

**Mining Contract**  
**Lapiz lazuli Mining Project, Badakhshan**  
**Between**  
**Lajwardin Mining Company**  
**And the**  
**Ministry of Mines**  
**of the Islamic Republic of Afghanistan**

**Contract Number: LL.008-91**

16 February, 2013

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**Mining Contract**

**Lapiz lazuli Project, Badakhshan**

**Between**

**Lajwardin Mining Company**

**And the**

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

**Introduction**

**THIS CONTRACT**, dated as of 16 February, 2013, is entered into between Lajwardin Mining Company (hereafter referred to as the "Lajwardin Company") and the Ministry of Mines of the Islamic Republic of Afghanistan the "MoM" (hereafter together referred to as the "Parties").

**WITNESSETH:**

WHEREAS, the Ministry of Mines has the authority for the ownership, control and monitoring of all mineral rights within Afghanistan, and specifically controls the mineral rights to the Lapis Mining Project located in Sar-i Sang, Jandkha and Chalmak areas in the Kuran Wa Munjan District, Badakhshan province, Afghanistan;

WHEREAS, the Lajwardin Company desires to be engaged in the business of mining of lapis within Afghanistan;

WHEREAS, the Lajwardin Company has been granted the right to operate a business in Afghanistan by the Afghanistan Investment Support Agency (AISA) with license number D-42503 dated 14.05.2012;

WHEREAS, the Parties hereto desire that the MoM grants the mineral rights, including the necessary Exploration and Exploitation Licenses, to the Badakhshan Lapis Project to the Lajwardin 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 "Lajwardin Mining Company" (Lajwardin Co.): The entity that was selected as the Preferred Bidder during the Badakhshan Lapis Tender Process to negotiate and conclude the Badakhshan Lapis Project Contract with the Government and which will be obligated by the terms of this Contract, jointly and severally, together with any successor entities. Lajwardin Company has been granted the right from Afghanistan Investment Support Agency with AISA license No.(D-42503 dated 14.05.2012) to start the investment. A copy of the investment license is attached. Full names of the Chairman, Vice Chairmen and Executive Board of the Company are registered in the AISA Office and appended to this Contract.
- 1.2 Associated Materials: refers to copies of all studies, reports, records, files, correspondence, and other similar printed or written commercial documents related to exploration, mining and processing activities conducted at the Badakhshan Lapis Project.
- 1.3 Lapiz lazuli: refers to any mineral material or metamorphic rock stipulated in this contract.
- 1.4 Lapis Production Facilities: refers to those facilities, equipment and plants constructed, used, or sub-contracted for the purpose of exploring and producing lapis from the Lapiz lazuli Project.
- 1.5 Commercial Production: refers to the mining activities, including mining facilities, initiated for mining lapis for clear and important economic purposes.
- 1.6 Construction Plan: A plan that sets forth the sequence and schedule for the construction of plants and facilities and installation of equipment for the extraction and processing of lapis lazuli and/or rehabilitation activities.
- 1.7 Contract Period: Refers to 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.
- 1.8 Effective Date: Effective date of this Contract is the date when the Contract is signed by both Parties.
- 1.9 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.
- 1.10 Environmental and Social Impact Assessment (ESIA): the study performed by LMC, and which must be accepted by MoM, which assesses the environmental and social factors which will be caused by the implementation of the Lapiz Lazuli Project.
- 1.11 Environmental and Social Management Plan (ESMP): the plan proposed by LMC, and which must be accepted by MoM, which details the measures to be taken to minimize or alleviate the negative Environmental and Social impact applicable to the Lapiz Lazuli Project which are identified and detailed in the ESIA.

- 1.12 Exploration Work: refers to 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.
- 1.13 Feasibility Study: A study performed by LMC to MoM specifications to assess the suitability of the proposed lapis 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 lapis lazuli plant by LMC, including considerations of the environmental and social impact assessment activities conducted as required by Article 7 of the Contract.
- 1.14 Force majeure: shall include wars, acts of terrorism, insurrections, civil disturbances, blockades, embargoes, epidemics, earthquakes, storms, floods, explosions, fires, lightning, and acts of God.
- 1.15 Government: The Government of the Islamic Republic of Afghanistan, or any successor entity, acting on behalf of the Government of Afghanistan with respect to this Contract.
- 1.16 Gross Lapis Production: The total production of lapis produced by the mine prior to deduction of the expenditures.
- 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: refers to 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 Lapis Lazuli 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 Regulations: includes any regulation, rules, procedures, official directives, or guidelines issued by MoM, regulatory agencies or other competent authorities.
- 1.23 Royalties: Monetary payments by LMC to the Government of Afghanistan as a certain percentage from gross Lapis production in recognition of the right to extract

minerals in accordance with the laws and regulations of Afghanistan and this Contract.

