MINING LEASE AGREEMENT

BETWEEN

GOVERNMENT OF THE REPUBLIC OF SIERRA LEONE

AND

AFRICAN MINERALS LIMITED

GROUP OF COMPANIES
MINING LEASE AGREEMENT

BETWEEN

THE GOVERNMENT OF THE REPUBLIC OF SIERRA LEONE (GOSL)

AND

AFRICAN MINERALS LIMITED GROUP OF COMPANIES
MINING LEASE AGREEMENT BETWEEN THE GOVERNMENT OF THE
REPUBLIC OF SIERRA LEONE AND AFRICAN MINERALS LIMITED
GROUP OF COMPANIES

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THIS AGREEMENT is made and entered into this day of 2010 BETWEEN the 
MINISTER MINERAL RESOURCES, whose address for service is 5th floor Youyi Building, 
Brookfields, Freetown in the Western Area of the Republic of Sierra Leone acting for and on 
behalf of the Government of the Republic of Sierra Leone, (hereinafter referred to as ‘the 
Government’ which expression where the context admits shall include its successors in office) 
of the one part AND AFRICAN MINERALS LIMITED, a company registered in Bermuda 
that is the parent company of African Minerals (SL) limited, having Subsidiary Companies 
registered and operating in Sierra Leone in the names of African Rail and Port Services (SL) 
Limited and Tonkolili Iron Ore (SL) Limited companies established under the laws of Sierra 
Leone whose registered offices are at 154, Wilkinson Road, Freetown,(hereinafter referred to as 
the Parent Company) of the second part and TONKOLILI IRON ORE (SL) LIMITED a wholly 
owned subsidiary of AFRICAN MINERALS (SL) LIMITED registered under the Laws of Sierra 
Leone having its registered offices at 154 Wilkinson Road, Freetown aforesaid (hereinafter 
referred to as the “LICENSEE”) of the third part (the second and third parties to this Agreement 
are collectively hereinafter referred to as the “Company” which expression where the context 
admits shall include its successors in office).

WHEREAS;

1. African Minerals Limited registered in Bermuda has established wholly owned group of 
companies as subsidiaries operating in Sierra Leone among which are African Minerals 
(SL) Limited and Tonkolili Iron Ore (SL) Limited;

2. African Minerals Limited conducts business in Sierra Leone through its subsidiary 
companies operating in Sierra Leone among which is the Tonkolili Iron Ore (SL) Limited 
whose exploration Licence is EXPL/0506.

3. African Minerals Limited has conducted vigorous prospecting and exploration programs 
under the said licence and has established the existence of a large deposit of iron ore 
within the concession area.

4. Having established the existence of this large mineable Iron Ore deposit the company 
applied for a Two Mining Licence under the Mines and Minerals Act 2009, No 12.

5. These applications have been reviewed by the Minerals Advisory Board, which has 
recommended it to the Minister for approval.

6. Consequently, the Government of the Republic of Sierra Leone and African Minerals 
Limited wish to enter into an agreement to set out the terms and conditions for the 
granting of a Mining Lease for the development and mining of this Ore deposit.
NOW, THEREFORE, THE PARTIES HERETO AGREE AS FOLLOWS:

ARTICLE 1. DEFINITIONS;

Under this Agreement words and phrases are defined according to the meaning and interpretation assigned to them under this article.

a) "Effective Date" means the date of ratification of this Agreement;


c) "The Act" means the Mines and Minerals Act 2009 (Act No 12 of 2009);

d) "Exploration" has the meaning ascribed to it in section 1 of the Act.

e) "Mining" means any operations for mining iron ore or any other minerals stipulated in the Licence;

f) "Mining Lease Area" as described in Schedule 1 means the area covered by the two Mining Licences as set out in Schedule 2A and 2B to this Agreement;

g) "Minister" means the Minister responsible for Mineral Resources;

h) "Prospecting Licence" means Exclusive Prospecting License issued under the Mines and Minerals Act 1994 (Act No 5)

i) "Tonkolili Exploration Licence" means Exploration Licence EXPL NO. 05/06 held by the company as set out in schedule 1 to this Agreement.

j) "Mining Operations" means any operations for mining iron ore and/or any other minerals stipulated under the Mining Licence granted hereunder and shall be carried out in accordance with the terms and conditions of this Agreement, which said operations shall include but not limited to exploration, extraction, mining, processing, transportation, stock-piling, shipment of iron ore and/or other minerals stipulated under the mining licence and the construction of infrastructure and other facilities to enhance mining operations.

k) "Mining Licence" means the mining licence granted to Tonkolili Iron Ore (SL) Limited under this Agreement.

l) "Infrastructure Facilities" means all the structural facilities whether permanent or temporary used by the company in their daily mining operational activities and shall
include but not limited to offices, quarters for employees, roads, pipeline and/or railway between the mine and Pepel port and or Targrin point, the stock-piling, berthing and ship loading facilities at Pepel Port and/or Targrin Point and any other immovable structure in the mining area.

