder" means the company, its subsidiary or its transferee as shall be hereunder agreed.

Article 2

Scope of the Agreement

- 2.1. The purpose of this Agreement is to define the terms and conditions agreed between the parties for the grant of prospecting, exploitation or mining licences to the Holder and /or Company incorporated under this Agreement and the operations in respect of the contractual areas describen in Annex A, and for the execution of the radioactive minerals operations under aforesaid licences which licences shall be governed by the Regulations made thereunder and by this Agreement;
- 2.2. The Holder shall conduct, at his own exclusive risk and expense, radioactive minerals operations in the area of any prospecting licence and of any exploration licence granted therein;
- 2.3. This Agreement shall be implemented in accordance with the provisions of the Regulations made thereunder, and in accordance with the provisions contained herein;
- 2.4. The Holder shall provide all capital, financial means, machinery, equipment, personnel and technology necessary for the efficient conduct of the programme of prospecting operations within the area of any prospecting licence or programme of exploration operations within the area of any exploration licence granted therein without attributing any disbursement, risk or responsibility to the Commission;
- 2.5. The Holder may apply to the Commission for a mining licence to cover any deposit of radioactive minerals located by his prospecting and exploration operations, and shall be granted such mining licence by the Commission in accordance with the provisions of Article 5 of this Agreement;
- 2.6. All capital expenditure for radioactive minerals operations within the area of mining licences shall be incurred by the Holder in consultation with the Commission.

Article 3

Effective Date - Term

3. This Agreement shall be deemed to have come into force on the date of issue of the prospecting licences relating to the areas described in Annex A and shall therefore remain in force of any exploration licence or mining licence which may be granted to the Holder within the area of such prospecting licences.

Article 4

Grant of Exploration Licence

4. The Holder of the prospecting licences may apply to the Commission for exploration licences within the area of said prospecting licences and the Commission shall grant such licences in accordance with the provisions of the Regulations made thereunder.

Article 5

Grant of Mining Licence

- 5.1. The Holder shall assess the results of the prospecting and exploration operations conducted within the area of the prospecting licences and any exploration licence granted therein and if the Holder considers it justified, shall conduct a feasibility study relating to the establishment of a mining venture to exploit any deposits or group of deposits of radioactive minerals indicated by the prospecting and exploration operations;
- 5.2. Any feasibility study shall determine, inter alia, estimates for the capital investment required to establish a viable mining venture, the methods to be adopted for exploitation and the anticipated profitability. The study shall give consideration to the employment which may be generated, the infrastructure which may be necessary for the executing of radioactive minerals operations and other benefits which may accrue to the region in which the mining venture will be established;
- 5.3. Upon completion, the Holder shall submit forthwith the feasibility study to the Commission which shall examine it in detail, particularly the capital investment estimates contained therein, and may request the Holder to add to the feasibility study such amendments as the Commission may consider necessary, having due regard to the venture under the technical and economical aspects;
- 5.4. The Holder shall decide in the light of the feasibility study, whether to proceed to a mining venture and if so, when. As soon as possible after making such decision to proceed to a mining venture, the Holder shall form a Company in accordance with clause 6.1.1. of Article 6 of the Agreement and shall transfer to that Company the prospecting licence or any exploration licence granted therein within the area of which the proposed mining venture is situated, in accordance with the Regulations;
- 5.5. The Holder may transfer to any Company formed in accordance with clause 6.1.1. of Article 6 of this Agreement any other prospecting licence or exploration licence held by him;

- 5.6. Any transfer from the Holder to the Company effected under the provisions of clauses 5.4. and 5.5. above shall entail the assignment to the Company of all the rights and obligations of the Holder under this Agreement;
- 5.7. In accordance with the Income Tax Laws of the host country applicable at the time of the grant of the first mining licence, all expenditure incurred by after the coming into operation of this Agreement shall, subject to the provisions of the Income Tax Laws be reimbursed by and transferred to the Company. Such expenditure shall be regarded for the purpose of this Agreement as having been incurred by the Company and shall be deductible for the purpose of determining the taxable income deriving from activities carried out pursuant to the said mining licence in accordance with the provision of the Income Tax Laws.