- 1.24 **Said Lands:** refers to all the lands covered by this Contract and contained under the Licenses which the Parties or a party has an interest in, 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 **Commencement of Commercial Production:** refers to the amount of the mineral produced to be supplied, for the first time, to the market for sale or storage.
- 1.27 **US\$:** means the United States Dollar.
- 1.28 **Wastes:** 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**

The MoM, in accordance with the agreed terms and conditions of the award of the bidding tender for the Badakhshan Lapis Lazuli Concession and the Mineral Laws of Afghanistan hereby grants Lajwardin Mining Company the right to explore for Lapis 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 Lapis Lazuli Project and issuance of an Exploitation License for that delineated economic area; which will be properly according to accepted extractive plan of the MoM.

- 1. For purposes of clarification, this Lapis Lazuli Project Contract includes, but is not limited to, articles concerning the exploration phase, exploitation phase, and general terms of the contract. The said lands of the Exploration Lease area shall be 45.684 km<sup>2</sup>, which is equal to 4568.4 ha and are bounded by the following coordinates:

Coordinates for Jandak wa Patawak Blocks

E= 70 47 00 7	N= 36 10 21 3
E= 70 48 22 6	N= 36 11 28 3
E= 70 49 23 5	N= 36 13 26 9
E= 70 48 18 2	N= 36 13 26 9

Coordinates for Jangalak Block

E= 70 47 50 7	N= 36 13 45 1
E= 70 47 10 0	N= 36 13 56 5
E= 70 48 07 0	N= 36 14 38 6
E= 70 48 00 1	N= 36 14 45 3

### Coordinates for Chalmak Block

E= 70 45 20 9	N= 36 05 54 4
E= 70 44 35 3	N= 36 05 41 7
E= 70 44 19 2	N= 36 05 22 2
E= 70 44 22 8	N= 36 05 18 7

2. LMC is entitled to market and sell its Lapis 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 fifteen (15) years from the Effective Date. The first three (3) years has been allocated for prospecting and exploration phases and a period of twelve (12) years has been allocated for extraction and exploitation. The company may start its operation within six (6) months (preparation period) after signing the contract.
2. This Contract may be extended in accordance with the provisions of the Minerals Law and the terms and conditions specified in this Contract or otherwise mutually determined and agreed to in writing by the Parties.
3. LMC has the right to renewal of this Contract, provided that full compliance of the conditions of this contract are upheld, and that LMC informs the MoM in writing at least one (1) year before the termination date of the contract.
4. In compliance with the Mineral Law, this contract may be renewed in five (5) year incremental periods as detailed in Article 3, Section 2 above, until the deposit is depleted.
5. Should LMC cease exploration activities related to the approved Exploration Plan for a period of longer than nine (9) consecutive months without a plausible excuse, approval or agreement of MoM, the MoM will issue a notification for LMC to restart operation and the contractor shall be obliged to start operation within a period of thirty (30) days from the date of receiving the notification. If the company fails to start all kinds of exploration activities by the end of this period, MoM may invalidate the Exploration License and the exploration right will revert back to the Government of Afghanistan.
6. LMC has the right to renewal of the associated Exploration and Exploitation Licenses through continuation of this contract as described in Article 3, Section 3 above.



7. Should LMC 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, the MoM may issue a notification for LMC to restart operation and the contractor shall be obliged to start operation within a period of thirty (30) days from the date of receiving the notification. If the company fails to start all kinds of exploitation activities by the end of this period, MoM may nullify the Exploitation License and the right to conduct Lapis exploration and extraction activities will revert back to the Government of Afghanistan.
8. In case the company intends to expand its exploration and exploitation zone for performance of the exploration and exploitation operation in the Badakhshan Lapis Mine Project District, the area after approval by the MoM shall be made available for the company under the terms specified in the Mineral Law.