ARTICLE: 2. MINING LICENCE

a) In accordance with Sections 79(1) and 108(1) of the Act, Tonkolili Iron Ore (SL) Limited (hereinafter referred to as ‘the Company’) as the holder of an Exploration Licence over the Tonkolili iron ore deposit (EXPL 05/06) described in Schedule 1 is hereby granted a Mining Lease to develop and mine iron ore deposit and any associated minerals in accordance with the two Mining Licences granted hereunder and the approved program of mining operations and the environmental management program on terms and conditions stipulated in this Mining Lease Agreement.

b) This Agreement shall come into force and effect upon ratification by Parliament.

ARTICLE: 3. TERM

The Term of the Mining Licence shall be 25 years from the effective date.

ARTICLE: 4. RENEWAL

The Company may at least one year prior to the expiration of the Mining Lease apply to the Minister for a renewal for a further period of 15 years effective from the date of expiration of the previous Lease. Upon such application provided the Company has met all her obligations under the Act and this Agreement, the Company shall be entitled to such renewal upon such fair and equitable terms and conditions as may be agreed upon between the parties to this Agreement.

ARTICLE: 5. TRANSFER

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

ARTICLE: 6. SURRENDER

a) The Company may surrender to the Government all or any part or parts of the Mining Licence at any time during the term of such Licence by notice in writing to the Government within the period of ninety (90) days. Upon such surrender the area or areas
surrendered shall cease to be comprised of or subject to the provisions of the Mining Licence granted under such Agreement and shall revert to the Government.

b) Upon the surrender, expiration or other termination of the Mining Licence or of any portion thereof, the Company shall be granted a period of not less than six months, or such longer period as the Director may specify, immediately following such surrender, expiration and/or termination in which to remove all or any of its plants, machinery, equipment or other moveable effects from the areas covered by the Mining Licence or portion of the Licence surrendered, expired or terminated.

ARTICLE: 7. RIGHTS AND OBLIGATIONS

a) The Company shall have the exclusive right to explore for iron ore and associated minerals, develop the mine, and carry out mining operations as in the approved program of mining operations and to transport, export and market the ore from the Tonkolili Mining Licence in accordance with Sections 114 and 115 of the Act whether by itself or any other nominated representative of the company.

b) The Company shall have the right to construct and operate within or outside the exploration-and mining area, roads, railway, buildings, plants, structures, living quarters, water supply systems, electric power systems, pipelines, communication systems, airstrips, storage facilities and other similar accessory works and installations which are necessary or useful in carrying out its operations under the Agreement.

ARTICLE: 8. AMENDMENT OF MINING PROGRAM

The Company has the right to amend its program of mining operations and environmental management program under Section 113 of the Act. On the discovery of any other mineral during exploration or mining operations which is of significance, the Company shall report such discovery to the Director within 30 days in accordance with the Act and may apply to the Minister within 180 days for the exploration or mining of such deposit to be included in the Mining Licence, giving in the application a proposed program of exploration or mining program.

ARTICLE: 9. TEMPORARY SUSPENSION

The Director may temporarily suspend mining operations on an emergency basis—in accordance with Section 52(1) of the Act after giving the Company a reasonable period to remedy the breach and comply with the Act.
ARTICLE: 10. SUSPENSION AND CANCELLATION

The Minister shall before suspending or cancelling an Exploration or Mining License under Section 53 of the Act give the Company at least 90 days notice to remedy any breach of the conditions of the Licence provided that with the exception of payments due, the company is required to make compensation in money to the satisfaction of the Minister if the breach is subject to compensation.

ARTICLE: 11. SUSPENSION OF PRODUCTION

In the unlikely event that production has been suspended for 24 months by the Company, in accordance with Section 118(6) of the Act, the Minister shall cancel the Mining Licence provided that no satisfactory arrangements are in place to resume production within a reasonable time.

