

DECREE

Supplement to the Sierra Leone Gazette Vol. CXXVI, No. 48

dated 19th October, 1995.

**N.P.R.C. Decree
No. 12**



Sierra Leone

1995

**The Koidu Kimberlite Project Mining Lease
Agreement (Ratification) Decree, 1995**

Short title.

**Being a Decree to ratify and confirm a Mining Lease Agreement
made for and on behalf of the Government of the Republic of Sierra
Leone of the one part and Branch Energy Limited of the other part.**

[22nd July, 1995]

Date of Com-
mencement.

WHEREAS a Mining Lease Agreement was made on the 22nd day of July, 1995 between Lt. Col. R. Y. Koroma, Secretary of State, Department of Mineral Resources on behalf of the Government of the Republic of Sierra Leone, of the one part and Branch Energy Limited, a Company incorporated in the Isle of Man of the other part;

DEPARTMENT OF MINERAL RESOURCES

THE MINES AND MINERALS DECREE, 1994

BRANCH ENERGY LIMITED

MINING LEASE NUMBER ML 6/95

THIS INDENTURE made this 22nd day of July, 1995 between Lt. Col. R. Y. Koroma, Secretary of State, Department of Mineral Resources, (hereinafter called "the Secretary of State") on behalf of the Government of Sierra Leone (hereinafter called "the Lessor") of the one part and Branch Energy Limited (hereinafter called "the Lessee" which expression shall include its assigns and successors), a company incorporated in The Isle of Man and duly registered to trade in Sierra Leone and whose principal office is in St. Peters Port, Guernsey, Channel Islands, British Isles of the other part,

WHEREAS, PURSUANT to Section 59 of the Mines and Minerals Decree 1994, the Lessee has applied to the Secretary of State for a mining lease in respect of the land and improvements known as the "Koidu Kimberlite Project" as herein more particularly described in Schedules 1 and 2 hereto (hereinafter referred to as "the Mining Lease Area"),

WHEREAS the Secretary of State is satisfied that the Lessee has complied with the requirements of Sections 59(1), 59(2) and 61(3) of the Decree,

WHEREAS it is proposed that this Lease be submitted for ratification on behalf of the Government of Sierra Leone by the National Provisional Ruling Council and

WHEREAS the Secretary of State in pursuance of the powers conferred upon him by Section 60 of the Decree has agreed to grant this Lease in respect of the Mining Lease Area aforesaid.

NOW THIS INDENTURE WITNESSETH AS FOLLOWS:

CLAUSE 1 — DEFINITIONS

1.1 The expressions set out below shall have the following meanings:

"Commencement Date" means the date of ratification of this Mining Lease by the National Provisional Ruling Council.

"Feasibility Study" means the study to be carried out by the Lessee in relation to the underground development and mining in the Mining Lease Area in accordance with Clause 5.1 and shall include a Bulk Sampling Programme.

"Lessor" means the Government of the Republic of Sierra Leone.

"Lessee" means the Branch Energy Limited, and shall include its assigns and successors.

"Decree" means the Mines and Minerals Decree, 1994 (NPRC Decree No. 5, 1994) and, save where herein otherwise provided, the expressions defined therein shall have the same meanings in this Lease.

"Mining Lease Area" means the area described in Schedules 1 and 2 hereto.

"Mining Lease" means this Indenture or Agreement.

"Mining Operations" means exploration, development, mining and mineral separation, processing and sorting, and maintenance of any kind carried out in the Mining Lease Area and in the Lessee's Sorting Office, as defined below, in accordance with the bulk sampling and mine development programmes.

"Parties" means the parties to this Mining Lease and "Party" means any of them.

"Bulk Sampling" means the programme for surface development and bulk sampling in the Mining Lease Area set out in Part 1 of Schedule 3 hereto.

5.2 Subject only to Clause 19 (Force Majeure) hereof, the Lessee shall immediately after Commencement Date secure the Mining Lease Area and shall commence the Bulk Sampling. It will also begin a programme of surface development and complete a new Feasibility Study based on the grades and value of the diamonds confirmed by the Bulk Sampling. This work shall be completed within twenty seven months of the Commencement Date.