#### **4. Financial Guarantee**

1. The company is obliged to provide a Guarantee Bond in the amount of one hundred thousand US Dollars (\$100,000 US\$) or its equivalent in Afghani to the Government of Afghanistan at no interest. This financial guarantee, which will be held in dedicated bank account by the MoM, is received for compensation of, and reparation for, damage to the environment, property rights, and any other violations resulting from the activities of LMC.
2. The bond, or residual amount, will be returned to the company, at the termination of this contract provided that all outstanding claims for compensation and reparation have been satisfied. The bond shall be kept in a dedicated bank account for the ministry as guarantee for implementing the conditions of the contract and will be returned to the bidder as follows; 50% of the bond will be given back at the end of the construction of the project and as specified in the Technical Plan. The remaining 50% of the bond will be returned to the winning bidder at the termination of the contract and after payment obligations relating to financial, procedural, social, explorational and environmental affairs of the project have been met but the refund policy is not limited to the above-mentioned affairs only.

#### **5. Investment**

1. LMC, 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 must be submitted to the MoM within 6 months of the effective date of this contract.

2. LMC, as part of the detailed Feasibility Study, is obliged to provide the MoM a detailed investment plan for the mining (Extraction) phase of this contract, which meets the terms of its bid proposal which was submitted to the MoM. The investment plan must be submitted to the MoM within 6 months after the economicalness of lapis deposits is ascertained and/or verified through the feasibility study.

## 6. Exploration Phase

1. LMC is obligated to complete prospecting and exploration phases and to locate mineral deposits within a period of three (3) years after the 6-month preparation period.
2. LMC is obligated to provide the MoM a detailed Exploration Plan within six (6) months of the Effective Date of this contract. The company is also obligated to begin actual exploration activities as defined in the Exploration Plan within six (6) months (Preparation Period) after approval by the MoM.
3. LMC 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 LMC'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 LMC.
3. LMC agrees that exploration activities will not commence until the Exploration Plan has been approved by the MoM. The MoM agrees to respond to LMC on the acceptance or rejection of the Exploration Plan within a month of receiving the plan. Should the Exploration Plan be rejected, the MoM shall give the specific reasons for rejection of a part of or the entire plan and cooperate with LMC to remedy the concerns resulting from the rejection. LMC is obligated to resubmit the plan, after revising it, to MoM within two weeks of its rejection. MoM shall respond to the revised exploration plan submitted by the LMC within 15 days.
4. The MoM and LMC agree that the accepted Exploration Plan will form the basis of the exploration work and that the LMC 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 LMC an exploration license for the said lands.

5. LMC agrees to compile maps, geological data and other related information pertaining to the deposit, and all of these records shall be made available to the MoM upon request. Upon termination, cancellation, or expiration of the contract, these records will become the exclusive property of the MoM.
6. If the information noted in Section 5 of Article 6 of this Contract is possessed by the MoM, then, as stipulated in the Minerals Law, MoM shall provide it to LMC.
7. If, at the end of the exploration work or at any time during the Exploration Phase, and at its sole discretion, LMC determines that the mineral resource is not sufficient to warrant further exploration or does not constitute an economically mineable deposit, then LMC 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.
8. Any and all costs incurred by LMC relating to the Exploration work and reclamation from exploration activities are not refundable. In case of cancellation or expiration of the contract, all movable facilities, equipment and machinery shall be removed, within 9 months of the cancellation, from the mining site by the contractor.
9. LMC 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.
10. LMC is obligated to deposit the royalty of the lapis produced, within one month, at the end of each business quarter to the bank account of the Ministry, in accordance with Article 8 Section 2 of this Contract.

## **7. Exploitation Phase**

1. At the end of the Exploration Phase, LMC is obligated to submit for approval to the MoM a Feasibility Report including the following technical information. If the economicalness of the mine's exploitation is ascertained and verified by the MoM, then LMC shall submit its investment plan to the MoM within six (6) months.

- 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 Lapis Project. This plan will include, but is not limited to, proposal for Construction Plan, development of the mining operations, processing; Mining Plan outlining mine development plans, equipment needs, development stage, etc.; Operations Plan outlining expected numbers of employees, expected outputs, revenue generation predictions and other pertinent information.
  - c. Financial Plan 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 LMC 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 actions to mitigate the effects to the environment, including 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 approved by the MoM.
2. LMC 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 LMC on the acceptance or rejection of the Feasibility Study within one (1) month of receiving it. Should the Feasibility Study be rejected, the MoM shall give specific reasons for rejection of part of or the entire plan and cooperate with LMC to remedy the concerns resulting from the rejection.
  3. Both parties agree that the Feasibility Study is a legal and binding part of this contract, and forms the basis of the extraction activity; the LMC is bound to carry out

its mining activity as detailed in the Feasibility Study. Upon acceptance of its Exploration Plan, MoM will issue LMC an exploitation license for the said lands.

