



Qara Zaghan Gold Project Contract

Between

Afghan Krystal Natural Resources Company

And the

**Ministry of Mines
of the Islamic Republic of Afghanistan**

Contract Number: G001-89

10 January, 2011

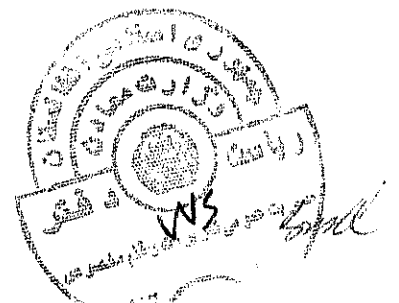
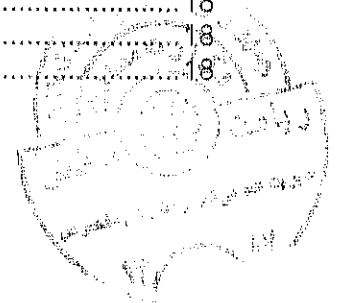


Table of Contents

1. Definitions: 3
 2. Details of this Contract: 5
 3. Duration and Renewal of the contract: 5
 4. Financial Guarantee: 6
 5. Investment: 6
 6. Exploration Phase: 6
 7. Exploitation Phase: 7
 8. Royalties: 9
 9. Funding: 9
 10. Production Rate: 9
 11. Accounting of Materials: 9
 12. Access: 9
 13. Reporting Requirements: 9
 14. Employment of workers: 10
 15. Sub Contractors 11
 16. Supply of Equipment and Machinery: 11
 17. Health and Safety Plan and Training: 11
 18. Environmental Protection: 11
 19. Transfer or Assignment of this Contract: 12
 20. Taxation & Fees Performance: 12
 21. Surface Use fees: 12
 22. Inspection, Supervision and Capacity-Building: 13
 23. Explosives: 13
 24. Energy: 13
 25. Amendments: 13
 26. Force Majeure: 13
 27. Observance of laws: 14
 28. Historical or Cultural Artifacts: 14
 29. Obligations: 14
 30. Construction of Necessary Facilities 15
 31. Social Services: 15
 32. Dispute Resolution: 15
 33. Cancellation of Contract: 15
 34. Notification and Remedy 16
 35. Default 17
 36. Domicile; Service of Process 17
 37. Damage to Property: 18
 38. Binding Effect of Contract 18
 39. Governing Law 18
 40. Severability 18
 41. Complete Contract 18



Emil WS

THIS CONTRACT, dated as of 10 January, 2011, is entered into between Afghan Krystal Natural Resources Company (AKNR), a company duly licensed under the laws of Afghanistan, and the Ministry of Mines of the Islamic Republic of Afghanistan ("MoM"), (together the "Parties").

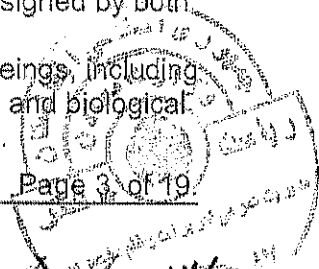
WITNESSETH:

WHEREAS the Ministry of Mines is responsible for the control of all mineral rights within Afghanistan, and specifically controls the mineral rights to the Qara Zaghan Gold Project located near Qara Zaghan village in the Dushi District, Baglan Province, Afghanistan;
WHEREAS the Afghan Krystal Natural Resources Company desires to be engaged in the business of mining of gold within Afghanistan;
WHEREAS the Afghan Krystal Natural Resources Company has been granted the right to operate a business in Afghanistan by the Afghanistan Investment Support Agency (AISA) with license number D-27091 dated 13.10.2010. A copy of the investment license D-27091 dated 13.10.2010 is attached;
WHEREAS the Parties hereto desire that the MoM grants the mineral rights, including the necessary Exploration and Exploitation Licenses, to the Qara Zaghan Gold Project to Afghan Krystal Natural Resources Company;
NOW, THEREFORE, in consideration of the mutual covenants and understandings contained herein, and in return for good and valuable consideration, the acceptance of which is hereby acknowledged, and subject to and on the terms and conditions herein set forth, the Parties agree as follows:

1. Definitions:

The terms used in this Contract shall have the meanings set forth below:

- 1.1 "Afghan Krystal Natural Resources Company" ("AKNR"): The entity that was selected as the Preferred Bidder during the Qara Zaghan Gold Tender Process to negotiate and conclude the Qara Zaghan Gold Project Contract with the Government and which will be obligated by the terms of this Contract, jointly and severally, together with any successor entities. AKNR has been granted the right from Afghanistan Investment Support Agency with AISA license # (**D-27091 dated 13.10.2010**) to start the investment. A copy of the investment license is attached. The complete names of the Manager, Assistants, and Executive Board of the Company are registered in the AISA Office and appended to this contract.
- 1.2 "Associated Materials": means copies of all studies, reports, records, files, documents, correspondence and other similar printed or written commercial materials to the extent related to the exploration, mining and processing activities conducted at the Qara Zaghan Gold Project.
- 1.3 "Gold Production Facilities": means any and all facilities constructed, used, or sub-contracted for the purpose of producing gold from the Qara Zaghan Gold Project.
- 1.4 "Commercial Production": The date at which the activities associated with the mine include the operation of facilities to begin recovery of gold for economic purposes.
- 1.5 "Construction Plan": A plan that sets forth the sequence and schedule for gold plant construction and/or rehabilitation activities.
- 1.6 "Contract Period": the term as set forth in Article 3.1 of this Contract and any extensions or other modifications to the term agreed to in writing by the Parties.
- 1.7 "Effective Date": of this Contract is the date that the Contract is signed by both parties.
- 1.8 "Environment": Physical factors of the surroundings of human beings, including land, water, atmosphere, climate, sound, odors, tastes, artifacts, and biological factors of animals and plants and the social factors of aesthetics.