The Commission shall recover out of the gross income received by the Company from mining operations under this Agreement, a sum of representing the prospecting and exploration costs previously incurred by the Government in the areas licenced . The said costs shall be deductible by the Company when computing its profits for Income Tax purposes.

Article 6

Conditions applicable to grant of Mining Licence

- 6.1. The grant of a mining licence by the Commission for the exploitation of radioactive minerals within the area of the prospecting licence or of any exploration licence granted therein shall be subject to the acceptance by the Holder of the following conditions:
- 6.1.1 The Holder shall form a Company incorporated under the Companies Act of the host country (hereinafter called the "Company") for the purpose of exploiting the radioactive minerals deposits in accordance with the feasibility study approved by the Commission, provided that where the Holder has already formed the Company aforementioned, this condition shall be deemed to have been fulfilled;
- 6.1.2 The Company formed in accordance with the provisions of clause 6.1.1 of this Article shall also be regarded as the Holder for the purposes of this Agreement;
- 6.1.3 Immediately upon the registration of any transfer of any prospecting licence or exploration licence granted therein from the Holder in accordance with clause 5.4 of Article 5 to any Company formed in accordance with clause 6.1.1 to the Commission for mining licence over the area in which the proposed mining venture will be situated and the Commission shall grant such licence in accordance with the Regulations made thereunder and subject to the terms and conditions set out in Article 6 of this Agreement relating thereto;

- 6.1.4 The Commission shall grant to the Company a mining licence upon the condition that the Company shall pay, in addition to all taxes due under the fiscal laws of the host country a royalty of x per cent of the value at the treatment plant, of its total annual production of yellow cake in cash or, at the Commission' option, in kind. Such royalty valued on the basis of the sales prices realized by the Company in conformity with the provisions of Article 15 in the disposal of yellow cake shall be deductible for fiscal purposes and the said sales prices shall apply for assessing the taxable income of the Company, provided that the Commission shall give to the Company twelve months prior notice of its option to receive in kind the taxes and/or royalty due to the Commission with refernce to the production for the ensuing fiscal year;
- 6.1.5 If in respect of any fiscal year the aggregate of the amounts payable by way of royalty and taxes due under the Laws of the host country does not amount to a sum equal to x per cent of the value of the yellow cake produced during that year, an additional sum equal to the short fall shall be payable by the Company to the Commission; provided, however, that the aforesaid provisions shall apply as from the beginning of the fourth fiscal year following the fiscal year in which the date of the commencement of production falls. The Company shall be entitled to receive credit for future taxes payable by it in any future fiscal years and such payments shall be deducted therefrom.

Article 7

Radioactive Mineral Operations during the Period of Grant of the Mining Licence

7. The Company shall conduct mining operations in respect of the area of any mining licences granted within the area of the prospecting licences or on any exploration licence granted therein accordance with the work programme applicable to the mining licence, and shall provide all the funds required to pay the expenses incurred in connection with such operations. Such work programme may be amended upon agreement with the Commission based on evidence supported by sound technical and economic factors.

Article 8

Rights and Responsibilities of Holder

8. In accordance with the provisions of this Agreement and the Regulations made thereunder the Holder shall have the right and responsibility to carry out radioactive minerals operations

within the area of the prospecting licences and the area of any exploration licence granted therein during the subsistence of such prospecting or exploration licences. The Holder shall have the following rights and responsibilities during the term of this Agreement:

8.1. Provision of funds

To provide all funds necessary to purchase lease or acquire at its option all materials, services, equipment, and supplies which are necessary to carry out prospecting and exploration operations and, subject to the approval of the Commission those services which shall be performed by foreign third parties.

8.2. Provision of Technology

To provide all the technology necessary to ensure that radioactive minerals operations in the area of the prospecting or exploration licences are conducted in an efficient, adequate, economic, expeditious and safe manner.

8.3. Provision of Management and Consultancy

To employ, in consultation with the Commission all the necessary personnel for management and consultancy functions, including specialist contractors and foreign personnel for the purpose of carrying out the radioactive minerals operations. To avail itself outside the host country in consultation with the Commission, of a necessary general assistance, advice, support and supervision of the Holder's parent Company or affiliated Company(ies) the cost of which shall be chargeable to the radioactive minerals operations.