5.3 Subject only to the results of the programme outlined in Clause 5.2 above demonstrating viability and a safe working environment, the Lessee shall proceed with the development of the underground mine and related plant and facilities, and the mining, milling, processing, sorting and marketing of diamonds and related minerals in accordance with Part II of Schedule 3 and Schedule 5.

CLAUSE 6 — OBLIGATIONS AND RIGHTS OF THE LESSEE

6.1 The Lessee shall at all times comply with the provisions of the Decree and other relevant laws and regulations in connection with the carrying out of its obligations and work as described in this Mining Lease, except to the extent that they are inconsistent with the provisions of this Mining Lease.

6.2 The rights and obligations of the Lessee under such laws and regulations shall not be changed or modified in a manner inconsistent with the provisions of this Lease so as to cause any material increase to the cost of Mining Operations or reductions in net diamond sales revenues.

6.3 In addition to its other rights under this Mining Lease, the Decree and otherwise, the Lessee shall have the following rights:

6.3.1 the right within or outside the Mining Lease Area to dig, clean and widen channels in streams, rivers and watercourses as may be necessary from time to time to permit or facilitate water flow to or from the Mining Lease Area and the Processing Plants and Concentrator;

6.3.2 the right within the Mining Lease Area, to use the water from any natural water course and to return the same together with washing spoils to the river, stream or watercourse, provided that in so doing, the Lessee shall not

discharge or permit to be discharged any poisonous or noxious matter not present in the intake water, and to fell trees and otherwise clear the land to be mined;

6.3.3 the rights in addition to those set forth in Section 67 of the Decree, to construct and operate within the Mining Lease Area roads, living quarters, water supply systems, electric power systems, loading stations, airstrips, storage facilities, recreation and medical facilities and to do any such work or erect any buildings necessary or useful in carrying out its operations under this Mining Lease. Any special permits required for the exercise thereof shall be promptly granted by the Lessor;

6.3.4 the right to demand and receive rents at such rates and subject to such conditions as may be approved by the Commissioner of Labour in respect of the occupation by labourers or others of huts or dwellings constructed by, or at the cost of the Lessee within or outside the Mining Lease Area.

CLAUSE 7 — SECURITY

7.1 In addition to its rights under this Mining Lease, the Decree and other relevant laws and regulations, the Lessee shall have:

7.1.1 the right, in consultation with the Lessor, to take such measures as may be required to establish and maintain control over the mining, processing, handling, sorting, storage and transportation of diamonds within the Mining Lease Area, and, to, from and in, the Sorting Office, including the right to establish and maintain enclosed and security areas, to prevent access into and egress from such areas and the right to search persons within or seeking access to such areas, and otherwise to take such measures as may be necessary or appropriate to maintain the level of security in the Mining Lease Area and in the Sorting Office accepted as appropriate in the international diamond mining and marketing industry; and

7.1.2 the right, in consultation with the relevant local and national security authorities to establish and operate an armed security force in accordance with firearms legislation in force in Sierra Leone to enforce its rights under Clause 7.1.1 above, and to deploy such force for such purpose throughout the Mining Lease Area and the Sorting Office; in addition, the Lessee shall

- discharge or permit to be discharged any poisonous or noxious matter not present in the intake water, and to fell trees and otherwise clear the land to be mined;
- 6.3.3 the rights in addition to those set forth in Section 67 of the Decree, to construct and operate within the Mining Lease Area roads, living quarters, water supply systems, electric power systems, loading stations, airstrips, storage facilities, recreation and medical facilities and to do any such work or erect any buildings necessary or useful in carrying out its operations under this Mining Lease. Any special permits required for the exercise thereof shall be promptly granted by the Lessor;
- 6.3.4 the right to demand and receive rents at such rates and subject to such conditions as may be approved by the Commissioner of Labour in respect of the occupation by labourers or others of huts or dwellings constructed by, or at the cost of the Lessee within or outside the Mining Lease Area.