- 1.9 "Environmental and Social Impact Assessment (ESIA)": the study performed by AKNR, and which must be accepted by MoM, which assesses the Environmental and Social factors which will be caused by the implementation of the Qara Zaghan Gold Project.
- 1.10 "Environmental and Social Management Plan (ESMP)": the plan proposed by AKNR, and which must be accepted by MoM, which details the measures to be taken to minimize or alleviate the Environmental and Social factors applicable to the Qara Zaghan Project which are identified and detailed in the ESIA,
- 1.11 "Exploration Work": means all the activity or work of prospecting or reconnaissance in the search for ore and minerals on, in, or under the Said Lands, and the drilling, examining, measuring and sampling of a mineral deposit when found, in order to determine the size, shape, position, characteristics, and economic value of the deposit.
- 1.12 "Feasibility Study": A study performed to AKNR and MoM specifications to assess the suitability of the proposed gold production facility and associated facility locations, taking into consideration the results of national and regional planning and all currently known and forecasted relevant technical, environmental, economic, operational and logistical factors and requirements necessary for the successful construction and operation of the gold plant by AKNR, including considerations of the environmental and social impact assessment activities conducted as required by Article 7 of this Contract.
- 1.13 "force majeure": shall include wars, acts of terrorism, insurrections, civil disturbances, blockades, embargoes, strikes and other labor conflicts, riots, epidemics, earthquakes, storms, floods, or other extreme adverse weather conditions, explosions, fires, lightning, orders or directions of any government *de jure* or *de facto* or instrumentality or subdivision thereof, and acts of God or the public enemy.
- 1.14 "Gold": means the element Au and its natural ores, specifically including the noble elements commonly occurring with gold.
- 1.15 "Government": The Government of Afghanistan, or any successor entity, acting on behalf of the Government of Afghanistan with respect to this Contract.
- 1.16 "Gross Gold Production": The total production of Gold produced by the mine.
- 1.17 "Imminent Hazard": Any event not intrinsic to normal operations that could lead to serious injury, the loss of life or damage to physical property.
- 1.18 "Mining Law": means the 2009 Mineral Laws of the Islamic Republic of Afghanistan.
- 1.19 "Ministry of Mines (MoM)": The Ministry of Mines of the Islamic Republic of Afghanistan or any successor entity, acting on behalf of the Government of Afghanistan with respect to this Qara Zaghan Gold Contract.
- 1.20 "Month": All references to months in this Contract shall be based on the solar calendar specified in Article 18 of Afghanistan's Constitution.
- 1.21 "Pollution": Any direct or indirect alteration of the physical, thermal, chemical, biological, or radioactive properties of any part of the Environment by discharging, emitting, or depositing wastes so as materially to affect any beneficial use adversely, or to cause a condition which is hazardous or potentially hazardous to public health, safety or welfare, or to animals, birds, wildlife, fish or aquatic life, or to plants. The term "pollute" shall have a corresponding meaning.
- 1.22 "Regulation": includes any regulation, rule, official directive, request, or guideline of any governmental, intergovernmental, or supranational body, agency, department or regulatory, self-regulatory, or other authority or organization;
- 1.23 "Royalties": Monetary payments by AKNR to the Government of Afghanistan as a certain percentage from gross gold production in recognition of the right to

extract minerals in accordance with the laws and regulations of Afghanistan, this contract, and as specified in the bidding proposal for the Qara Zaghan Gold Project tender.

- 1.24 "Said Lands": means all the lands subject to this Contract and contained under the Licenses which the Parties or a party has an interest, whether granted by the MoM through option, claim, lease, or otherwise.
- 1.25 "Security": means the measures taken to insure the safety of persons and facilities.
- 1.26 "Security Agreement": means an ancillary agreement between AKNR and the Government which provides for the security measures to be implemented at the Qara Zaghan Gold Project.
- 1.27 "US\$": means the United States Dollar.
- 1.28 "Waste": Any matter, whether liquid, solid, gaseous, or radioactive, which is discharged, emitted or deposited in the Environment in such volume, consistency, or manner as to cause an alteration of the Environment.

2. Details of this Contract:

1. The MoM, in accordance with the agreed terms and conditions of the award of the bidding tender for the Qara Zaghan Gold Concession and the 2009 Mineral Laws of Afghanistan hereby grants Afghan Krystal Natural Resources Company (AKNR) the right to explore for Gold mineralization within the said lands through issuance of an Exploration License, and the right to mine the economic portions of the deposit as defined through acceptance by both parties of the detailed Feasibility Study for the Qara Zaghan Gold Project and issuance of an Exploitation License for that delineated economic area; which will be properly undertaken under the reasonable control and supervision of the MoM.
2. For purposes of clarification, this Qara Zaghan Gold Project Contract includes, but is not limited to, articles concerning the exploration phase, exploitation phase, and general terms of the contract.
3. The said lands of the Exploration Lease area shall be 1257 ha and are bounded by the coordinates:

East: 68° 36' 83.1"	North: 35° 55' 75.3"
East: 68° 41' 13.9"	North: 35° 55' 70.3"
East: 68° 41' 08.1"	North: 35° 57' 05.3"
East: 68° 36' 64.4"	North: 35° 55' 54.2"
4. AKNR shall be entitled to market and sell its gold production in accordance with the provisions of this contract and the laws of Afghanistan.