8.4. Training of Nationals

To use the services of national personnel in accordance with the provisions of the Laws of the host country the extent that the radioactive minerals operations require. The Holder undertakes, in consultation with the Commission, to prepare and implement schemes of training at all levels of activity whether technical or administrative for nationals of the host country with a view to ensuring that, without prejudice to the safety and efficiency of operations, prospecting exploration and mining operations are carried out to the maximum extent possible by nationals of the host country.

8.5. Disposal of Radioactive Waste Products

To apply the best available technology and the material means necessary to render harmless to human, animal and plant life, radioactive wastes and other substances harmful to the environment resulting from the radioactive minerals operations.

- 8.5.1 The Holder shall be liable for any damage or harm caused to anybody or to any animal or plant life resulting from radioactive wastes or other harmful substances resulting from the radioactive minerals operations, and shall pay compensation in respect of such damage or harm, provided that such damage or harm is due to the negligence or default of the Holder.

- 8.6. To be responsible for the preparation and execution of all programmes of prospecting, exploration of all programmes of prospecting, exploration operations and budgets and for the execution of the radioactive minerals operations in a diligent, economic and safe manner.
- 8.7. To have ingress and egress from and transit through the area of the prospecting licences and any exploration licence granted therein and all surrounding lands to and from any installations, wherever they may be situated. The said rights shall be extended to the contractors of the Holder and such contractors' employees and, subject to the Laws of the host country shall include the right to use any means of transportation or communication throughout the host country.
- 8.8. To have access to, and the right to use, all data and information available to the Commission relating to the area of the prospecting licences and any exploration licence granted therein, with the prior approval of the Commission.
- 8.9. To maintain full records of all technical data relating to the radioactive minerals operations during the subsistence of this Agreement and to submit to the Commission all such data and any other data and reports relating to the work undertaken and the results obtained therefrom.
- 8.10. To obtain for its foreign personnel and their families as well as for its contractors' foreign personnel and their families such entry visa, authorisations, work permits and other similar requisites as are necessary to enable such personnel to enter, work and remain in the host country with their families for the period required by the Holder to execute the radioactive minerals operations set out in this Agreement. The Holder shall comply with all the administrative procedures necessary to implement the rights set out in this sub-clause.
- 8.11. To freely despatch to its offices and laboratories abroad, as well as to affiliated companies, consultants or contractors outside the host country any samples, cores, data, etc. related to the operations for the purposes of examination and study of such material. The results of such examination and study shall be communicated to the Commission.
- 8.12. To request and obtain for use in connection with its radioactive minerals operations:

All rights-of-way, easements, licences, and permits for free ingress and egress to and from the area of the prospecting licences and any exploration licences granted therein subject to the Laws of the host country. Right of use of radio frequencies and other communication facilities; operation of lake or river transport, aircraft, helicopters and land vehicles, construction sites for airfields, railways, roadways, housing for employees, offices, warehouses, transport and loading facilities as well as any other items that may be required by the Holder for its radioactive minerals operations, subject to the Laws of the host country.

- 8.13. To import solely for the radioactive minerals operations and with prior notification to the Commission of the items involved such equipment, machinery, vehicles, and supplies as may be required for the programme. Such imports shall be free of import duties. The same exemption shall also apply to the export of said equipment, machinery and supplies, if applicable.

Article 9

Right and Responsibility of Company

- 9.1. The provisions of Article 8 relating to the rights and responsibilities of the Holder shall apply mutatis mutandis to the rights and responsibilities of the Company in relation to any radioactive minerals operations.
- 9.2. Upon the grant to the Company of any mining licence within the area of the prospecting licences or of any exploration licence granted therein, the Company shall proceed with the development and exploitation of the radioactive mineral deposits covered by such licence in accordance with its work programme.
- 9.3. In addition to the foregoing, the Company shall have the following rights and responsibilities:
- 9.3.1 To exercise full direction and control over the radioactive minerals operations within the area of any mining licence held.
- 9.3.2 To ensure that costs of production are maintained at reasonable economic levels in accordance with good practice in the mining industry.
- 9.3.3 To retain control of all goods owned, brought into the country for prospecting, exploration and mining operations.
- 9.3.4 To own, lift, dispose of and export, its entitlement of the yellow cake produced, subject to the provisions of this Agreement. Such production shall be freely exportable by the Company, in accordance with the present Laws of the host country, subject to the condition that the Company shall ensure that any uranium produced under this Agreement shall be used for peaceful purposes within the framework of the relevant international treaties and safeguards binding upon the host country and that such uranium shall not be sold to any nations which are declared and notified by the Commission to the Company as enemies of the host country.
- 9.3.5 The Company shall have the right to apply to the Government to be classified as a priority enterprise and shall seek such privileges as allowed, and the Commission shall support such application.