CLAUSE 7 — SECURITY

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- 7.1.1 the right, in consultation with the Lessor, to take such measures as may be required to establish and maintain control over the mining, processing, handling, sorting, storage and transportation of diamonds within the Mining Lease Area, and, to, from and in, the Sorting Office, including the right to establish and maintain enclosed and security areas, to prevent access into and egress from such areas and the right to search persons within or seeking access to such areas, and otherwise to take such measures as may be necessary or appropriate to maintain the level of security in the Mining Lease Area and in the Sorting Office accepted as appropriate in the international diamond mining and marketing industry; and
- 7.1.2 the right, in consultation with the relevant local and national security authorities to establish and operate an armed security force in accordance with firearms legislation in force in Sierra Leone to enforce its rights under Clause 7.1.1 above, and to deploy such force for such purpose throughout the Mining Lease Area and the Sorting Office; in addition, the Lessee shall

development or Mining Operations shall constitute an operating cost of the Lessee and shall be allowable as deductions from its chargeable income.

13.3.8 All amounts payable by or on behalf of the Lessee to the Lessor under this Clause including royalties, charges on imports, import inspection fees, Agricultural Development Fund Contributions and, rents and Minor Taxes but excluding Income Tax, shall constitute operating costs of the Lessee and shall be allowable as deductions from its chargeable income. No such amount shall be imputed as part payment of any tax payable by the Lessee.

13.3.9 The amount of any operating loss incurred by the Lessee in any financial year may be carried forward and deducted from the chargeable income of the Lessee each year until the whole of such loss shall have been deducted in full.

ROYALTIES

13.4 In accordance with Section 96 of the Decree, the Lessee shall pay a royalty of 5% on all diamonds produced by the Mining Operations and 4% on precious metals.

13.4.1 With regard to Section 96 of the Decree, the ex-mine price for diamonds shall be the actual sales price received and the royalty payable shall be a percentage of the aggregate of this.

13.4.2 With regard to Section 96 of the Decree the ex-mine price for precious metals shall be determined by reference to the US Dollar gold price per ounce published in the Financial Times of London on the publication day following the date of receipt by the refinery, after any adjustment for any differences in gold purity, specification or otherwise.

13.4.3 On or before the fifteenth day of each month, the Lessee shall present to the Director of Mines, with a copy to the Financial Secretary and the Governor of the Bank of Sierra Leone, a statement certified by the Lessee's accredited representative showing:

shall permit the Lessee to obtain copies of all such surveys, photographs, plans, maps and information for its own use upon payment of the actual cost of making such additional copies.

- 12.3 The Lessor shall promptly grant any and all permits and permissions of whatsoever nature required by law for the Lessee to import into Sierra Leone direct from external suppliers all goods, foodstuffs and services necessary or desirable for or in connection with the conduct of exploration and the mining operations, of such manufacture and types and, subject only to Sections 106 and 115 of the Decree, from whatsoever source as may be determined by the Lessee.
- 12.4 The Lessor shall promptly grant any and all permits and permissions of whatsoever nature required by law for the Lessee to export from Sierra Leone any goods imported by it which it no longer requires in the conduct of its prospecting or mining operations hereunder, or activities related thereto.
- 12.5 In connection with Clause 8 of this Mining Lease, the Lessor shall promptly grant to the Lessee or his Agent any and all necessary permits or permissions of whatsoever nature required by law for the Lessee or his Agent to export diamonds and other minerals produced in the Mining Operations.
- 12.6 Subject to Section 116 of the Decree, the Lessor shall grant all necessary visas and permits to enable those non-citizens of Sierra Leone who are necessary to be employed in its operations, and their families, to enter and reside in and depart from Sierra Leone.

CLAUSE 13 — FISCAL REGIME

13.0 Annual Lease Rent and Surface Rent

- 13.1 Pursuant to Section 100 of the Decree, the Lessee shall within thirty days of Commencement Date, pay to the Bank of Sierra Leone and, without demand, on the first and each successive anniversary of the Commencement Date, the sum of US\$200,000 (two hundred thousand United States Dollars) for the credit of the Lessor in respect of an annual lease rent in respect of the Mining Lease Area.