3. Duration and Renewal of the contract:

1. This contract shall be valid for a period of 6 months for preparation and a period of up to two years for completing exploration and a period of ten (10) years for exploitation from the Effective Date. This Contract may also be extended or terminated in accordance with the terms and provisions in Article 33, other parts of this contract, or as otherwise mutually determined and agreed to in writing by the parties.
2. AKNR has the right to renewal of this contract, provided that full compliance of the conditions of this contract are being upheld, and that the AKNR informs the MoM in writing at least one (1) year before the termination date of the contract.
3. In compliance with the 2009 Mineral Law, this contract may be renewed in five (5) year incremental periods as detailed in Article Three, Section 2 above, until the deposit is depleted, or the Contract is otherwise terminated or cancelled.

4. Should AKNR cease exploration activities related to the approved Exploration Plan for a period of longer than six (6) consecutive months without the approval and agreement of MoM, then the MoM may consider the Exploration License null and void and the exploration right will revert back to the Government of Afghanistan.
5. AKNR has the right to renewal of the associated Exploration and Exploitation Licenses through continuation of this contract as described in Article Three, Section 2 above.
6. Should AKNR cease exploitation activities relating to the approved Feasibility Study for longer than twelve (12) consecutive months without the approval and agreement of MoM once the Exploitation License has been issued, then MoM may consider this contract and the Exploitation License null and void and the right to conduct gold exploitation activities will revert back to the Government of Afghanistan.

4. Financial Guarantee:

A Guarantee Bond in the amount of one hundred thousand US Dollars (\$100,000.00 US\$) or its equivalent in Afghani will be provided by AKNR to the Government of Afghanistan at no interest to be held in a dedicated bank account by the MoM. This is a bond for compensation of, and reparation for, damage to the environment, property rights, and any other violations resulting from the activities of AKNR, their employees, or contractors during the period of the contract. The bond, or residual amount, will be returned to AKNR, at the termination of this contract provided that all outstanding claims for compensation and reparation have been satisfied.

5. Investment:

1. AKNR, as part of a detailed Exploration Plan, is obliged to provide the MoM a detailed investment plan for the exploration phase of the mine, which meets the terms of its bid proposal which was submitted to the MoM. The Exploration Plan is due to the MoM within 4 months of the effective date of this contract.
2. AKNR, as part of the detailed Feasibility Study, is obligated to provide the MoM a detailed investment plan for the mining phase of this contract, which meets the terms of its bid proposal which was submitted to the MoM. The investment plan is due to the MoM within 6 months if delineating an economic deposit.

6. Exploration Phase:

AKNR is obligated to provide the MoM a detailed Exploration Plan within four (4) months of the Effective Date of this contract. AKNR is obligated to begin actual exploration activities as defined in the Exploration Plan within six (6) months of the Effective Date of this contract.

1. AKNR agrees to provide an Exploration Plan detailing the following:

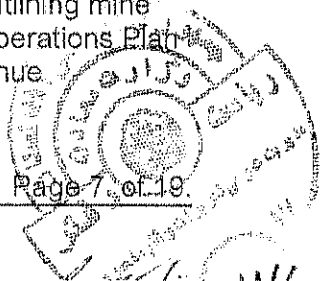
- A. **Technical Exploration Plan.** A plan of anticipated physical activities related to the defining and delineating of the mineral deposit, including but not limited to access road construction, drilling program, sampling proposal, metallurgical studies, and time schedule of activities.
- B. **Financial Plan.** This plan will budget anticipated costs and expenditures for the exploration program and demonstrate AKNR's capacity to finance it.

C. Environmental Action Plan. This plan will detail the anticipated effects of the exploration work on the environment, and will include detailed plans to minimize environmental disturbance and address reparation of damage caused to the environment through the exploration activities of AKNR.

2. AKNR agrees that exploration activities will not commence until the Exploration Plan has been accepted by the MoM. The MoM agrees to respond to AKNR on the acceptance or rejection of the Exploration Plan within 2 weeks of receiving the Exploration Plan. Should the Exploration Plan be rejected, the MoM shall give specific reasons for rejection of part or the entire plan and cooperate with AKNR to remedy the concerns resulting in the rejection.
3. The MoM and AKNR agree that the accepted Exploration Plan will form the basis of the exploration work and that the AKNR is bound to carry out the work as detailed therein and as per a time schedule agreed on by both parties. Upon acceptance of its exploration plan and time schedule, MoM will issue AKNR an exploration license for the said lands.
4. AKNR agrees to compile maps, geological data and other related information pertaining to the deposit, and all of these records shall be available to the MoM upon request. Upon termination, cancellation, or expiration of the contract these records will become the exclusive property of the MoM.
5. If at the end of the Exploration work, or at any time during the exploration phase, and at its sole discretion, AKNR determines that the mineral resource is not sufficient to warrant further exploration or does not constitute an economically mineable deposit, then AKNR upon notice to and acceptance by the MoM, has a right to terminate exploration activities and complete reclamation work as per the Environmental Action Plan noted in Article 6 Section 1 Number C above.
6. Any and all costs incurred by AKNR relating to the Exploration work and reclamation from exploration activities are not refundable.
7. AKNR agrees to retain for the MoM, representative splits of drilling samples and duplicate sample pulps, and to provide assay results on a quarterly basis as described in Article 13 above, and in accordance with the Laws and Regulations of Afghanistan.