Article 10

Rights and Responsibilities of Commission

The Commission shall, in addition to its function and powers specified in the legislation, have the following rights and obligations under this Agreement:

- 10.1. To have title with the Holder to original data resulting from the radioactive minerals operations.
- 10.2. To assist and expedite the execution of all work programmes by the Holder and/or Company in providing data and information relating to the area of the prospecting licences and any exploration or mining licence granted therein and surrounding lands, available after the commencement of this Agreement, whenever the provision of such data and information is in the best interests of the parties hereto.
- 10.3. To assist, at the request of the Holder and/or Company, in all administrative steps the Holder and/or Company has to take to comply with any requirements of the local authorities. Should the Commission in providing such assistance, incur any expenses or defray any costs, the Holder and/or Company shall reimburse the Commission of such expenses or cost.
- 10.4. To assist the Holder and/or Company in securing all rights-of-way, easements, expropriations, acquisitions and rentals of lease hold property which may be necessary for the radioactive minerals operations. Should the Commission, in providing such an assistance, at the request of the Holder and/or Company, incur any expenses or defray any cost, the Holder and/or Company shall reimburse the Commission of such expenses or cost.
- 10.5. To support, at the request of the Holder and/or Company in their application to seek exemption under the competent Act.
- 10.6. To assist the Holder and/or Company to perform all functions and fulfil all obligations in regard to the radioactive minerals operations as imposed by the Laws of the host country which functions and obligations shall include the preparation and submission of all official reports required by the authorities, as well as the fulfilment of all legal obligations towards the Government of the host country, its agents, ministries and sub-divisions and the adoption of all other measures necessary of or expedient for the proper implementation of the Agreement.
- 10.7. To appoint technical experts to monitor all radioactive minerals operations conducted under this Agreement and report thereon, to the extent that such monitoring activity does not impair the efficiency of the operations.
- 10.8. To propose to the Holder and/or Company to implement any reasonable recommendation made by such technical experts concerning any radioactive minerals operations, which shall

include:

- sampling and assaying procedures, minimisation of unit production costs; and regulation of ore grade limits within which treatment plants and processes shall operate economically.
- 10.9. To assist the Holder and/or Company and their contractors in obtaining the necessary import licences for equipment, machinery, materials and supplies intended for use in connection with the radioactive minerals operations.
- 10.10. Without prejudice to the provisions of clause 8.11 of Article 8, all radioactive ores recovered during prospecting and exploration operations shall be placed at the disposal of the Commission. The Holder and/or Company shall inform the Commission of all such ores and minerals so obtained and, if required to do so by the Commission, shall deliver such ores and minerals to the Commission together with relevant technical data thereon.
- 10.11. To assist the Holder in securing grant of all necessary entry visas, work permits and similar authorisations required by the expatriate personnel including entry visa for the families of such personnel, to enable them to enter, work and remain in the host country for the period required by the Holder and/or Company for the radioactive minerals operations.
- 10.12. During the life of a given Company formed pursuant to clause 6.1.1 of Article 6, at such time as the said Company has recovered by way of net revenue an aggregate amount equal to x per cent of the equity capital in the Company the royalty payable by the said Company shall be x per cent. At such time as the said aggregate amount recovered by the foreign shareholder in the Company equals the total of x per cent of such pre-production expenditure, the Commission shall have the option to acquire additional x per cent of the equity capital of the Company. In any event the minimum return payable to the Commission annually shall be the agreed x. per cent in accordance with Article 6.1.5. The royalty payable by the Company in the event when x per cent of equity capital is owned by the Commission shall be x per cent. It is agreed that the Commission shall acquire the aforesaid participation in the equity capital of the Company free of any charges for the purpose of this clause:
- a) "net revenue" means the proceeds from sales of yellow cake, expressed in US dollars, less royalty, financial charges as applicable, exploitation expenditures including pre-production expenditures and all taxes payable under the Laws of the host country.
 - b) "pre-production expenditure" means the amounts, expressed in US dollars, expended prior to the date of commencements of production for prospecting exploration, development, mine construction equipment all relevant installations such as milling and treatment plants and construction of offices,