- 13.6.2 the term "Fuel and Lubricants" shall mean all petroleum products used by the Lessee in the course of its business including diesel, heavy oil, and lubricants, but excluding petrol and kerosene.
- 13.6.3 Pursuant to Section 106 of the Decree, the Lessee shall be entitled, free of all Customs duty, charges and levies, to import any machinery, plant, equipment, supplies, materials and other consumable mining stores except Fuel and Lubricants to be used exclusively in the Bulk Sampling Programme and subsequent exploration.
- 13.6.4 Any machinery, plant, equipment, supplies, materials and other consumable mining stores (including, but without limitation, explosives) to be used in the Mine Development shall be subject to the payment of Customs duty in accordance with the provisions of the Customs Act and Customs Tariff Act at a rate not exceeding 5% (five percent) of the CIF price thereof.
- 13.6.5 The charges on imports of Fuel and Lubricants imported by, or on behalf of the Lessee shall comprise ad valorem duty at a rate not exceeding 12.5% (twelve and one half of one percent) of the CIF price thereof.
- 13.6.6 The Lessee shall pay the Road User Charge on its petrol purchases but shall be exempt from paying it on its purchases of diesel and fuel oil.
- 13.6.7 All payments of Charges on Imports by the Lessee hereunder shall be made in United States Dollars to the Bank of Sierra Leone for the account of the Lessor, and the advice accompanying such payment shall be copied to the Comptroller of Customs and Excise.
- 13.7 Import Inspection Fees
- 13.7.1 For the purpose of this Clause "Import Inspection Fees" means the fees payable to the Lessor in respect of the inspection of goods imported into Sierra Leone.
- 13.7.2 Import Inspection Fees may be imposed by the Lessor on the Lessee in respect of all goods imported by or on behalf of the Lessee into Sierra Leone at a rate in US Dollars not exceeding 1.5% (one and one half percent) of the CIF price of the imported goods.

- 13.7.3 Import Inspection Fees shall be invoiced to the Lessee by the responsible Agent duly authorized by the Lessor to act on its behalf.

AGRICULTURAL DEVELOPMENT FUND CONTRIBUTIONS

- 13.8 Pursuant to Section 107 of the Decree, the Lessee shall make payment each calendar year to the Agricultural Development Fund in United States Dollars at a rate not exceeding 0.1% (one tenth of one percent) of the sales value of diamond production actually received in that calendar year. The whole amount of the payment by the Lessor to the Fund shall be used exclusively for the development of agriculture in the areas affected under this Mining Lease, or in areas adjacent thereto within the same Chiefdom, and shall be controlled by the Government and Chiefdom representatives of such areas and representatives of the Lessee in equal number.

CLAUSE 14 — LIMITATION ON AGGREGATE FISCAL IMPOSTS

- 14.1 For the duration of this Mining Lease, no taxes (including, but without limitation, income tax, additional profits tax, surtax, Minor taxes, profits tax, turnover tax, sales tax, export tax, import tax, value added tax, withholding tax and employment related tax), royalties, duties, excise, charges, levies, fees, dues, contributions, payments or imposition of any kind whatsoever payable to the Central, regional or local Governments authorities or agents or to any Chiefdom or Tribal Authority or to any other Agency of the Lessor shall apply to the Lessee, or any affiliate company or Agent of the Lessee or to the employees of the Lessee or any affiliate company of the Lessee, other than:
- 14.1.1 Annual rent and Surface Rent payable in accordance with Clause 13.1 and 13.2 and their subsections;
 - 14.1.2 Income Tax payable in accordance with Clause 13.3 and its subsections;
 - 14.1.3 Royalties payable in accordance with Clause 13.4 and its subsections;
 - 14.1.4 Charges on Imports payable in accordance with Clauses 13.6 and 13.7 and their subsections;

- 15.8 For the purposes of this Clause "expatriate employee" means an official or employee not normally resident in Sierra Leone who is engaged under a contract which provides for payment of passages to and from Sierra Leone.