7. Exploitation Phase:

1. AKNR agrees to submit for approval to the MoM a Feasibility Report including the following technical information. The investment plan is due to the MoM within 6 months if delineating an economic deposit.
 - A. Results of the Exploration Plan including all documentation to support studies, maps, results, and conclusions as outlined in Article 6 above.
 - B. Proposed Technical Plan for the construction and operation of the Qara Zaghan Gold Project. This plan will include but is not limited to proposals for Construction Plan for development of the processing operations; Mining Plan outlining mine development plans, equipment needs, development stage, etc.; Operations Plan outlining expected numbers of employees, expected outputs, revenue, generations predictions and other pertinent information.



- C. Financial Proposal budgeting and detailing expected expenditures and costs necessary to accomplish the proposed Technical Plan.
- D. Results of a detailed Environmental and Social Impact Assessment (ESIA). This study will be conducted at the sole expense of AKNR through an approved third party with demonstrated expertise in conducting such a study.
- E. An Environmental and Social Management Plan (ESMP) addressing:
 - i. the environmental impact as noted in the ESIA and mitigating the effects to the environment and include measures to safeguard the environment from unnecessary damage.
 - ii. the social impacts as found in the ESIA and what measures will be taken to mitigate the negative impact of the proposed mining to the local populations. The plan will outline development projects to assist the local peoples in social development.
 - iii. the health and safety of the employees as detailed in a Health and Safety Plan
- 2. AKNR agrees that activity associated with the mining phase will commence only after the Feasibility Study has been accepted and approved by the MoM. The MoM agrees to respond to AKNR within one (1) month of receiving the Feasibility Study of the acceptance or rejection of the Feasibility Study. Should the Feasibility Study be rejected, the MoM shall give specific reasons for rejection of part or the entire plan and cooperate with AKNR to remediate the concerns resulting in the rejection.
- 3. Both parties agree that the Feasibility Study is a legal and binding part of this contract, and will become the basis for extraction activity; the AKNR is bound to carry out works detailed within and the Feasibility Study. Upon acceptance of its exploration plan, MoM will issue AKNR an exploitation license for the said lands.
- 4. Subject to the provisions of the Exploitation Plan AKNR is obligated to selectively stockpile low-grade material separate from waste materials. These stockpiles will be clearly marked and separated from other non-economic repositories.
- 5. AKNR agrees to maintain mining standards as agreed in the exploitation plan. Upon approval by the MoM, AKNR may incorporate new technologies within its operations, which modify the approved Feasibility Study if such changes will clearly improve the optimization of the operation.
- 6. AKNR is obligated to develop and maintain the gold recovery process such that the "optimal" economic recovery is maintained. This optimization must be demonstrated through standard metallurgical record keeping. The recovered gold shall be assayed before sale. Records of all gold recovered and the assay results shall be maintained and be available to inspection.
- 7. Should AKNR discover mineralization other than gold that is of potential economic value, it will inform MoM immediately, and AKNR may but is not obligated to request from the MoM the rights to process and recover said economic minerals. However, until such a right has been granted the mineral remains the property of the Government of Afghanistan. Appropriate modifications to the Feasibility Study must be included at the time of submission, or the approved Feasibility Study must be

updated and approved to include the new economic basis derived from the exploitation and sale of the new minerals.

8. Royalties:

Royalty Rate: After the start of commercial production and based upon a solar calendar, AKNR agrees to pay, monthly, to the MoM, royalties at the rate of twenty six percent (26%) of the gross revenue from sale of gold at a price set on the date of sale by the London Metals Exchange for each sale of gold. Payment of Royalty to the MoM is due no later than on the seventh (7) working days after the end of that month, and is based on the sale of gold from that month.

9. Funding:

AKNR shall have responsibility for funding all exploration, construction, and operations authorized pursuant to this Contract and determining the terms on which said funding shall be obtained. AKNR may, as authorized by the applicable laws of Afghanistan, pledge such rights, licenses and authorizations obtained in accordance with operations authorized by this Contract.

10. Production Rate:

The projected production rates will be determined by the AKNR in the feasibility study resulting from the exploitation program, and in line with the plan approved by the MoM and will be set to optimize the extraction of the deposit. The MoM will be informed of the production rates on a monthly basis.

11. Accounting of Materials:

AKNR is to install an accurate scale for the weighing of the gold. All weights shall be accurately recorded.

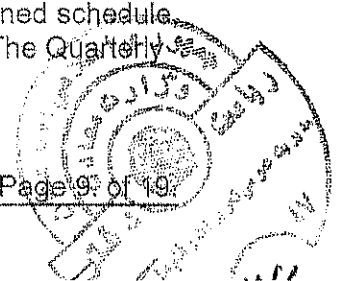
12. Access:

AKNR agrees that the MoM, or its designated authorized representative, will have unrestricted access to the license area upon due written notice by the MoM to AKNR with the exception of the Health and Safety Inspectorate as per Article 22 Section 1 below. The MoM shall compensate AKNR fairly and reasonably for any damage that occurs as a result of said access by the MoM or authorized representative.

13. Reporting Requirements:

In all phases of the Qara Zaghan Gold Project, including but not limited to AKNR's exploration and exploitation activities, AKNR agrees that it will:

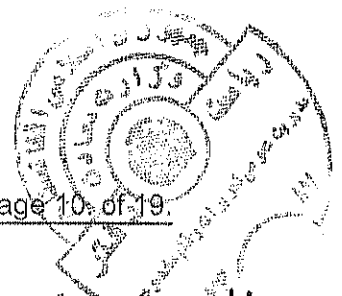
1. AKNR agrees to maintain and retain financial records in accordance with International Financial Reporting Standards (IFRS) or equivalent accounting methods. AKNR agrees to maintain records and documentation of work activities and any other documentation as may be required by the MoM or other authorities. These books and records will be made available to authorized representatives of the MoM or other authorized persons upon request.
2. AKNR agrees to provide Quarterly Reports to the MoM documenting all work progress made over the quarter, the current status in regard to the planned schedule and all expenditures for the quarter, year to date, and project to date. The Quarterly Report is due no later than 30 days after the end of the quarter.