houses and infrastructures with the approval of the Commission solely for the purpose of the radioactive minerals operation. It is agreed that in the event of its election to acquire the participations contemplated hereinabove, the Commission shall continue to have the option of levying taxes in kind pursuant to clause 6.1.4 of Article 6, provided that the yearly aggregate amount of yellow cake acquired by the Commission by way of taxes, royalty if any, and purchases, if any, from the Company shall not exceed x per cent of the total yearly production of yellow cake. The balance of yellow cake which is not required in order to meet the aforesaid entitlement of the Commission shall be the subject of a right of option exercisable by the foreign shareholder to purchase such balance from the Company. In case the Commission will sell the yellow cake acquired, the Company shall have the first right of purchase of the said yellow cake. In the event of the Commission acquiring a participation as aforesaid, the rights under this Agreement applying to the Company formed pursuant to clause 6.1.1 of Article 6 shall not be adversely affected. The carrying out of the operations provided for under Article 8 and 9 shall not be adversely affected. Insofar as the Commission may be a minority shareholder in the Company, provisions shall be made in the Article of Association of the Company protecting the interests of the Commission.

- 10.13. Without prejudice to Article 9.3.3., upon the expiry, abandonment or termination of the mining licence, any building, fixed installations, machinery, equipment and all other goods owned by the Company within the area of such licence as part of its radioactive minerals operations, to the extent that they are fully amortized, shall become the property of the Commission without any liability to the Commission or any levies, charge or other costs against the Commission.

Article 11

Financial Operations

- 11.1. The Holder and Company shall comply with the applicable foreign exchange laws and, in conformity with such laws, shall have the rights and privileges set forth in this Article.
- 11.2. The Holder and Company shall have the right to purchase local currency through authorized banks without discrimination at the official buying rate of exchange in force on the date of purchases in order to meet its obligations in local currency in connection with its radioactive minerals operations.
- 11.3. a) The Holder and Company shall have the right, during the prospecting, exploration and development phases, to keep and maintain abroad external bank accounts in freely convertible foreign currencies credited with funds supplied by the Holder and Company from foreign sources for the sole purpose of meeting its foreign exchange obligations in respect of

all expenditure incurred in its operations carried out in compliance with this Agreement. The Holder and/or Company shall also have the right, exercisable through such bank accounts, to pay abroad its foreign contractors or suppliers, to reimburse foreign loans with relevant interest, to transfer to local banks the amount needed to meet expenditures in local currency and to pay abroad for its expatriate personnel all insurance, social welfare contributions, thrift and pension schemes as well as x per cent of the total net amount due to them, after deduction of local taxes, for their salaries and allowances, and hundred per cent of such net amounts after deductions of local taxes for expatriate personnel working under field work contracts. The Holder and Company shall submit to the Commission and to the bank of the host country statements indicating the operations effected through such bank accounts together with necessary documentary evidence.

- b) During the production phase, the Company shall have the right to retain in the host country an external bank account in freely convertible currencies, a portion of the proceeds deriving from the sales of concentrate. The portion of the proceeds to be retained in foreign currency by the Company shall be determined in such a way as to allow the Company:
- reimburse, in accordance with the fiscal laws, such amounts as are equal to the prospecting, exploration and development expenditures (including those provided for under clauses 5.7 of Article 5) along with the relevant financial burdens, which expenditures have been covered by bank loans and all other sources of financing secured outside the host country.
 - to make payment to foreign contractors or suppliers;
 - to meet any other obligation assumed by the Company in foreign currencies;
 - to promptly distribute the full amount of dividends accruing to its foreign shareholders, upon approval by the fiscal authorities of the host country.

