

**PROPOSED REGULATIONS  
GOVERNING EXPLORATION  
UNDER A MINERAL EXPLORATION LICENSE  
OF THE REPUBLIC OF LIBERIA  
and  
FORM OF NOTICE OF PROPOSED  
REGULATIONS**

Ministry of Lands, Mines and Energy  
Republic of Liberia

**NOTICE OF PROPOSED MINERAL EXPLORATION REGULATIONS  
MINISTRY OF LANDS, MINES AND ENERGY  
REPUBLIC OF LIBERIA**

This publication sets forth regulations proposed by the Ministry of Lands Mines and Energy to govern Mineral Exploration Licenses issued by the Ministry under the Minerals and Mining Act of 2000, with the proposed effective date of 31 October 2008.

Copies of the Proposed Mineral Exploration Regulations can be obtained during working hours from Assistant Minister Gesler E. Murray, at the Ministry of Lands, Mines & Energy, Capitol Hill, Monrovia, and are also available on the Ministry website: [www.mlme.net](http://www.mlme.net)

**Opportunity to Comment**

Comments on the proposed regulations shall be in writing and shall be submitted on or before 7 October, 2008 to the Office of Assistant Minister Gesler E. Murray, Ministry of Lands, Mines & Energy, Capitol Hill, Monrovia, in duplicate hard copy format, and preferably accompanied by an electronic copy on a CD-ROM disc in Word 2003, Excel 2003 or Adobe Acrobat format. The hard copy and the CD-ROM disc (if any) shall each be labelled clearly to show the identity of the Person submitting such comments. In accordance with the requirements of the Minerals and Mining Act of 2000, the Minister will collect and summarise all such comments, and refer them along with the proposed regulations (1) to the Minerals Technical Committee for its comments and advice and (2) to the Public Procurement Concession Commission for consultation not later than 14 days before their proposed effective date.

By Authority of the Minister of Lands, Mines and Energy,  
The Honorable Eugene Shannon

**REGULATIONS  
GOVERNING EXPLORATION  
UNDER A MINERAL EXPLORATION LICENSE  
OF THE REPUBLIC OF LIBERIA**

[As Proposed on 16 August, 2008]

These Regulations are effective on and after 31 October, 2008.

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# Proposed Regulations Governing Exploration Under A Mineral Exploration License Of The Republic Of Liberia

## PREAMBLE

These regulations govern the administration of exploration licenses issued under the Liberia Minerals and Mining Law of 2000, being Part 1 of Title 23 of the Liberian Code of Law Revised.

### SECTION 1. DEFINITIONS, INTERPRETATION AND APPLICABILITY

#### 1.1. Definitions

Unless the context otherwise clearly requires, the terms listed below have for the purposes of these regulations the meanings set forth below:

**Additional Area:** has the meaning given in Section 5.1.

**Adjusted Per Acre Expenditure Requirement:** means \$3.00 per acre, adjusted on January 1 of each year in proportion to the increase, if any, in the value of the “revised” GDP Implicit Price Deflator (as published by the U.S. Department of Commerce, Bureau of Economic Analysis), for the third quarter of the preceding calendar year from the “revised” GDP Implicit Price Deflator for the third quarter of 2007. If such index is no longer published, the Minister will designate a substitute adjustment mechanism or index that will substantially preserve the economic impact and timing of the periodic adjustment provided for in this definition. The Minister’s determination of a change in value of the GDP Implicit Price Deflator shall be final, absent manifest error.

In the case of each License, (a) the Adjusted Per Acre Expenditure Requirement in effect on the Effective Date of such License shall be the per acre rate for the entire Initial Term and (b) the Adjusted Per Acre Expenditure Requirement in effect 90 days prior to the end of the Initial Term shall be the per acre rate for any Extended Term pursuant to Section 5.2.

**Affiliate:** of any Person means any other Person that directly or indirectly through one or more intermediaries, Controls or is Controlled by or is under common Control with, such Person.

**Business Day:** means any day other than a Saturday or Sunday or a holiday declared by the Government.

**Competent Person:** has the meaning given in SAMREC.

**Control:** (including the terms “controlled by” and “under common control with” and “controls”) means the possession, directly or indirectly, of the ability to direct the management and policies of a Person. Without limiting the generality of

the preceding sentence, such ability is presumed to exist if a Person or Group holds or can direct the exercise of at least 25% of the Management Rights with respect to a second Person and no other Person or Group holds or can direct the exercise of a greater percentage of such Management Rights.