CLAUSE 16 — FINANCIAL STATEMENTS AND BOOKS

- 16.1 Pursuant to Section 108(3) of the Decree, the balance sheets, statements of earnings and other financial statements and books of account of the Lessee shall be stated, maintained and expressed in United States Dollars.
- 16.2 The Lessee shall cause its books to be audited as soon as practicable, but in no event later than 6 months after each accounting year by a reputable firm of chartered accountants registered in Sierra Leone as chosen by the Lessee. The Lessee's audited accounts and certificate shall then be forwarded to the Commissioner of Income Tax. The books of account and annual audited report shall be written in the English Language.
- 16.3 The Lessor shall, upon reasonable notice and from time to time, have access to the books of account of the Lessee including all bank accounts. The Lessee shall not maintain bank accounts in any jurisdiction where such access is legally prohibited, even if exercised with the consent of the owner of that account.

CLAUSE 17 — CONFIDENTIALITY AND DISCLOSURE

- 17.1 All data, information and reports relating to the Mining Lease Area or to the Mining Operations owned by or in possession of the Lessee shall be treated as confidential by each of the Parties and no Party shall disclose the contents thereof to any third party without the written consent of the other Parties subject, however, to Clause 17.2. The Parties shall take such steps as are necessary to ensure that their officers, employees or agents comply with the provisions hereof.
- 17.2 The obligation specified in Clause 17.1 above shall not operate so as to prevent disclosure:

IN WITNESS WHEREOF the Parties have caused this Lease to be executed in the manner hereinafter appearing:

SIGNED AND SEALED AND DELIVERED by Lt. Colonel R. Y. Koroma, Secretary of State, Department of Mineral Resources, on behalf of the Republic of Sierra Leone.

LT. COLONEL R. Y. KOROMA,
Secretary of State, Mineral Resources.

IN THE PRESENCE OF
W. A. JONES

SIGNED AND SEALED AND DELIVERED for and on behalf of Branch Energy Limited.

ALAN WILLIAM PATERSON,
Authorised Signatory.

IN THE PRESENCE OF
ALIEU MAHDI

SCHEDULE 1

THE MINING LEASE AREA

DESCRIPTION AND PLAN OF LAND SITUATED IN TANKORO CHIEFDOM, KONO DISTRICT IN
THE REPUBLIC OF SIERRA LEONE
(*known as the Koidu Kimberlite Project*)

The lease area lies entirely within the Tankoro Chiefdom, one of fourteen (14) Chiefdoms comprising the Kono District.

The two (2) Kimberlite pipes and four (4) dyke zones which constitute the deposits of interest within the lease area have been known for many years. These Kimberlite deposits have since 1953 been sampled to varying degrees by SLST (1953-1967) and NDMC (1978-1984).

The attached plan indicates the position of the Mining Lease Area at the chiefdom level. The schedule which follows describe in precise terms the outline of the Mining Lease Area.

SCHEDULE

Commencing on beacon marked KP1 which is on the northern end of the lease and south of the Freetown - Koidu highway with coordinates (N. 955 130, E. 282 700); thence on a south easterly direction on a true bearing of $114^{\circ} 30'$ for a distance of 440 metres to a beacon marked KP2 (N. 954 960, E. 283 100); thence on a south easterly direction on a true bearing of $158^{\circ} 30'$ for a distance of 340 metres to a beacon marked KP3 (N. 954 640, E. 283 220); thence on north easterly direction on a true bearing of $63^{\circ} 15'$ for a distance of 1,750 metres to a beacon marked KP4 (N. 955 440, E. 284 780); thence on a south westerly direction on a true bearing of $183^{\circ} 15'$ for a distance of 2,240 metres to a beacon marked KP5 (N. 953 210, E. 284 660); thence on a north westerly direction on a true bearing of $270^{\circ} 30'$ for a distance of 2,090 metres to a beacon marked KP6 (N. 953 190, E. 282 570); thence on a north westerly direction on a true bearing of $359^{\circ} 00'$ for a distance of 360 metres to a beacon marked KP7 (N. 953 540, E. 282 560); thence on south westerly direction on a true bearing of $269^{\circ} 30'$ for a distance of 250 metres to a beacon marked KP8 (N. 953 540, E. 282 320); thence on a north westerly direction on a true bearing of $359^{\circ} 45'$ for a distance of 500 metres to a beacon marked KP9 (N. 954 050, E. 282 320); thence on a north easterly direction on a true bearing of $67^{\circ} 00'$ for a distance of 380 metres to a beacon marked KP10 (N. 954 200, E. 282 660); thence on a north easterly direction on a true bearing of $02^{\circ} 30'$ for a distance of 940 metres to a beacon marked KP1 which is the starting point of the said Lease enclosing an area of 4.00 square kilometres or 1.54 square miles approximately.