ARTICLE: 12. OCCUPATION OF SURFACE

a) On acquisition of land rights under Sections 34, 35 and 36 as well as resettlement if need be under Section 38 of the Act, the Company shall have the right to occupy and utilize the surface land area indicated within the Mining Licence and the infrastructure facilities and such parts of the land as may be required for exploration purposes and mining operations, accessory works and installations as stipulated under Section 114 of the Act.

b) The Company shall endeavour to pay fair and reasonable compensation depending on a certified valuation carried out by a Government appointed valuator for any prospective damage to crops, trees, buildings or works during the course of their mining operations. The Company shall use its best endeavour to use standard equipment and techniques during drilling, blasting, open cast excavation to mine iron ores or associated minerals within the Mining Licence as approved under the program of mining operation. Accordingly it is agreed between the parties that such standard mining equipment and techniques and the resultant disturbance of the land and property owners in relation to that effect shall not be taken into account or evaluated in the determination of compensation in respect of damages payable to owners of or lawful occupiers of the land and other valuable properties. To minimise such effect the company agrees that it will restore all mined out areas in accordance with the Environmental management plan.

c) The Government shall for claims arising during the term of the Mining Lease indemnify the Company against such claims by owners or occupiers (including Chiefdom Councillors) in respect of the Mining Lease area other than claims for compensation made in accordance with provisions of Sections 34 and 35 of the Act.
ARTICLE: 13. WATER AND LAND RIGHTS

a) To facilitate mining operations, in addition to the rights given to the Company under Section 114 of the Act, the Company shall with the approval of the Ministry of Energy and Water Resources have the right to use water from any natural watercourse for domestic and or mining operations and return mining spoils to the river or stream provided that the Company shall not discharge any poisonous or noxious matter not present in the intake water.

b) The Company shall in accordance with its Environmental Management Plan also cut or use any tree when necessary for both domestic and or mining purposes provided that it shall not cut or take any economic tree belonging to land owners without adequate compensation or any tree from a forest reserve without the consent of the Forest Officer in charge and payment of the requisite fees made.

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

ARTICLE: 14. APPLICATION OF DUTIES AND CHARGES ON IMPORTS

a) Subject to the terms of Article 19, for the duration of this Agreement, the GOSL shall exempt the Companies and their nominated contractors from all duties and taxes in respect of imports of mining machinery, plant and equipment, infrastructure and consumable mining stores as defined in Schedule 3.

b) Subject to the terms of Article 19, subcontractors hired by the company shall freely import into Sierra Leone, use therein and freely export after use, such machinery and equipment necessary for construction and commissioning of plant and facilities for the mining operations.

ARTICLE: 15. EMPLOYMENT AND TRAINING

a) The Company or its contractors shall not employ expatriates where Sierra-Leoneans are equally competent to do or discharge any duty by virtue of such appointment. This applies whether the labour is skilled or unskilled with the exception that any use of child labour for carrying out any of its mining operations shall be prohibited.

b) Subject to the foregoing restrictions and to any applicable provisions of the Non-Citizens (Registration, Immigration and Expulsion) Act No.14 of 1965), all persons deemed by the Company and/or its contractors to be required for the execution of its work, including executives, officers, engineers, consultants, technicians, skilled and semi-skilled labour, shall have the right to enter and reside in Sierra Leone and to depart therefrom.
Government shall facilitate the issue of permits and visas as well as multiple entry visas for senior executives of the Company when required. The Government agrees that it will encourage and assist efforts of the Company to secure and maintain an adequate supply of labour.


c) Sierra Leoneans with the requisite qualifications and experience including but not limited to consultants, executives, engineers, other professionals, technicians both skilled and semi skilled will be given preference in all levels of employment. The Company will train Sierra Leoneans both on the job and externally in accordance with the Act. Training will be carried out at all levels and will involve courses and gaining experience overseas. The objective will be the transfer of technology and to gradually replace non executive expatriate staff with qualified and suitable nationals as they become available.

ARTICLE: 16. PROCUREMENT

In the acquisition of equipment, services and supplies for exploration and mining operations, the Company shall give preference to equipment, services, supplies and products produced locally in Sierra Leone if such equipment, services and supplies can be supplied at prices, quantities, quality, with delivery dates and other commercial terms equivalent to or more favourable than those at which such equipment, services and products can be supplied from outside Sierra Leone.