4. Subject to the provisions of the Exploitation Plan, LMC 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. LMC agrees to maintain mining standards as agreed in the exploitation plan. Upon approval by the MoM, LMC may incorporate new technologies into its operations, and modify the approved Feasibility Study if such changes improve the optimization of the operation.
6. LMC is obligated to develop and maintain the lapis mining process in such a way so as to ensure optimal economic exploitation, which must be demonstrated through standard metallurgical record keeping. The recovered lapis shall be assayed before sale. Records of all lapis recovered and the assay results shall be maintained and be made available for inspection by the MoM.
7. Should LMC discover mineralization other than lapis that is of potential economic value, it must inform MoM immediately. LMC may, but is not obligated to, request from the MoM the rights to extract and process the newly discovered minerals. However, until such a right has been granted, the newly discovered 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. Should LMC submit a request for the extraction of the new mineral, it shall attach a Feasibility Study report for the new mineral to its application submitted to the MoM.
9. The MoM shall decide about the grant of the new mineral right discovered within the relevant license area as per the Mineral Law and Mining Regulations.
10. LMC may, in accordance with the proposal submitted to the MoM, conduct 60% of the processing of the extracted lapis inside the country, or sell or export it.

## **8. Royalties**

1. Royalty Rate: LMC agrees to pay MoM ten percent (10%) of the gross revenue from the sale of lapis as a royalty for the lapis produced during exploration, exploitation or

any other time. This payment is exclusive of income tax, custom duties or other financial obligations.

2. LMC is obligated to deposit the royalty of the lapis produced, within one month, at the end of each business quarter to the bank account of the Ministry. MoM at all times reserves the right to select the type and amount of royalty to be paid.

## **9. Funding**

LMC shall have responsibility for funding all exploration, construction, and operations authorized pursuant to this Contract and identifying the funding sources. LMC may, as authorized by the applicable laws of Afghanistan and following the written consent of the MoM, pledge such rights, licenses and authorizations obtained in accordance with operations authorized by this Contract.

## **10. Production Rate**

The projected production rates resulting from the Exploitation Phase will be determined by the LMC in the Feasibility Study 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 actual production rates on a monthly, quarterly, and annual basis.

## **11. Accounting of Materials**

LMC is to install an accurate scale on the premises of the mine for the weighing of the lapis produced. All weighs shall be accurately recorded and an original copy shall be provided to the MoM Inspectorate at the end of each quarter.

## **12. Access**

LMC agrees that the MoM, or its designated authorized representative, will have unrestricted access to the license areas upon due written notice by the MoM to LMC with the exception of the Health and Safety Inspectorate as per Article 21 Section 1 below.

## **13. Reporting Requirement**

In all phases of the Badakhshan Lapid Lazuli Project, including but not limited to LMC's exploration and exploitation activities, LMC agrees that it will:

1. LMC agrees to maintain and retain financial records in accordance with National Financial Reporting Standards (NFRS) or equivalent accounting methods. LMC 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. LMC 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, and project to date. The Quarterly Report is due no later than 30 days after the end of the quarter.
3. LMC shall report to the MoM and the relevant authorities about any risks and accidents that occur in connection with its activities and results in injuries, fatality and financial losses and as well as any imminent hazard that arises.

#### **14. Employment of Workers**

1. Employment of Afghan Nationals: LMC shall employ Afghan personnel, to the extent practicable in all classifications of employment, for its Lapis Production Facilities construction and operations in Afghanistan.
2. Training: LMC shall develop a training program and facility of suitable capacity for the training of workers in all classifications of employment for its Lapis Production Facilities.
3. Non-Afghan Personnel: Subject to the requirements established in Article 14 of this Contract, LMC and its subcontractors may bring into Afghanistan such non-Afghan personnel as in LMC's judgment are required to carry out Lapis Production Facilities construction and operations efficiently and successfully.
4. At LMC's request (which shall include information concerning the education, experience, and other qualifications of the personnel), 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 LMC under this Lapis Project Contract. In this connection, LMC shall have the right to periodically submit manpower requirement plans and the Government will, within a reasonable time period during which it will conduct its review of LMC'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.
5. LMC shall introduce the employed mining experts to the MoM.