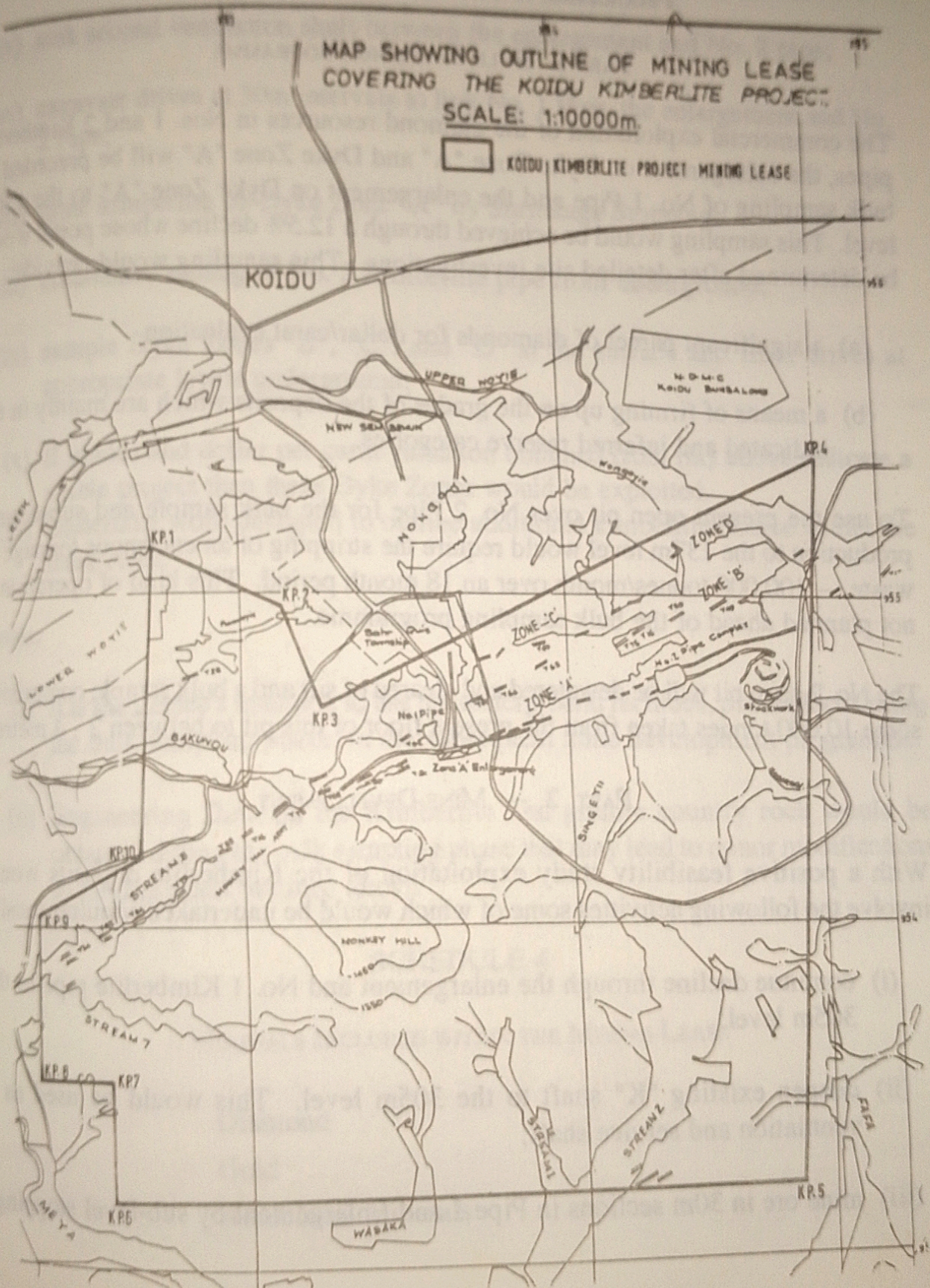
All coordinates refer to U.T.M. Grid.