ARTICLE: 17. PROTECTION OF THE ENVIRONMENT

a) The Company warrants that it will do its utmost to adhere to the current and future environmental laws and regulations and shall submit an Environmental Impact Assessment and Environmental Management Plan in accordance with the Act to mitigate the effect on the environment throughout the life of the mine.

b) In addition to the requirements of the Environmental Management Program, the Company shall be responsible for reasonable restoration and rehabilitation of the surface of Exploration and Mining areas and areas used by the Company and shall be responsible for the safe disposal of liquid substances, protection of pits and shafts and everything necessary for the shutdown of mining and treatment operations. The Company shall take all reasonable measures to control the effects of harmful pollution contamination to the extent practicable and according to international environmental standards and that stipulated in the Act. The cost of such action shall be included in the operating costs. A reserve fund shall be established at the commencement of mining operation to cover costs of all such measures.
ARTICLE 18. RECORDS, REPORTS AND INSPECTION

a) The Company shall prepare and maintain accurate records of its operations at all times while this Agreement is in force and shall furnish Government with all information or data concerning its operations it may require under the Act provided however, that the Company will only commit any such offence under Section 78(4) of the Act if they deliberately fail to comply with the provisions of the above Article.

b) Government through the Director shall have full access to all mining operations of the company to observe and monitor operations being conducted and inspect all installations, infrastructure, records, financial and technical and data kept by the company. Such inspection shall be carried out by the Ministry’s Iron Ore Program Management Unit, provided that in exercising such right it shall not interfere with the company’s operations.

c) The Company shall make available copies of data in their possession which relate to their mineral rights. All data or information supplied in accordance with the Act shall remain confidential and shall not be divulged without the prior written consent of the Company but such consent cannot be unreasonably withheld.

ARTICLE 19 FISCAL REGIME

a) Mining Lease Fee and Surface Rent

The company shall pay to the Government of Sierra Leone (‘GOSL’) annually in advance, a Mining Lease fee for Tonkolili Iron Ore, for each of the two Mining Licences, an amount of USS 500,000 (Five hundred thousand United States Dollars) or its equivalent in Leones per block per year and for each year.

TIO shall also pay to the land owners or lawful occupier through the appropriate local authority in which the Mining Lease Area is situated, annually in advance and without demand an annual surface rent determined by mutual consent pursuant to the Mines and Minerals Act, 2009.

b) Royalties

(i) A Royalty at the rate of 3% (three percent) of market value as defined under Section 148 (3) of the MMA 2009.

(ii) Royalties payable under b(i) shall constitute an operating cost of the company and shall be allowed as a deductible expense in ascertaining its chargeable income for income tax purposes, provided that Royalties shall not be credited against or considered as part payment of the income tax liability payable to the GOSL.

(iii) Within a maximum period of 45 (forty five) days after the end of each month’s shipments, TIO shall prepare and deliver to the Director of Mines a statement
certified by the designated representative of TJO in Sierra Leone stating the total tonnage of minerals of each kind, grade and quantity shipped by TJO in that month, together with a statement of the gross sales price 'free on board' (Income Tax Act, 2000) the vessel at the Sierra Leone port or designated loading facility of shipment after deducting any Goods and Services tax and other similar or analogous taxes, export duty, levy or excise tax payable to the GOSL or any department of the GOSL. Upon delivery of such statement, TJO shall pay to the GOSL the Royalty payable with respect to the minerals covered by the statement. Every statement of export shall specify the designations and names and address of consignees and shall be accompanied by a copy of the export entries certified by the Commissioner-General of the National Revenue Authority.

(iv) In preparing the statement referred to in b (iii) account will be taken of any adjustment required as a result of amendments or corrections from prior periods such as provisional pricing terms or credit notes.

c) Income Tax

(i) In the conduct of their activities in Sierra Leone pursuant to this agreement, the Companies shall be liable for income tax upon their chargeable income derived from such activities as well as upon any other income of the Companies from a Sierra Leonean source at a fixed rate of 25% (twenty percent) per annum or at the prevailing rate applicable to companies generally, as set forth in the Income Tax Act 2000.

(ii) The Companies in the conduct of their activities in Sierra Leone, pursuant to this agreement, shall not be liable for any minimum taxation.

(iii) Foreign exchange gains and losses arising as a result of the change in exchange rates between the date of the underlying transaction and the date of settlement of that transaction will only be assessable or deductible for income tax purposes once the gain or loss is realised. Unrealised foreign exchange gains and losses will not be assessable or deductible for income tax purposes.

d) Withholding Tax

(i) The rate of withholding tax that may be payable on dividends or any distribution paid by any of the Companies to their holding company, or any of their affiliates or subsidiaries of fellow subsidiaries, or any other shareholder shall be 5% (Five percent).
(ii) The rate of withholding tax payable on management fees paid by the Companies to their holding company, affiliates, subsidiaries or fellow subsidiaries or any other entity shall be 5% (Five percent).