Out of the proceeds deriving from the sale of concentrate, the Company shall transfer to a local bank in the host country and convert into local currency that portion which shall correspond to the amounts needed to meet expenditures in local currency including taxes and royalty if paid in cash. The portion of the proceeds to be maintained in foreign currency and the portion of the proceeds to be converted into local currency shall be established by the Commission and the Company prior to the beginning of each fiscal year on the basis of any forecasts of proceeds and of payments in foreign and local currency prepared by the Company. The percentages so established shall be applied during said fiscal year and may be revised in the event of new or unforeseen circumstances. The Company shall also have the right to keep and maintain abroad bank accounts in more than one foreign currency which shall be fed by the Company's external bank accounts kept in the host country.

Transfers from the Company's external bank accounts in foreign currencies kept in the host country to the Company's bank accounts kept abroad shall be effected daily in multiples of ..and US dollars or the equivalent in ... and to the extent necessary to keep the credit balance of each bank account kept abroad at a minimum level of ... and US dollars ... or the equivalent in respectively.

The bank in the host country in which the external bank accounts of the Company are maintained shall have a standing authority from the bank of the host country to effect the aforesaid transfers. The bank of the host country guarantees the availability of the foreign currency to be transferred to the Company's bank accounts maintained abroad for the agreed purposes as set out in this agreed purposes as set out in this Agreement to the extent that the amounts of foreign currency to be so transferred derive from the proceeds of sales of concentrate already received. The Company shall submit to the Commission and to the bank of the host country statements indicating the operations effected through the bank accounts maintained in foreign currencies, both in the host country and abroad, together with the necessary documentary evidence.

- 11.4. All payments made in any currency whatsoever under the provisions of this Agreement in relation to the radioactive minerals operations shall be duly recorded in the accounting book maintained in the host country by the Holder and the Company, stating the amount of such currency and the national currency equivalent thereof at the time of the transaction.
- 11.5. For the purpose of maintaining the accounting records in the host country of the Holder and/or Company payment made directly in local currency as well as payment made in local currency obtained by selling foreign currency to the bank of the host country for the purpose of carrying out the radioactive minerals operations shall be entered in the accounting records of the Holder of the Company in local currency and in the equivalent amount of US dollars by using the official exchange rate applicable on the date of payment.
- 11.6. In order to determine the minimum investment obligations as well as the total amount of capital investments, operation costs and assessable income of the Holder and Company, reference shall be made to amounts expressed in local currency.
- 11.7. For the purpose of computing the assessable performed income of the Company in regard to its activities performed under this Agreement, the determination of the proceeds deriving from the sale or other disposition of yellow cake shall be made on the basis of the pricing procedures set further in Article 19.15. For this purpose the Company shall maintain accounts in accordance with the law of the host country and the provisions of this Agreement.

Article 12

Appointment of Professional Firm of Accountants

12. Upon the execution of this Agreement, the parties shall jointly appoint an internationally recognized firm of independent accountants, hereinafter referred to as the ("Accountants"), who have requisite experience in providing accounting and auditing services to the mining industry, to verify and audit for each fiscal year the books and accounts of the Holder and Company relating to the radioactive minerals operations under the Agreement. The costs and fees of the Accountants shall be paid by the Holder and such costs and fees shall be deductible for fiscal purposes.

Article 13

Force Majeure

- 13.1. Where force majeure renders impossible or hinders or delays the performance of any obligations under this Agreement:
- a) The failure or omission of any party hereto to perform such obligation shall not be treated as a failure or omission to comply with this Agreement;
 - b) If force majeure should result in the suspension of performance of any obligation assumed under this Agreement by any party thereto, such party shall give to the other party notice in writing of the suspension of performance of such obligation as soon as reasonably possible, stating therein the date and extent of such suspension, and whether it be full or partial, and specifying in reasonable detail the nature of the force majeure causing the suspension of performance;
 - c) The parties shall use their best endeavours to remove the causes of any force majeure.
- 13.2. In this article, unless the context otherwise requires, "force majeure" means:
- a) Occurrences recognised as such by the principles of international law;
 - b) Fire, explosion, breakdown of plant strike, lockout, labour dispute, casualty or accident, lack or failure of transportation facilities, epidemic, cyclone, flood, drought, lack or failure of source of supply of labour, raw materials, equipment, power or supplies;
 - c) War, revolution, civil commotion, acts of public enemies, blockage or embargo;
 - d) Any law, regulation, ordinance or demand of any government or of any subdivision, authority or representative of any such government;

- e) Any hindrance or delay in the performance of the radioactive minerals operations caused by technical problems which the technology at the time of such hindrance or delay is unable to overcome; or
- f) Any other cause whatsoever, whether similar or dissimilar to those enumerated hereto before, and whether foreseen or unforeseen, which is beyond the reasonable control of the party affected.