SCHEDULE 2

IMPROVEMENTS TO THE MINING LEASE AREA INCLUDED IN THE MINING LEASE

Improvements are proposed to the following existing facilities:

1. Existing shaft near No. 1 Kimberlite Pipe
2. All roads necessary to provide access into and from the Lease area to ensure efficient operations
3. Primary Jaw Crusher Foundation
4. Workshop structure and Foundation.



SCHEDULE 3

PROGRAMME OF PROPOSED MINING OPERATIONS

PART 1. BULK SAMPLING PROGRAMME

The commercial exploitation of the diamond resources in Nos. 1 and 2 Kimberlite pipes, the enlargement on Dyke Zone "A" and Dyke Zone "A" will be preceded by bulk sampling of No. 1 Pipe and the enlargement on Dyke Zone "A" to the 150m level. This sampling would be achieved through a 12.5% decline whose portal would be determined after detailed site investigations. This sampling would provide:

- (a) a significant parcel of diamonds for dollar/carat evaluation
- (b) a means of firming up on the grades of the deposits which are mainly in the indicated and inferred reserve categories.

To use the present open pit over No. 2 Pipe for the bulk sample and subsequent production to the 137m level would require the stripping of an enormous tonnage of waste — 100,000 tonnes/month over an 18 month period. This kind of operation is not planned ahead of the bulk sampling programme.

The No. 2 open pit will be dewatered and cleared of silt and a bulk sample comprising some 10,000 tonnes taken from the present floor of this pit to between 2 - 4 metres.

PART 2 — MINE DEVELOPMENT

With a positive feasibility study exploitation of the Kimberlite deposits would involve the following activities some of which would be undertaken simultaneously:

- (i) continue decline through the enlargement and No. 1 Kimberlite pipe to the 305m level;
- (ii) deepen existing "K" shaft to the 305m level. This would be used as a ventilation and service shaft;
- (iii) mine ore in 30m sections in Pipe 1 and Enlargement by sub-level stopping;

- (iv) mine Kimberlite from No. 2 open pit to any level that the safety and economics of the operation would permit;
- (v) sink second ventilation shaft between the enlargement and No. 2 pipe;
- (vi) excavate drives at 30m intervals to link No. 1 Pipe, the enlargement and No. 2 Pipe;
- (vii) mine kimberlite on Dyke Zone "A" by Shrinkage Stopping;
- (viii) commence mining of No. 2 Kimberlite pipe from underground;
- (ix) sample Dyke Zones "B", "C", and "D" at the surface and from drives at appropriate levels underground;
- (x) if grades and dollar per carat valuation obtained from (ix) above indicate a viable project then these Dyke Zones would be exploited.
- (xi) Undertake work designed to outline additional kimberlite bodies within the lease Area.

Notes:

- (i) It is the Lessee's intention to use the underground facilities, put in place during the bulk sampling phase, in the subsequent mine development programme.
- (ii) Engineering Data on the Kimberlite and granite country rock would be obtained during the bulk sampling phase that may lead to minor modifications to mining plans outlined above.

SCHEDULE 4

MINERALS INCLUDED WITHIN THE MINING LEASE

Diamond

Gold

Associated Minerals

SCHEDULE 5

HANDLING, SORTING, VALUATION, EXPORT AND MARKETING OF DIAMONDS AND GOLD
AND OTHER PRECIOUS METALS

The Lessee shall establish a sorting office in Sierra Leone and will provide appropriate training for suitable citizens.

The Valuer in making his valuation shall take into account the prevailing Central Selling Organisation (CSO) diamond purchase price for Sierra Leone diamonds and shall work with the Lessee's representative in close harmony. The Parties agree that the Lessee shall not be obliged to sell more than fifty percent (50%) of the run - of - mine production to any one buyer (including the CSO) unless the buyer is willing to pay a premium for doing so on a regular basis.