**Dollar and US\$:** mean the lawful currency of the United States of America.

**Effective Date:** means the date upon which a License by its terms becomes effective.

**Eligible Applicant:** means a Person who is not disqualified from holding a mining license by operation of Section 4.2 of the Mining Law.

**Eligible Exploration Costs:** means costs incurred by a Licensee after its submission to the Minister of a proposed work program and budget in the carrying out of such work program. No more than 10% of Eligible Exploration Costs during the License Term may consist of organizational, administrative and overhead expenses, and costs incurred in the carrying out of a proposed work program with respect to activities that are not included in the final approved work program are not Eligible Exploration Costs. Eligible Exploration Costs also do not include (a) payments due under Section 12, (b) costs incurred in obtaining approval of a proposed work program or budget or amendments thereto, (c) costs incurred in obtaining any necessary licenses or approvals from the EPA or from any other agency of the Government, (d) costs incurred in the restoration or remediation of environmental damage or degradation more than six months after the end of the License Term or required as a result of a determination by an agency or a court having jurisdiction that the Licensee's work program resulted in a violation of applicable environmental Law, (e) costs incurred in providing security for performance of environmental obligations or costs representing expenditures from such security for the purpose of environmental restoration or remediation, or (f) costs incurred in correcting any other violation of Law.

**Environmental Management Program:** means the environmental component (including the closure management component) of a Licensee's work program, as required under clause 4 of Schedule 4.1.

**EPA:** means the Environmental Protection Agency of the Republic, or any other agency of the Government succeeding to its functions.

**EPA Act:** means the Act Adopting the Environmental Protection and Management Law of the Republic of Liberia, approved November 26, 2002, as from time to time amended, supplemented or modified, and any regulations from time to time in effect thereunder.

**Exploration:** means activities directed toward ascertaining the existence, location, quantity, quality or commercial value of deposits of Minerals using geological, geophysical and geochemical methods, including without limitation drilling, bore holes, test pits, trenches, surface or underground headings, drifts or tunnels, as well as remote sensing techniques and other non-obtrusive methods, in order to distinguish the nature, shape and grade, physical and chemical characteristics and size of Mineral deposits and unless the context shall otherwise require, includes laboratory testing and assays carried out in

connection with the foregoing activities. “Explore” has a corresponding meaning. For the avoidance of doubt, “Exploration” and “Explore” do not include preparatory Work that does not involve the actual obtaining of geological data and has no impact on the environment, such as importation of equipment, aerial surveys or ground surveys using existing access roads to locate access roads and base camps or to plan survey patterns, and the like, but do include the construction of base camps, the construction of access roads, the mobilization to actual drill sites of equipment, aerial geological surveys and the like.

**Extended Term:** has the meaning given in Section 5.2(a).

**force majeure:** has the meaning given in Section 9.21 of the Mining Law.

**GAAP:** means generally accepted accounting principles as in effect from time to time in the United States of America.

**Government:** means all of the branches, divisions, instrumentalities and agencies of the government of the Republic.

**Group:** means two or more Persons who are acting together for the purpose of acquiring, holding, voting or disposing of Management Rights of a Person. The parties to a shareholders agreement with respect to a corporation that establishes how directors of the corporation are to be chosen or how the parties must vote their shares in certain cases, and the parties to any similar agreement with respect to any other business entity, are in each case members of a Group.

**IFRS:** means generally accepted accounting principles as reflected in International Financial Reporting Standards as in effect from time to time in the European Union.

**Initial Term:** has the meaning given in Section 3.1.

**Land:** means any land in the Republic including any creeks, streams, rivers or bodies of water (and their residue) contained on or within all such land.

**Landowner:** means a person who owns Land by legal title.

**Law:** means any constitution, treaty obligation, law, statute, decree, rule, regulation, judicial act or decision, judgment, order, proclamation, directive, executive order or other sovereign act of the Republic.

**License:** means a license to explore for minerals in the Republic granted by the Minister.

**License Area:** has the meaning given in Section 2.4.

**License Term:** means the Initial Term plus any Extended Term.

**License Termination Event:** means an event or condition described in Section 17.

**License Year:** means a period of 12 consecutive months beginning on the Effective Date and on each anniversary of the Effective Date. For purposes of this

section, the word “month” means a calendar month if the Effective Date falls on the first day of a calendar month, and otherwise the word “month” means the period from the date of the month on which the Effective Date occurs up to, but not including, the corresponding date of each subsequent calendar month, and if there is no such corresponding date in a subsequent calendar month, up to but not including the last day of such calendar month.