6. LMC shall bear all costs related to the issuance of such permits and visas for non-Afghan personnel. All LMC employees entering Afghanistan shall respect the religious and cultural traditions of Afghanistan.
7. 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 their race, gender or nationality.
8. Employee Accident Compensation: LMC shall maintain adequate insurance for the medical and rehabilitation costs for any Lapis Production employee injured while performing his or her duties while employed by LMC. Injured employees shall be entitled to return to the same or similar positions following recovery from injury.
9. In the event that a Lapis Production employee is killed performing his or her duties while employed by LMC, LMC 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.

## **15. Sub-Contracts**

1. Without, in any way, detracting from LMC's responsibilities and obligations under this Contract, LMC may engage sub-contractors for the execution of such phases of its Lapis Production Facilities activities and operations as LMC deems appropriate.
2. LMC 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 inspectors.

## **16. Supply of Equipment and Machinery**

1. The supply and installation of equipment and machinery, for all phases of prospecting, exploration, mining and processing of the mineral are the responsibility of LMC.
2. LMC 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. LMC may procure its equipment and machines from 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. LMC, 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, LMC shall produce and implement a health and safety plan. The details of this plan shall be displayed in prominent places and explained to workers.
2. LMC 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, LMC shall be responsible for compensation in accordance with Article 14 Sections 7 and 8 of this Contract.
3. LMC shall implement a specific training program for the workers detailed in the Health and Safety Plan.

### **18. Environmental Protection**

1. LMC 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. LMC, as a holder of an Exploitation License, is obliged to include in its plans details of its usage of water 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 LMC is obligated to do all activities according to specified standards of hygiene and workplace environment according to the laws of Afghanistan.

4. The LMC shall spend a minimum of twenty thousand dollars (US\$ 20,000) annually for the enhancement of the environment and social services for the community in the neighbouring area of the mine.
5. The company shall be prepared for expending the minimum fund required to mitigate the adverse environmental impacts during the Exploration and Exploitation Phase and remedy the adverse environmental impacts caused by the company activities after the expiry of the contract. This fund shall remain with the MoM until the environmental disturbances have been remedied and rehabilitation of the mining site completed.

## **19. Transfer or Assignment of this Contract**

1. LMC may not assign, transfer, lease, or pledge any of the rights, privileges, liabilities, or obligations established under this Lapis Project Contract without the prior written consent of the MoM in accordance with the 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 regulations and the Mineral Laws.
3. If LMC is rendered incapable of performing any of the conditions under the terms of this Contract for any reason, application for 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 month period, these rights and privileges will expire.

## **20. Taxation and Fees Performance**

1. LMC 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. LMC must deliver a copy of its tax settlement documentation to the MoM at the 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 Da Afghanistan Bank and paid in Afghanis or in such other currencies as may be acceptable to the Government.

2. LMC 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 LMC delays specified payments owed, due and payable to the MoM by more than one month, then LMC shall be liable to fines of up to (0.05%) for each month's delay, which shall double with the passage of each month thereafter.

## **21. Surface Use Fees**

LMC shall, during the Exploration and Exploitation phase, pay annually at the end of the business year surface use fees to the MoM for the area of the operations and any neighbouring 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 during the Exploration period shall be five dollars (US\$ 5) per hectare, which will increase to ten dollars (US\$ 10) after the first renewal period and then to twenty dollars (US\$ 15) or its equivalent in Afs after the following renewal periods. During the Exploitation period the annual surface use fees shall be twenty five dollars (US\$ 25) per hectare or its equivalent in Afs.

## **22. Inspection, Supervision and Capacity-Building**

1. For the purposes of technical, environmental, 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. LMC agrees that the MoM may assign up to 5 trainees to work with LMC 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 LMC reasonable notice in writing, and MoM covers all of the costs associated to these trainees. LMC may not charge MoM for this training.

## **23. Use of Explosives**

1. Should the use of explosives be necessary, LMC 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 LMC to obtain these permits.
2. LMC shall be responsible for the safe transport, storage and use of explosives.
3. LMC shall maintain records of all explosives purchased, stored and used and provide a copy of them to the MoM and other concerned departments.
4. LMC is responsible for ensuring compliance with all laws, regulations, and procedures relating to the use of explosives in mining operations.