(iii) The Companies and their nominated contractors shall not be liable to withhold any taxes on payments to contractors as specified under section 117 of the Income Tax Act 2000

e) Capital Expenditure Allowances

(i) An initial allowance equal to 40% (forty percent) of the United States Dollar cost of Qualifying Capital Expenditure shall be deductible by the Companies in determining the chargeable income of the Companies for the year in which such Qualifying Capital Expenditure is incurred, with an annual allowance at the rate of 20% (twenty percent) of the United States Dollar cost of Qualifying Capital Expenditure being deductible in determining chargeable income in each subsequent year until the full cost has been deducted.

(ii) Where an asset which falls within the definition of Qualifying Capital Expenditure is scrapped, destroyed or sold for less than the balance obtained by deducting from the cost thereof the aggregate of the initial allowance and the annual allowances previously granted in respect of that asset, then such balance shall be fully deductible against chargeable income in the form of a scrapping allowance in the year in which such disposal, destruction or sale occurs.

(iii) Qualifying Capital Expenditure shall comprise:

(a) capital expenditure as set out in the 6th Schedule to the Income Tax Act 2000, and

(b) capital expenditure on all mining machinery, plant and equipment described in Clause (i)(ii) of this Agreement whether imported or purchased in Sierra Leone, as well as all capital expenditure on vehicles, medical equipment, computers and ancillary equipment, construction and expansion on residential and non-residential buildings, construction and expansion of clinics and all other equipment ancillary to the operations of the Companies as well as the cost of acquiring or procuring the transfer of the Mining Lease in respect of the Mining Lease Area.

(c) Capital expenditure on haul roads, environmental bunds, creek diversions and other similar assets.
(d) Capital expenditure on assets related to the improvement of the community such as schools, clinics, hospitals, training centres and other similar assets.

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

(v) The Companies may, in respect of the whole or any part of their qualifying or deductible expenditures whatsoever incurred, elect to defer claiming deductions in respect of any financial year for capital expenditure allowances thereon and to claim the initial and/or annual allowance thereon in subsequent financial years (whether or not consecutive) without limit in time until the whole of the expenditure shall have been claimed.

f) Treatment of Losses for Income Tax Purposes

(i) There shall be 10 years on the carrying forward by the Companies of losses incurred (assessable losses) for offset against chargeable income tax in subsequent years.

(ii) There shall be no limitation on the amount of losses that can be utilised to offset against chargeable income in any year.

g) Specific Deductions for Income Tax Purposes

(i) The Companies may claim deduction against chargeable income in an amount equal to 100% (one hundred percent) of the following expenditure:

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

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

(i) Full time employees of the Companies;

(ii) Not full time employees of the Companies but bonded to the Companies on completion of such education and/or training.

Provided that such education and/or training shall:

1. not include primary or secondary education and shall be relevant to employment of the trainee concerned,
2. be conducted at an approved educational/training institution, including training facilities established or to be established by the Companies (details of which shall be agreed between the Companies and GOSL);
3. include on-the-job training and shall include 100% (one hundred percent) of the wages of an employee serving an apprenticeship course approved by the GOSL;

(c) The cost of any scholarships provided by the Companies to citizens of Sierra Leone; and

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

(ii) The amount of interest expense that is deductible in any year in respect of any debt obligation incurred by the Companies or their nominated contractors to produce assessable income will be subject to Section 35 of the Income Tax Act, 2000.

(iii) The cost of acquiring prospecting, exploration or mining licences is deductible in full in the year of acquisition.

(iv) Expenditure on removing waste material during the mining process in order to access the ore body is fully deductible in the year incurred.

(v) Dividends, interest and management fees paid from one resident Group company to another are not deductible or assessable in the paying or receiving company respectively.

(vi) Operating expenditure in relation to assets associated with the improvement of the community such as schools, clinics, hospitals, training centres and other similar assets is deductible in full in the year incurred.

(vii) There shall be no limitation on the amount that is deductible for the cost of air tickets in respect of the Companies and their nominated contractors' employees who leave Sierra Leone on their scheduled fly-in fly-out roistered breaks.

(viii) Where assets that are included in the definition of Qualifying Capital Expenditure are transferred between the Companies the value at which they are transferred shall be deemed to be their adjusted cost base.
h) **Currency Issues**

(i) The balance sheets, statements of earnings, and cash flow and other financial statements and books of account of the Companies shall be stated maintained and expressed in United States Dollars.

(ii) All capital expenditure incurred by the Companies shall be stated maintained and/or expressed in United States Dollars.

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

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

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

For the duration of this Agreement, the GOSL shall exempt the Companies and their nominated contractors from all duties and taxes in respect of imports of mining machinery, plant and equipment, infrastructure and consumable mining stores as defined in Schedule 3 of the Mining Lease.