In the event that Lessee is unable to accept the valuation of the Valuer on any diamond or parcel of diamonds it will notify the Secretary of State in writing identifying each diamond or parcel of diamond that is in dispute. The Parties shall thereupon mutually agree the appointment of an Independent Valuer of international repute who will be asked to value such diamonds, at the sole cost of the Lessee. The valuation of this Independent Valuer shall be binding on the Parties.

As regards marketing, the Lessee may offer its diamonds to whomsoever it wishes in a free market but the valuation set by the Valuer shall be considered to be the reserve price for a period of three months. In the event that this price is not reached then the reserve price may be reviewed by an Independent Valuer of international repute. The Lessee's marketing strategy may inevitably alter as market conditions change but as a general rule it will always take a long term view whilst having due consideration for its financial condition. In times of difficult market conditions the Secretary of State will be kept fully briefed on a regular basis and his views sought.

Diamonds of exceptional colour, size and purity or any combination thereof in excess of 10.8 carats are to be known as "Specials" and may be sent for competitive international tender if the Lessee and the Valuer are together of the opinion that this is prudent. If a tender is arranged the Valuer may be present to witness the event. If a Special of outstanding quality and importance i.e., those in excess of 60 carats, is to be tendered then the Secretary of State and Lessee will together agree by mutual consent any special terms and conditions which they consider necessary.

SCHEDULE 7

EMPLOYMENT AND TRAINING

The following policies and procedures will be followed with respect to the hiring and training of local workers.

Sierra Leone citizens will be given priority in hiring for positions which are compatible with their experience and skill. In no case will unskilled positions be filled from outside the country. Candidates will be interviewed and selected for maintenance positions at the plant and mine.

The Lessee sees training of staff at all levels as an absolute priority. A Training Superintendent will be recruited and appointed immediately with a brief to identify suitable individuals at all levels for specialist training both at the mine and overseas. In the initial stages the emphasis will be on safety and the development of underground skills in all disciplines.

At the earliest possible opportunity, but at any rate by the time the underground mine goes into production, the Lessee will open a Technical Apprentice School with a Mechanical craft practice curriculum based on the National Vocational Qualification — the successor to the C & G (City & Guilds Examinations Board) in London. An initial intake of 20 students of secondary school leaving age is envisaged with this number increasing each year for four years as the Mine develops.

The investment decision of the Lessee has been influenced by the knowledge that there is a large cadre of extremely able and experienced Sierra Leoneans from mine level to management, most of whom were trained by Selection Trust and NDMC. Wherever possible, suitable candidates will be found appropriate posts, with excellence of skills, work ethic and good character being the sole criteria for employment. Wherever possible refresher courses will be set up to assist these men back to the workplace.

It is the declared policy of the Lessee to keep expatriate recruitment to a minimum consistent with fair play, good security and efficiency.

Any contracting arrangements entered into by the Lessee will contain the provision that Sierra Leone Citizens are to be employed where possible, and that these employees are to be genuinely trained and groomed for higher skilled positions. Training will be provided for suitable Sierra Leone citizens in the Lessee's Sorting Office due to be set up.

SCHEDULE 8

ENVIRONMENT AND REHABILITATION

The Mining Operations and all Project activity will be conducted with a degree of care and professionalism that meets or exceeds the best international environment protection standards.

An Independent Environmental Consultant will be engaged by the Lessee to advise upon and monitor procedures set in place by the Lessee for the protection of the environment and rehabilitation.

A Baseline Environmental Impact Assessment will be undertaken immediately upon commencement so as to establish an environmental baseline.

All earthworks will be revegetated wherever possible so as to prevent erosion and restore amenity.

Water discharges will be monitored and settling ponds established.

The quality of water returned to the water system after use will be at least as good as the receiving waters:

Topsoil will be set aside for restoration work as necessary.

Dust will be minimised wherever possible and emission will be contained to the best protection standards.

Waste of an industrial or domestic nature will be disposed of in as environmentally safe a way as can economically be conceived. All of the waste will be inert in nature.

Processing does not involve emission of any radioactive material.

The underground mining methods envisaged would involve filling of stopes underground with suitable waste from the mining operations and the diamond recovery process.

MADE and ISSUED this 18th day of September, 1995.

CAPTAIN VALENTINE E. M. STRASSER,
Chairman,
National Provisional Ruling Council.