13.3. In the event that any radioactive minerals operations by the Holder or the Company under any prospecting, exploration or mining licence is prevented, hindered or delayed by any force majeure, the Commission shall at the request of the Holder or Company extend the period of validity of such prospecting, exploration or mining licence by an additional reasonable period to that which operations is so prevented hindered or delayed by such force majeure.

Article 14

- 14.1. In accordance with the provisions of the relevant local laws the Holder and Company shall have the right to freely sell, assign, transfer or otherwise dispose of any or all its rights, interests and obligations under this Agreement and any licence deriving therefrom to any affiliated Company. All costs and expenditure incurred prior to such transfer shall be treated as costs and expenditure of such affiliated Company in accordance with the provisions of this Agreement and the fiscal laws.
- 14.2. The Holder and/or Company may sell, assign, transfer or otherwise dispose of all or any undivided part of its rights, interest and obligations under this Agreement and any licence deriving therefrom to any third party other than an affiliated Company with the prior written approval of the Commission in accordance with the provisions of Regulations. Upon such transfer, the transferee shall become a party to this Agreement as Holder or Company together with the transferor in case of a partial transfer, and shall be bound to comply with the provisions of this Agreement relating to the licence transferred and the extent of the portion of the undivided interest assigned. Any compensation or other sum paid by the transferee in respect of the transfer reimbursement of previous expenditure incurred by the transferee as provided for in this Agreement together with any sum representing profit to the transferor shall be deductible in accordance with the fiscal laws.
- 14.3. It is further agreed that the arbitration procedure set forth in Article 17. will be replaced by mutual agreement, in order to provide for a different international procedure, in the event that the Holder or Company assigns its rights and obligations hereunder to an affiliated Company being a national of a state which is not a contracting state for the purposes of the convention mentioned in the said Article 17.

Article 15

PRICING PROCEDURE

15. In disposing of concentrate the Company shall endeavour to obtain sales prices which conform to the fair world market price referred to longterm arm's length contracts in compliance with the standard practice in use on the international uranium market, which price shall apply for the purposes of the Company's tax liability and for royalty payment pursuant to the provisions of clause 6.1.4 of Article 6. Such sales prices, to be fixed on an annual basis, shall be communicated to the Commission not later than nine months prior to the commencement of the calendar year to which they refer.

The terms "sales price(s)" and "market price" referred to in this Agreement indicate the price in US dollars per pound avoir-dupois of U₃O₈ or of other radioactive elements contained in the concentrates. It is, however, understood that;

- a) If the Commission is unable to accept the sales price so obtained by the Company, the Commission shall propose to the Company a fair market price within one month of being informed of the sales price by the Company. In the event of such proposal not being notified within such one month term, the Commission shall be deemed to have accepted the sales price obtained.
- b) If the Commission proposes to the Company an alternative market price as per a) above, the Company shall, within one month of being so notified, either accept the Commission's proposed price or request the Commission that an attempt be made, within the ensuing one month period, to reach Agreement on a mutually acceptable sales price. In the event of such acceptance or request not being notified within the said period one month, the Company shall be deemed to have accepted the price proposed by the Commission.
- c) If no agreement on price is reached between the parties as aforesaid, the matter shall be referred to three experts in the uranium industry who shall be instructed to settle the sales price in the following manner:
- d) Each party shall appoint one expert within one month of the parties' failure to reach Agreement. Within one month of their appointment, the two experts so appointed shall agree on the appointment of a third expert, failing which at the request of the Commission or the Company, whichever is more diligent, said third expert shall be appointed by the President of the International Chamber of Commerce hereinafter called the (ICC) according to the Rules for Technical Expertise of the ICC's Centre for Technical Expertise.