(k) **Duties and Taxes on Fuel and Lubricants for Mining and Infrastructure Operations**

All imports of fuel and lubricants and usage of fuel and lubricants by the Companies and their nominated contractors shall be free of any import, customs and excise duties, taxes or other levies or charges or inspection fees (except as specified in (l)(iii) below) and the Companies and nominated contractors shall not be liable for any Goods and Services Taxes or any other similar taxes on consumption or the importation or usage of fuel and lubricants.

(l) **Inspection Fees**

(i) With effect from the commencement of the Mining Lease Agreement the Companies shall appoint an internationally reputable inspection company acceptable to the GOSL, at the Companies own expense, for the purposes of inspection of all goods exported by or on behalf of the Companies from Sierra Leone.

(ii) The Companies shall provide inspection reports to the GOSL on a timely basis.

(iii) The Companies shall, with effect from the commencement of the Mining Lease Agreement, be liable for the payment of inspection fees in respect of all goods imported by or on behalf of it into Sierra Leone at the prevailing rate.
(m) Other Taxes or Fiscal Imposts

(i) The Companies shall not be liable for any taxes or fiscal imposts, either direct or indirect, other than:
   (a) Those expressly assumed by the Companies pursuant to the provisions of the Mining Lease Agreement;
   (c) The payment of Payroll Taxes at the applicable rate;
   (d) Payment of Immigration Fees at the applicable rate; and
   (e) Minor Taxes, which includes all taxes that are generally applicable to all corporations on a non-discretionary, non-discriminatory basis, and which do not exceed:
      (1) The equivalent of US$25,000 in any financial year; and
      (2) The equivalent of US$100,000 over any five year period.

Provided that:
   (i) In the case of Payroll Taxes, the “applicable rate” shall not exceed Le 500,000 (or its US Dollar equivalent) per annum per employee for employees who are ECOWAS nationals and Le 3,000,000 (or its US Dollar equivalent) per annum per employee in the case of employees who are not ECOWAS nationals for the first 5 years of this agreement, and
   (ii) In the case of Immigration Fees (consisting of Residence Permit, Work Permit and Multiple Entry Visa), the “applicable rate” shall not exceed US$150 (or its Leones equivalent) per annum per employee for employees who are ECOWAS nationals and US$1,000 (or its Leones equivalent) per annum per employee for employees who are not ECOWAS nationals.

(iii) If notwithstanding these provisions the Companies or its shareholders, as a result of either the activities of the Companies or as the result of distributions or the other payments made by the Companies to its shareholders, or either of them becomes liable to pay any taxes pursuant to the laws of Sierra Leone, except for those expressly assumed by the Companies pursuant to the Mining Lease Agreement, then the GOSL will, upon demand, hold the Companies harmless in respect of any payment of taxes made by the Companies, including for this purpose any penalties, fines or interest paid or payable by it in connection therewith, whether for late payment or otherwise.

(iv) The Companies may, as an alternative to exercising their rights under paragraph (iii) above, elect to offset any sum otherwise payable to it under that provision against any monies then or subsequently due to the GOSL, under the provisions of this Mining Lease Agreement.

(n) Repatriation, Holding and Introduction of Funds

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

(i) The Companies and their nominated contractors shall have the right, during the term of this Agreement, to hold foreign currency in designated foreign currency bank accounts in their names in Sierra Leone.

(ii) The Companies and their nominated contractors shall be exempt from any commission, charge or levy payable on the introduction or investment of funds from a foreign source into Sierra Leone.

(o) **Road User Charges**

The Companies and their nominated contractors shall be exempt from road users’ fuel levy applicable to users generally in respect of diesel consumed by their equipment provided these are restricted to mining operations and infrastructure.

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

The Companies and their nominated contractors shall be exempt from goods and services taxes as provided for in the Goods and Services Act 2009.

(q) **Port Harbour Dues or Free and Stevedoring Charges**

(i) Notwithstanding the provision of the various Sierra Leone Ports Authority (SLPA) Acts, the Companies shall be exempt from all port, harbour, loading and unloading dues or fees and stevedoring charges that may be levied by the SLPA in relation to the operation of the Company built and operated Ports/Jetties (whether at Lungi and/or Peple or elsewhere in Sierra Leone) and the Offshore Loading facility, including operations of the Companies, with the exception of the following:

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

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

(iii) In the event that SLPA or any other responsible public body fails to provide any of the services for which the Companies and their nominated contractors are required to pay port charges, harbour dues and any other amounts pursuant to this Clause, including, but not limited to, positioning and lighting of buoys, and the Companies and their nominated contractors thereby incurs any cost or expenses in providing or obtaining such services, the Companies and their nominated contractors shall be entitled to deduct such cost and expenses from any amounts.
that are otherwise payable to the Sierra Leone Port Authority or any other public body pursuant to this Clause.