3. AKNR is bound to record daily all metals, pertaining to the license, produced during mining, processing, and concentration, in a journal under the supervision of the MoM representative and include such in the quarterly and annual reports to MoM.
4. AKNR shall report to the Mining Inspectorate, Environmental Protection Department, and the relevant administrative and judicial authorities, any loss time accident or fatal accident that occurs in connection with its activities as well as any imminent hazard that arises.

14. Employment of workers:

1. Employment of Afghan Nationals: AKNR shall employ Afghan personnel, to the extent practicable in all classifications of employment, for its Gold Production Facilities construction and operations in Afghanistan.
2. Training: AKNR shall develop a training program and facility of suitable capacity for the training of persons of Afghanistan citizenship in all classifications of employment for its Gold Production Facilities.
3. Non-Afghan Personnel: Subject to the requirements established in this Part, AKNR and its subcontractors may bring into Afghanistan such non-Afghan personnel as in AKNR's judgment are required to carry out Gold Production Facilities construction and operations efficiently and successfully, and at AKNR's request (which shall be accompanied by information concerning the education, experience, and other qualifications of the personnel concerned), the Government shall cause all necessary permits and visas to be issued within a reasonable time period and without hampering the continuous and efficient performance of AKNR under this Gold Project Contract. In this connection AKNR shall have the right periodically to submit manpower requirement plans and the Government will, within a reasonable time period during which it will conduct its review of AKNR's proposal, thereupon issue the necessary permits and visas for all personnel covered by any such plan subject only to completion of the required security checks. AKNR shall bear all costs related to the issuance of such permits and visas for non-Afghan personnel. All AKNR employees entering Afghanistan shall respect the religious and cultural traditions of Afghanistan.
4. Equality: There shall at all times be equal treatment, facilities, and opportunities for all employees, both Afghan and non-Afghan, in the same job classification regardless of nationality.
5. Employee Accident Compensation: AKNR shall maintain adequate insurance for the medical and rehabilitation costs for any Gold Production employee injured performing his or her duties while employed by AKNR. Injured employees shall be entitled to return to the same or similar positions following recovery from injury. In the event that a Gold Production employee is killed performing his or her duties while employed by AKNR, AKNR shall be responsible for the payment of an adequate death benefit to the immediate family of the deceased employee as per the laws of Afghanistan. Demonstration of this insurance will be provided in the quarterly report required as per Article 13 above.



15. Sub Contractors

1. Without in any way detracting from AKNR's responsibilities and obligations under this Contract, AKNR may engage subcontractors for the execution of such phases of its Gold Production Facilities activities and operations as AKNR deems appropriate.
2. AKNR will have full responsibility and assume all risks related to the activities of its subcontractors in accordance with the terms and conditions of this Contract. The records of such subcontractors shall be available to MoM Government inspectors.

16. Supply of Equipment and Machinery:

1. The supply of equipment and machinery, for all phases of prospecting, exploration, mining and processing of material are the responsibility of AKNR.
2. AKNR is to supply in its technical proposal, a planned list of equipment and machinery to the MoM together with an estimate of the cost. After purchase a copy of the proof of purchase and cost shall be supplied in the quarterly reports.
3. AKNR may procure its equipment and machines within Afghanistan or outside the country according to the applicable laws. In the case where existing law prevents the import of any equipment required by the mining operation, the MoM will assist with the importation of such essential equipment.
4. AKNR, including its subcontractors, shall use its best efforts to purchase goods and services in Afghanistan if there are available in Afghanistan goods and services of suitable and reasonably comparable quality and delivery time, and at comparable price than goods available from abroad including freight.

17. Health and Safety Plan and Training:

1. In accordance with the Minerals Law, AKNR shall produce and implement a health and safety plan. The details of this health and safety plan will be displayed in a prominent place and be made known to illiterate workers.
2. AKNR is bound to observe all regulations with regard to the supply of personal protective equipment. Should death, injury or disability result from a work related accident AKNR shall be responsible for compensation.
3. AKNR shall implement a specific training program for the workers detailed in the Health and Safety Plan.

18. Environmental Protection:

1. AKNR shall observe all environmental laws and adhere to the Environmental and Social Mitigation Action Plan as agreed to by both parties at the commencement of the mining phase.
2. AKNR as Holder of a Exploitation License is obliged to include in its plans details for its usage of water and for the protection of local community water supplies, which must be presented to the Environmental Directorate.

3. In order to protect and prevent environmental contamination, the AKNR is obligated to do all activities according to specified standards of hygiene and workplace environment according to the laws of Afghanistan.
4. The AKNR shall spend a minimum of fifty thousand dollars (US\$ 50,000) for the enhancement of the environment for the community in the neighboring area of the mine. This is in addition to the amount spent directly on the mine.

19. Transfer or Assignment of this Contract:

1. AKNR may not assign, transfer, lease, or pledge any of the rights, privileges, liabilities, or obligations established under this Gold Project Contract without the prior written consent of the MoM in accordance with the 2009 Mineral Laws.
2. The assignee shall have all the rights and privileges and shall assume all the liabilities and obligations of the assignor with respect to what is assigned as per the MoM and the Mineral Laws.
3. If AKNR is rendered incapable of performing any of the conditions under the terms of this contract for any reason, application to transfer of the rights granted under this contract should be requested by a demonstrated authorized representative within three (3) months of incapability to perform. If the application is received after the three (3) month period, these rights and privileges will expire.