In settling a price the experts shall be instructed by both parties to arrive within two months of the appointment of the third expert, at a fair market price by reference to arm's length transactions of major producers relating to substantial tonnages, having regard to the then current market conditions and any other relevant factors.

The Commission and the Company shall submit to the experts all market information which they may possess and be at liberty to disclose to the experts any classified information relating to other contracts for the sale or purchase of U₃O₈ or other radioactive elements for the period for which the price is to be determined. The experts shall be instructed to treat such market information as confidential and, in evaluating such other contracts, to have regard, inter alia, to price, currencies in which prices are expressed, duration, quantities, and dates when the contracts were entered into, delivery and payment terms and the geographical locations involved.

Each party shall proceed with all due speed in the submission of market information to such experts in order to settle a sales price. The experts shall only consider market information submitted to them during a period of one month from the date of appointment of the third expert. The expert's fees shall be paid by the parties in equal proportions.

The experts shall be instructed to determine the sales price in US dollars.

The experts shall arrive at their determination unanimously or, if unanimously or, if unanimity cannot be reached by majority vote, such determination shall be final and binding upon the Parties and shall be considered for all purposes as if it were their own common determination.

- d) In the event that the Company makes a spot sale, the relevant sales price shall be communicated to the Commission forthwith. Should the Commission be unable to accept such sales price, the Commission shall so notify the Company within the ensuing three months and the sales price shall either be fixed amicably by mutual agreement of the parties, or determined in accordance with provisions of this pricing procedure. In the event the Commission fails to give the aforesaid notification within the prescribed time, the Commission shall be deemed to have accepted the sales price communicated by the Company. Adjustments, if any, to the Company's tax liability or royalty payment in respect of any given year shall be effected forthwith upon the final prices being determined pursuant to the foregoing provisions of this Article 15.

Article 16

Applicable Law

16. The Agreement and the relations between the parties thereto shall be governed by local laws and by such principles of International Law as may be applicable.

Article 17

Arbitration

17. All disputes arising in connection with this Agreement without prejudice to Article 15, which cannot be settled amicably, shall be settled by arbitration in accordance with the rules of the International Centre for the Settlement of Investment Disputes hereinafter called (the "Centre") created by the Convention on the Settlement of Investment Disputes between States and Nationals of other States concluded in Washington on March 18, 1965 hereinafter called (the "Convention").
 - 17.1. It is hereby agreed that the consent to the jurisdiction of the Centre shall equally bind any successor in interest to the Commission or to the Holder and/or Company.
 - 17.2. It is hereby stipulated that the operations contemplated in this Agreement are considered an "investment" as used the provisions of the Convention.
 - 17.3. The parties hereby agree that in the event of any reference of a dispute to the Centre for settlement by arbitration, the Arbitration Panel shall consist of three (3) arbitrators appointed in accordance with the formula described in Article 37 (2) b) of the Convention.
 - 17.4. The Commission undertakes to obtain from the Government of ... the approval to consent to the jurisdiction of the Centre as provided for in Article 25 (3) of the Convention or, alternatively, to obtain notification by the Government to the Centre, that, pursuant to the said Article 25 (3), no approval of the Government is required for the consent by the Commission to the jurisdiction of the Centre.
 - 17.5. It is hereby agreed that, although the Company is national of the host country it is controlled by the nationals of a country which is a contracting State for the purposes of the Convention, and shall therefore be treated as a National of such Contracting State, provided that this provision shall apply irrespective of any participation by the Commission in accordance with clause 10.11.

Article 18

Notices

18.1. Any notice or other communication provided for in this Agreement shall be made in writing and shall be given by hand or sent by registered mail, telex or cablegram to the following addresses:

For the Commission:

For the Holder:

For the Company:

Any change of address subsequent to the execution of this Agreement shall be communicated to the other Parties giving prior written notice thereof.

18.2. Any notice or other communication shall be deemed to have been properly given or delivered as aforesaid to the party to which it was addressed on the date on which it was despatched.

IN WITNESS WHEREOF, the parties have caused this Agreement to be duly executed in English in two (2) copies each of which is authentic.

By.....

By.....

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