(r) Community Development Fund and Additional Royalty payments

TIO shall make tax deductible payments to the Community Development Fund as provided for under Section 139 (4) of the MMA 2009.

(s) Environmental and Social Protection and Impact Mitigation

TIO shall make tax deductible payments, quarterly in arrears, to an Environmental and Social Protection and Impact Mitigation Fund in the amount of at least 0.1% (one-tenth of one percent) of gross sales in United States Dollars or its Leone equivalent. The fund shall be managed and controlled by the management of the Company and shall be applied as necessary for the purposes set out in Article 17 of the Mining Lease Agreement.

(t) Environmental and Social Protection and Impact Mitigation

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

(u) National Social Security and Insurance Trust - NASSIT

(i) In respect of their expatriate employees working in Sierra Leone, the Companies or their nominated contractors are not required to make the required company contributions to the National Social Security and Insurance Trust.

(ii) Expatriate employees working Sierra Leone and employed by the Companies or their nominated contractors are not required to make the required employee contributions to the National Social Security and Insurance Trust

(v) Joint Review

The Ministry of Finance and Economic Development, for and on behalf of the GOSL and the Companies will conduct a joint review of the fiscal package contained in this Article (Fiscal) of this Agreement every five (5) years from the date of ratification by Parliament of this Agreement or in the event, during intervening periods prior to the expiry of the said five (5) years, the market conditions change so significantly as to necessitate a review without which the normal operations of the Companies, including their cash flow and/or longer-term viability, may be materially adversely affected. Any resulting change from such joint review will require the mutual consent of the GOSL and the Companies.
ARTICLE: 20. COMMUNITY DEVELOPMENT

The Company takes its social responsibility towards local communities seriously and has already been very active in community development in chiefdoms and districts in which exploration operations are in progress by the provision of scholarships, roads and pipe borne water supply amongst others. These programs will be continued with the host communities being fully involved in accordance with section 139(4) of the Act.

ARTICLE: 21. HEALTH AND SAFETY

a) The Company places a premium on the health and safety of its employees and that of the public and shall comply with all health and safety laws, regulations and standards that are generally applicable in Sierra Leone.

b) The Company shall ensure the health and safety of all employees in all its operations; should the event arise when employees have to take precautions under Sections 142 and 143(b), it should be done with due regard to their obligations as employees.

ARTICLE: 22. INTERPRETATION AND ARBITRATION

The Government and the Company shall in good faith endeavour to reach an amicable settlement of any dispute which may arise between the parties in respect of the performance, enforcement, execution and interpretation of the terms of this Agreement. In the event the parties are unable to reach an amicable settlement such dispute shall be settled in accordance with procedures available in Sierra Leone for the settlement of such disputes provided that at the instance of either party, any such dispute may be submitted to arbitration for settlement in accordance with the rules of procedures for arbitration of the United Nations Commission of International Trade Law or in accordance with any international machinery for settlement of investment disputes agreed between the parties. For avoidance of doubt, the Government hereby waives its right of sovereign immunity in respect of the arbitration process and the enforcement of the arbitrator’s award.

ARTICLE: 23. FORCE MAJEURE

a) A failure or delay in performance by either the Company or the Government to fulfil any obligation under this Agreement shall be excused if and to the extent that such non-performance is caused by Force Majeure. The period of such delay or failure, together with such period as may be necessary for the restoration of any damage done during such delay shall be added to the periods fixed in the term of this Agreement and the Licenses issued under the Agreement.
b) Force Majeure includes war (declared or undeclared), an act of God, insurrection, riot, civil commotion, tidal wave, fire, flood, lightning, explosion, earthquake, embargo, blockade, quarantine, natural disasters, terrorist activities or other hostilities.

ARTICLE: 24. TERMINATION

a) The Company shall have the right to terminate this Agreement at any time by giving not less than 180 days to the Government to that effect.

b) The GOSL may suspend or terminate the Agreement in accordance with Section 52 and 53 of the Mines and Minerals Act, 2009.

ARTICLE: 25. GOVERNING LAW

This Agreement shall be governed by the Laws of the Republic of Sierra Leone and such rules of international law as may be applicable.