20. Taxation & Fees Performance:

1. AKNR shall pay all applicable taxes, fees, custom duties, rents, penalties and other charges to the Government as set forth in this Contract, and the applicable laws of Afghanistan. AKNR must deliver a copy of its tax settlement documentation to the MoM at end of each tax period as specified in the Tax Laws of Afghanistan upon receipt from the Ministry of Finance. All payments to the Government of Afghanistan shall be calculated in Afghanis in accordance with the official exchange rate of the Da Afghanistan Bank and paid in Afghanis or in such other currencies as may be acceptable to the Government.
2. AKNR shall within a period as provided by the prevailing law and regulations furnish annually to the Government of Afghanistan audited financial statements prepared in accordance with International Financial Reporting Standards together with production statistics in reasonable detail. The accounts shall be audited by an internationally recognized accounting firm acceptable to the Government of Afghanistan.
3. According to the articles of this contract, if AKNR delays specified payments owed, due and payable to the MoM by more than one month, then AKNR shall be liable as per the bidding proposal defined as starting at 0.6% the first month and doubling each month thereafter.

21. Surface Use fees:

AKNR shall, during the exploration and exploitation phase, pay annually in advance surface use fees to the MoM for the area of the operations and any neighboring areas that they are using for the direct support of the mining operation according to the laws of Afghanistan. The annual rate of payment for surface rights shall be twenty five dollars (US\$ 25) per hectare according to the decision made on 31/2/1386 by the steering committee of Ministry of Mines.

22. Inspection, Supervision and Capacity-Building:

1. For the purpose of Health and Safety inspection the MoM Inspectorate reserves the right to access any and all areas covered by this Contract for the purpose of any authorized legal activity, at any time.
2. AKNR agrees that the MoM may assign up to 5 trainees to work with AKNR for limited periods in order to facilitate the development of professional expertise within the MoM or other government agencies, provided that the MoM has given AKNR reasonable notice in writing, and MoM covers all of the costs associated to these trainees. AKNR may not charge the MoM for this training.

23. Explosives:

1. Should the use of explosives be necessary, AKNR shall apply for and obtain all the necessary permits and permissions for the purchase, transport, and storage of explosives. The MoM agrees that all necessary assistance will be given to the AKNR to obtain these permits.
2. AKNR shall be responsible for the safe transport, storage, and use of explosives.
3. AKNR shall maintain records of all explosives purchased, stored, and used.
4. AKNR is responsible for ensuring compliance with all laws, regulations, and procedures relating to the use of explosives.

24. Energy:

The supply and procurement of the energy necessary for the Qara Zaghan Gold Project is the responsibility of AKNR.

25. Amendments:

The Parties mutually agree that this Gold Project Contract may be amended by the written consent of the Parties and will be revised as necessary. For the purpose of this Gold Project Contract, the Ministry of Mines is authorized to approve decisions concerning amendments for the Government and AKNR, or its successor, is authorized to approve decisions concerning amendments for AKNR.

26. Force Majeure:

1. Any failure by the Government or any of its Ministries or subdivisions, or by AKNR, to carry out any of its obligations under this Contract shall not be deemed a breach of the Contract if such failure is caused by *force majeure*.
2. If, through *force majeure*, the fulfillment by either Party of any terms and conditions of this Contract is delayed, curtailed, or prevented, then anything in this Contract to the contrary notwithstanding, the time period for fulfilling the obligation thereby affected shall each be extended for a period equal to the total of the periods during which such *force majeure* causes or their effects were operative.
3. Provided, however, that only such loss, damage or injury as could not have been avoided by the taking due care or such reasonable alternative measures as aforesaid shall be regarded as the consequences of any failure caused by *force majeure*.
4. If AKNR's ability to perform its obligations as affected by *force majeure* AKNR shall notify the MoM within forty-eight (48) hours of the event in writing, stating the type of

force majeure and estimating the additional time period necessary to address the *force majeure*.

5. The Parties shall agree as to the amount of time necessary to address the *force majeure* and the parties shall endeavor to do everything reasonable within their power to remove such cause and resume activities within the agreed upon time period; provided, however, that neither party shall be obligated to resolve or terminate any dispute with third parties, including labor disputes, except under conditions acceptable to it or pursuant to the final decision of any arbitral, judicial, or statutory agencies having jurisdiction to finally resolve the dispute.

27. Observance of laws:

1. AKNR, in carrying out this contract, hereby accepts the obligations to conduct all of its gold facilities construction, operations, and activities in compliance with all of the applicable terms of this Contract, and the applicable laws and regulations of Afghanistan.
2. Any future changes to existing Mineral Laws shall have no bearing on the terms, conditions, or validity of this contract, unless incorporated within a jointly agreed addendum.
3. Subject to notification by the MoM, AKNR agrees to observe any changes to Mineral Laws and ministerial procedures that are designed to improve health and safety.
4. AKNR shall not perform illegal acts or operate illegally in the areas specified in this Contract.

28. Historical or Cultural Artifacts:

If, during prospecting, exploration, and mining, any historical or cultural artifacts, monuments, buried treasures and (noble metals and non-noble metals) are found; these historic items and works (according to the applicable laws of Afghanistan) will belong to the government. If AKNR, during its operations becomes aware of the existence of this kind of treasure or monuments, AKNR is bound to inform the Ministry of Mines and Ministry of Culture within 24 hours.