## **24. Energy**

The supply and procurement of the energy necessary for the Lapis Project is the responsibility of LMC.

## **25. Amendments**

The Parties mutually agree that this Lapis Project Contract may be amended by the written consent of the Parties and will be revised as necessary. For the purpose of this Lapis Project Contract, the MoM is authorized to approve decisions concerning amendments for the Government and the LMC President, or his/ her authorized representative, is authorized to approve decisions concerning amendments for LMC.

## **26. Force Majeure**

1. If, through force majeure, the fulfilment 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. Provided, however, that such loss, damage or injury cannot be avoided by taking necessary measures or due care.

2. Any failure by the Government or any of its ministries or subdivisions, or by LMC, 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.
3. If LMC's ability to perform its obligations is affected by force majeure, LMC 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.
4. Should a quantity of the lapis produced by LMC, which is included in the production report, be destroyed by force majeure, LMC shall not be liable to pay royalty for the wasted quantity of lapis after the loss is verified by the MoM.
5. The Parties shall agree as to the amount of time necessary to address the force majeure and the Parties shall endeavour 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 labour 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. LMC, in carrying out this contract, hereby accepts the obligations to conduct all of its Lapis 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, LMC agrees to observe any changes to Mineral Laws and ministerial procedures that are designed to improve health and safety.
4. LMC shall not perform illegal acts or operate illegally in the areas specified in this contract.

## **28. Historical and cultural Artefacts**

If, during prospecting, exploration, and mining, any historical or cultural artefacts, 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 LMC, during its operations, becomes aware of the existence of such kind of treasure or monuments, it is bound to inform the MoM in writing within 48 hours.

## **29. Obligations**

LMC shall:

1. Manage its Lapis 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. LMC 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 LMC by the MoM.

## **30. The MoM Shall Perform the Following**

1. Award licenses, rights of use of land, and rights of way necessary for Lapis Production Facilities construction and operations in accordance with this contract.
2. Grant to LMC 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 Lapis Production facilities.
3. Grant rights to subsurface water, and facilitate the use of surface water, as may be necessary for this contract.

4. Facilitate to the extent possible all governmental licensing within Afghanistan pertaining to this contract.
5. LMC agrees that the government shall be responsible for the security of the Lapis Production facilities and the MoM will provide necessary assistance to the LMC for the provision of such services.

### **31. Construction of Necessary Facilities and Infrastructures**

1. As part of its initial investment, LMC shall perform all necessary construction during the period of the contract e.g. offices, stores, buildings, roads, 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. LMC is only entitled to retain ownership of movable properties.
3. When the contract expires, terminates, or is cancelled, LMC shall remove its movable property and exploited material from the mining site within nine (9) 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 LMC.

### **32. Social Services**

LMC shall execute the social programs (construction of road, bridge and culverts, mosque, health clinic, recreational site, training courses, financial help to poor families, etc.) in accordance with its proposal during the contract period and at its own expense and shall send a detailed report of it to the MoM.

### **33. Dispute Resolution**

Either party to the contract shall 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 (60) days after receiving written notice of an issue related to the contract. If unable to reach a solution, then, as per the Mineral Laws, both sides hereby agree to refer their disagreement

to arbitration which shall be the International Court of Arbitration as the independent arbitrator. If either Party rejects the arbitrator's decision, the dispute shall be referred to an authoritative court.

### **34. Cancellation of Contract**

After the signing of the contract, any inability or failure of LMC to carry out the contract will result in the contract being cancelled and the Guarantee Bond of LMC will not 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 LMC.

a) Termination by the Government. In the event that:

1. LMC assigns to a third party all or a portion of the rights held by LMC under this Lapis Project Contract without the previous written consent of the Government, or
2. LMC has knowingly submitted to the Government false statements which were a material consideration for the bidding, granting, or execution of this Lapis Project Contract, or
3. LMC fails to comply with any final decisions by the arbitral tribunal with respect to a dispute with the Government under this Lapis Project Contract, or
4. There exists another material breach or non-observance by LMC of any of the terms, obligations, or conditions of this Lapis Project Contract, or of any law of Afghanistan, or
5. During the specified time, LMC fails to construct or operate the Lapis Production Facilities (60%) in accordance with this Lapis Project Contract;

Then the Government may, subject to relevant provisions of this contract, revoke this Lapis Project Contract and be entitled to recover any damages it may have suffered due to LMC 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 LMC. In the event that:

1. The Government revokes or otherwise terminates this Lapis Project Contract without a reason or legal justification, or
2. The Government violates LMC's rights under this Lapis Project Contract, or
3. LMC's operations are interfered with so seriously by the Government that LMC is unable to commence and maintain the normal operation of the Lapis Production Facilities, or



4. The Government fails to provide sufficient security for the Lapis Production project in accordance with the terms of an executed Lapis 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 Lapis Production project, or
6. There exists another material breach or non-observance by the Government of any of the terms, obligations, or conditions of this Lapis Production project, or of the laws of Afghanistan;

Then LMC may, subject to relevant provisions of this contract, revoke this Lapis 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 agreed to by both parties.

### **35. Notification and Remedy**

In the event that the Government seeks to terminate this Lapis Project Contract for a material breach by LMC in accordance with Article 34 of this Contract:

1. The MoM shall give notice in writing to LMC specifying the particular cause for termination. LMC is required to remedy the particular cause for termination within six (6) months.
2. LMC shall notify MoM in writing about the rectification of the situation within one week.
3. In case the company intends to pay compensation to the MoM for the damage, the method and amount of compensation will be determined by a reputable third party who has expertise and experience on the subject and has been mutually agreed to by both parties. The company shall pay the compensation to MoM within three (3) months from the date of the decision by the third party.
4. In case the MoM or LMC fails to follow the notification, the Ministry or the company may, after the expiration of the time for remedying the cause for termination, terminate this Lapis Project Contract, provided, however, that where there is any dispute between the parties as to:
  - a. The cause for termination has not been identified by the terminating party, or
  - b. Whether there has been any breach or non-observance by LMC or by the Government of any term, obligation or condition of this Lapis Project Contract, or

- c. Whether the cause of the breach or non-observance of the obligations could be remedied in the manner it should be remedied,

The MoM or LMC may, within three (3) months of notice, refer the dispute to arbitration as per Article 32 of this Contract.

### **36. Default**

1. If notice of termination is not remedied within the allowed period, this Lapis 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 take corrective measures within such time for remedying, the other Party may terminate this Lapis 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 Lapis Project Contract causes economic loss, including the outstanding portion of LMC'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.

### **37. Domicile; Service of Process**

1. LMC shall be licensed to do business in Afghanistan, be subject to the jurisdiction of the courts for commercial dispute resolution that are 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.
2. LMC is responsible to establish an office in Kabul and Badakhshan 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 e-mail, or such other method as agreed between the Parties to the following person or authorized representative:

To LMC

Name	The Lajwardin Mining Company
Address	Shahr-e-Naw, Ahmad Shah Massoud School Street, Opposite the Attorney General's Office
City	Kabul
Country	Afghanistan
Phone	+93 780302009 and +93 786082008
E-Mail	<a href="mailto:musawer@brbdgroup.com">musawer@brbdgroup.com</a>

To MoM

Name	Department of Mining Cadastre
Address	Pashtoonistan Watt, opposite the Ministry of Finance
City	Kabul
Country	Afghanistan
Phone	+93 752144259
E-Mail	

All notices, requests or other communications required by, provided for in, or relative to this Lapis Project Contract shall be in writing. E-mails and facsimiles, too, if acknowledged in writing shall be considered as written communications. LMC shall maintain a list of its authorized representatives and inform the MoM of any changes made to it.

### **38. Damage to Property**

LMC shall take all appropriate risk management measures as outlined in the approved plan 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 LMC, its representatives or subcontractors under this Contract, LMC will be liable for such injuries or damage in accordance with the applicable laws of Afghanistan.

### **39. Binding Effect of Contract**

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

#### **40. Transparency**

Since Afghanistan has recently acquired the membership of Extractive Industries Transparency Initiative (EITI), the Parties are obligated to comply with all the principles and regulations of Afghanistan Extractive Industries Transparency Initiative (AEITI).

#### **41. Governing Law**

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

#### **42. Severability**

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

#### **43. Complete Contract**

This Lapiz Lazuli Contract, consisting of the above sections 1-43, together with the herein referenced documents, constitutes the complete legal contract between the 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 Dari and English in two (2) originals, with each Party holding one (1) original.

IN WITNESS WHEREOF, the Parties have executed or caused this Contract to be executed. Agreed to and Accepted this 16 Feb, 2013.

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

Haji Abdul Musawer  
Chairman and President of  
Lajwardin Mining Company