ARTICLE: 26. REVIEW

The parties agree and acknowledge that this Agreement was made on the basis of the laws and conditions prevailing at the date of the conclusion of negotiation of this Agreement. Subsequently where a party considers that there is a significant change affecting the economic balance of the Agreement the party affected hereby shall notify the other party in writing of the claimed change and request renegotiation and the parties shall thereupon renegotiate.

ARTICLE: 27. AMENDMENT

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

ARTICLE: 28. GOVERNMENT PROTECTION AND ASSISTANCE

Government and her agencies shall support this Agreement and shall take no action which prevents or impedes the due exercise and performance of rights and obligations of the Company and will also render all reasonable assistance to enable the Company accomplish its objectives in the best and most efficient manner and enjoy its rights and privileges under this Agreement. The Government shall procure all relevant public bodies
to make such lawful orders and administrative acts as may be desirable from time to time for this purpose.

ARTICLE: 29. GOVERNMENT WARRANTIES

The Government hereby represents and warrants to the Company that:

a) No part of the interest of the Company or its subsidiaries shall be expropriated by the Government without prompt payment of fair and reasonable compensation in such amount or amounts as shall be determined by agreement in accordance with the Constitution of Sierra Leone;

b) The GOSL shall have the right to acquire equity of the company in accordance with Section 102 of the Mines and Minerals Act, 2009.

c) Shareholders of the Company or its subsidiaries shall not be compelled by law to cede any interest that they may have in the capital of the company to any other person whether wholly or in part without adequate compensation;

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

e) The Company shall peaceably enjoy and without interruption by the Government or by any other person or persons claiming or under the Government or in trust for it, have the right during the term of the Mining Lease and/or this Agreement to explore for and mine iron ore and associated minerals and that no other person or entity shall have the right to engage in any prospecting, exploration or mining operations, or any other activities on, above or below the surface, in the Mining Lease Area during the term of this Mining Lease.

ARTICLE: 30. NOTICES

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

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

Name: Alpha Kamara
Title: Minister
Signature: [Signature]
Date: 8th August, 2010
Witness: [Witness]

For and on behalf of Africán Minerals Limited

Name: [Name]
Title: Executive Chairman
Signature: [Signature]
Date: 8th August, 2010
SCHEDULE 1: MINING LEASE AREA

Below is a description of the boundaries of the Tonkolili Mining Lease Area which constitutes part of this Agreement.

All that piece or parcel of land situate lying or being within (29N Grid Zone Ferengbeya Area), in the Dian Chiefdom in the Koinadugu District, Kalansongola, Samaia Bendugu and Kafe Simira Chiefdoms in the Tonkolili District, Northern Province in the Republic of Sierra Leone, whose dimensions are defined or bounded as follows:

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The dimensions as given in table above enclosing an approximate area of 227 Square Kilometres.
SCHEDULE 2A

MINING LICENCE NO. ML 01A/10
SCHEDULE 2B
MINING LICENCE NO. ML 01B/10
SCHEDULE 3

SCHEDULE OF MINING MACHINERY, RAIL AND PORT, PLANT, EQUIPMENT, AND CONSUMABLES ELIGIBLE TO IMPORTATION FREE OF DUTIES AND TAXES

1. All machinery, plant, housing, buildings and equipment useful to and used by the Companies in clearing land, removing minerals from land and transporting, separating, processing, handling and packaging such minerals for sale, including, without limitation construction materials for mining and processing, dredges, barges, tow boats, pumps, piping, screens, concentrating and separating equipment, locomotives, locomotive engines, rail wagons and rolling stock, railway signaling equipment, railway sleepers, rail steel, permanent way, power generating and distributing equipment, cranes, lorries, road building equipment, four-wheel drive vehicles used in and ancillary to mining operations, off-road haulage vehicles, earthmoving vehicles and equipment, minerals stores and packaging facilities together with accessories, spare parts, fuels, oils, lubricants, explosives and appliances for use and used exclusively with any of the foregoing.

2. Other equipment such as surveying equipment, laboratory equipment, computers, printers, plotters, software, communications equipment and similar equipment used by the Companies in relation to their mining operations;
   a. Prefabricated fixtures, not including building or building materials, as well as special purpose vehicles such as dumpers and shuttle trucks for use in mining or dredging;
   b. Machinery consisting of a combination of moving parts and mechanical elements, which may be put in motion by physical or mechanical force.

3. For the duration of this Agreement, the Companies and their nominated contractors shall have the right to import into Sierra Leone the whole of their requirements for fuel and lubricants, other than petrol and kerosene, from such suppliers and on such terms and conditions as it may determine, provided that the Companies and nominated contractors may purchase fuel in Sierra Leone where such fuel can be supplied on a competitive basis in terms of price, quality and other delivery terms.