29. Obligations:

AKNR shall:

1. Manage its Gold Production Facilities activities and operations in a technically, financially, socially, culturally and environmentally responsible manner to achieve the environmental protection and sustainable development objectives and responsibilities required by this Contract and the laws of Afghanistan and any applicable international conventions to which Afghanistan is a signatory, and mutually agreed upon by the Parties as best suited to the physical, social, economic, environmental, political, and security conditions found in Afghanistan.;
2. AKNR is not allowed to conduct exploration or mining activities outside of the areas specified in this contract; except when additional mining contracts have been awarded to AKNR by the Ministry of Mines.

The MoM shall:

10/01/2011

Page 14 of 19



1. Provide the licenses, land, and rights of way necessary for Gold Production facilities construction and operation in accordance with this Contract and the associated Security Contract.
2. Grant to AKNR the exclusive right to use the surface of such lands, and such portions of the subsurface, as may be necessary for the construction, operation, and maintenance of the Gold Production facilities.
3. The MoM will grant rights to subsurface water, and facilitate the use of surface water, as may be necessary for this Contract.
4. The MoM will facilitate to the extent possible all governmental licensing within Afghanistan pertaining to this contract.
5. The government shall be responsible for the security of the Gold Production Facilities, as detailed in the Security Agreement to be executed between the parties.

30. Construction of Necessary Facilities

1. As part of its initial investment, AKNR shall perform all necessary construction during the period of the contract e.g. offices; stores; buildings; roads, and etc. at its sole expense, and a copy of the expenses incurred shall be part of the quarterly report.
2. When the contract ends, or is cancelled before its scheduled period, the immovable properties and infrastructure such as roads, clinics, parks, buildings and water resources, will become the property of the government without compensation. AKNR is only entitled to retain ownership of movable properties.
3. When the contract expires, terminates, or is cancelled, AKNR shall remove its movable property and exploited material from the mining site within six months. Failure to do so will result in removal by the MoM, who will not be liable for any damage, and any expenses incurred for removal or storage must be repaid by AKNR.

31. Social Services:

During the first two years of this contract AKNR shall spend a minimum amount of fifty thousand dollars (US\$ 50,000) for the implementation of social programs as per the Social Development Plan.

32. Dispute Resolution:

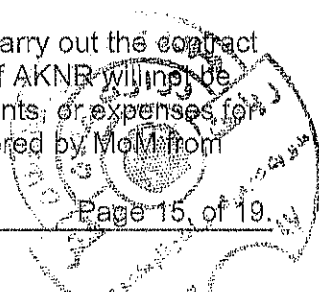
Either party to the contract should try to manage and resolve conflicts arising from disagreement in the interpretation of the contract, via negotiations, mutual agreement, and other non-confrontational means. Both sides should resolve their conflict within sixty days (60) after receiving written notice of an issue related to the contract. If unable to reach a solution, as per the Mineral Laws then both sides hereby agree to refer their disagreement to arbitration which shall be the International Court of Arbitration as the independent arbitrator.

33. Cancellation of Contract:

After the signing of the contract, any inability or failure of AKNR to carry out the contract will result in the contract being canceled and the Guarantee Bond of AKNR will be refunded. In the event that there are outstanding fees, tax repayments, or expenses for reparation of environmental damage, these expenses will be recovered by MoM from AKNR.

10/01/2011

Page 15 of 19



A. Termination by the Government. In the event that:

1. AKNR assigns to a third party all or a portion of the rights held by AKNR under this Gold Project Contract without the previous written consent of the Government, or
2. AKNR has knowingly submitted to the Government false statements which were a material consideration for the bidding, granting, or execution of this Gold Project Contract, or
3. AKNR fails to comply with any final decisions by the arbitral tribunal with respect to a dispute with the Government under this Gold Project Contract, or
4. There exists another material breach or nonobservance by AKNR of any of the terms, obligations, or conditions of this Gold Project Contract, or of any law of Afghanistan, or
5. AKNR fails to construct or operate the Gold Production Facilities in accordance with this Gold Project Contract;

Then the Government may, subject to relevant provisions of this contract, revoke this Gold Project Contract and be entitled to recover any damages it may have suffered due to AKNR committing one or more of the above actions. The extent of the damages shall be determined by a reputable third party who has been agreed to by both parties.

B. Termination by AKNR. In the event that:

1. The Government revokes or otherwise terminates this Gold Project Contract without cause or legal justification, or
2. The Government violates AKNR's rights under this Gold Project Contract, or
3. AKNR's operations are interfered so seriously by the Government that AKNR is unable to maintain the normal operation of the Gold Production Facilities, or
4. The Government fails to provide sufficient security for the Gold Production project in accordance with the terms of an executed Gold Production Security Contract, or
5. The Government fails to comply with any final decisions by the arbitral tribunal in controversy arising with the Government under this Gold Production project, or
6. There exists another material breach or nonobservance by the Government of any of the terms, obligations, or conditions of this Gold Production project, or of the laws of Afghanistan;

Then AKNR may, subject to relevant provisions of this contract, revoke this Gold Project Contract and be entitled to recover any damages it may have suffered due to the Government committing one or more of the above actions. The extent of the damages shall be determined by a reputable third party who has been mutually agreed to by both parties.

34. Notification and Remedy

In the event that the Government seeks to terminate this Gold Project Contract for a material breach:

1. the MoM shall give notice in writing specifying the particular cause for termination and a time period to address the concern based upon the circumstances but shall not be less than three (3) months.
2. AKNR is required to remedy the particular cause for termination within the specified time period.
3. or AKNR may choose to compensate the MoM at a value determined by a reputable third party who has been mutually agreed to by both parties, at which time, AKNR

has three (3) months following the determination to submit such compensation to the MoM.

4. If AKNR or the Government shall fail to comply with said notice, the Government or AKNR may, after the expiration of the time period for remedying the cause for termination, terminate this Gold Project Contract, provided, however, that where there is any dispute between the Parties as to:
 - a. The existence of the cause for termination identified by the terminating Party, or
 - b. Whether there has been any breach or nonobservance by AKNR or the Government of any term, obligation, or condition of this Gold Project Contract, or
 - c. Whether any cause, breach or nonobservance can be remedied or as to the manner in which it should be remedied,

Then AKNR or the Government may, within three (3) months of notice refer the dispute to arbitration as per Article 32 of this contract.

35. Default

1. If notice of termination is not remedied within the allowed period this gold contract shall not automatically terminate but shall constitute default.
2. In the event of a default, the aggrieved Party may notify the other Party in writing of the default, and the notified Party shall have an additional period of thirty (30) days after receipt of such notice to cure, or commence and diligently pursue activities if the breach cannot reasonably be cured within thirty (30) days; provided that the period of time for remedying the breach shall be extended by any time that a Party is prevented from acting because of an event of circumstances beyond its control, including Government action or inaction.
3. If a Party fails to commence corrective activities within such time for remedying, the other Party may terminate this Gold Project Contract by giving written notice.
4. In the event that a failure by a Party to perform or comply with any of the terms, provisions, or obligations of this Gold Project Contract causes economic loss including the outstanding portion of AKNR's investment to the other Party, the defaulting party shall compensate the other Party for the amount of the economic loss sustained by the other Party as determined by a mutually agreed reputable third party.

36. Domicile; Service of Process

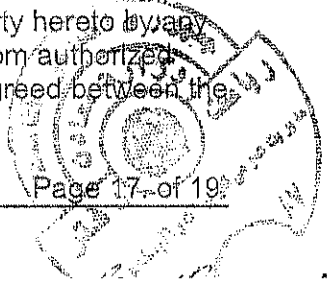
AKNR shall be licensed to do business in Afghanistan, be subject to the jurisdiction of Afghan courts for disputes that are not subject to the dispute resolution provisions specified in this Contract, and shall maintain an office or agent in Afghanistan for receipt of service of process or notification or other official or legal communication.

AKNR is responsible to establish an office in Kabul and Baghlan and appoint an official representative and notify the MoM of these details.

Any and all notices or other instruments or papers to be sent to any party hereto by any other party hereto pursuant to this Contract shall be official in writing from authorized persons and delivered personally or by fax, or such other method as agreed between the Parties to the following person or authorized representative:

10/01/2011

Page 17 of 19



The AKNR:

Name	
Address	
City	
Country	
Phone	
E-Mail	

The MoM:

Name	
Address	
City	
Country	
Phone	
Facsimile	
E-Mail	

All notices, requests or other communications required by, provided for in, or relative to this Gold Project Contract shall be in writing. E-mails, when acknowledged in writing, and facsimiles shall be considered as written communications.

37. Damage to Property:

AKNR shall take all appropriate risk management measures as outlined in the approved plant to prevent damage to the rights and property of the Government of Afghanistan or third parties. In the event of negligence or carelessness on the part of AKNR or its agents or of any subcontractor carrying on operations or activities for AKNR under this Contract, AKNR will be liable for such injuries or damage in accordance with the applicable laws of Afghanistan.

38. Binding Effect of Contract

This Contract and the covenants and agreements of it shall legally bind and inure to the benefit and responsibilities of the Parties, and their respective heirs, personal representatives, successors, and assigns. Unless the Contract otherwise requires, the covenants of this Contract shall survive the transfer of title.

39. Governing Law

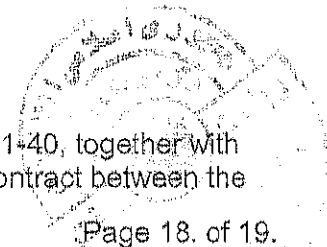
This Contract is subject to and governed by all applicable Laws and Regulations of the Government of Afghanistan.

40. Severability

Should any part of this contract be found to be unenforceable all other elements shall remain valid and in full effect.

41. Complete Contract


This Qara Zahgan Gold Contract, consisting of the above Sections 1-40, together with the herein referenced documents, constitutes the complete legal Contract between the

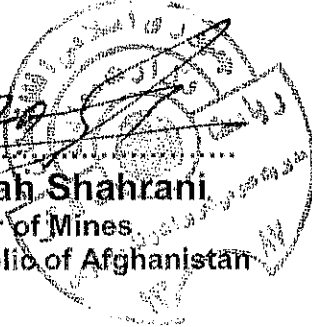



Handwritten signature or initials in the bottom right corner.

Parties and supersedes all prior Contracts and understandings between the parties. It shall not be terminated, revoked, rescinded, altered, or modified in any respect without the prior written consent of the parties. This Contract shall be executed in English and in Dari in four (4) originals, with each Party holding one (1) original in English and one (1) in Dari. In the event that a dispute arises under this Contract, between the English and Dari versions, the English text shall be definitive as to the terms, conditions, rights, and obligations of the Parties under this Contract. In case of conflict the Dari version will take precedence.

IN WITNESS WHEREOF, the Parties have executed or caused this Contract to be executed. AGREED TO AND ACCEPTED this _____ day of _____, 2011


.....
Wahidullah Shahrani
Minister of Mines
Islamic Republic of Afghanistan




.....
Sadat Mansoor Naderi
Chairman and President
Afghan Krystal Natural Resources