**Licensee:** means the Person to whom a Mineral Exploration License is issued by the Republic. The term “Licensee” includes the successors and assigns of such Person permitted by these regulations.

**Liberian Currency:** means any currency, except Dollars, that is legal tender in Liberia, or circulates freely in any part of Liberia by virtue of any Law or authority as a medium of exchange for the purchase or sale of goods and services.

**Management Rights:** with respect to a Person means the right to participate in the direction of the management of such Person, through such means (by way of example and not limitation) as (i) the power to direct the vote of shares entitled to participate in the election of directors of such Person, (ii) any other right to participate in the designation of the directors of such Person, (iii) the power to act as or to direct the vote of a voting partner of any such Person that is a partnership, or (iv) the contractual right to act as a manager or operator of any such Person that is a limited liability company or similar entity, or to participate in the direction of such manager or operator.

**Mineral:** means a naturally occurring element or compound having an orderly internal structure and characteristic chemical composition, crystal form, and physical properties, formed by or subject to a geological process but not including hydrocarbons.

**Mining Law:** means the Minerals and Mining Law of 2000, appearing as Part 1 of Title 23 of the Liberian Code of Law Revised, as from time to time amended, supplemented or modified, and unless the context otherwise requires, any regulations issued pursuant thereto other than these regulations.

**Minister:** has the meaning given in the Mining Law.

**Occupant of Land:** means any person who is in lawful possession of real property.

**Person:** means any natural person and any partnership, joint venture, corporation, limited liability company, trust, estate or other organization or entity, and any branch, division, political sub-division, instrumentality, authority or agency of any government or state.

**Prohibited Person:** means (i) any Person on the European Union Sanctions list ([http://ec.europa.eu/external\\_relations/cfsp/sanctions/list/consol-list.htm](http://ec.europa.eu/external_relations/cfsp/sanctions/list/consol-list.htm)), (ii) any Person on a Sanctions List published by a Sanctions Committee of the United Nations Security Council, (iii) any Person on the Interpol Red Notice List (<http://www.interpol.int/Public/Wanted/Search/Form.asp>), (iv) any Person the subject of an arrest warrant issued by the International Criminal Court, (v) any Person on the World Bank ineligible firms list (<http://web.worldbank.org/external/default/main?theSitePK=84266&contentMDK=64069844&menuPK=116730&pagePK=64148989&piPK=64148984>), or

(vi) any Person identified as such in the Mining law or in regulations issued under the authority of the Ministry of Finance and the Ministry of Justice and applicable to the holders of licenses issued under the Mining Law. “Prohibited Person” also includes any Person (1) that is Controlled by a Person identified in the preceding sentence or (2) that is controlled by a Group one or more of the members of which is a Person identified in the preceding sentence or (3) that issues bearer shares or other instruments to evidence ownership of the Person that do not permit the identification of the owners of such Person.

**Republic:** means the Republic of Liberia.

**Revenue Code:** means the Revenue Code of Liberia 2000 (“Phase One of the Reform Tax Code”), as from time to time amended, supplemented or modified, or any successor revenue code of the Republic.

**SAMREC:** means the version of the South African Code for the Reporting of Exploration Results, Mineral Resources and Mineral Reserves as at the time in effect.

**Surface Rights Payment:** has the meaning given in Section 12.1.

**Work:** means all activities undertaken by or on behalf of a Licensee under its License, including the preparation for Exploration, the conduct of Exploration, the shutdown and demobilization of Exploration, and all post-Exploration environmental and other restoration and remediation.

## 1.2. Principles of Interpretation

All references to these regulations or to Law are to these regulations or to Law from time to time in effect. References to a “Section” or a “Schedule,” without other specification, are references to Sections of or Schedules to these regulations.

If a Person holds more than one License, these regulations apply separately to each License held by such Person, the License Area under such License and the License Term under such License unless these regulations clearly require otherwise.

## 1.3. Applicability

These regulations apply to a License when issued. They do not apply to the process of applying for or obtaining a License.

## **SECTION 2. EXPLORATION RIGHTS**

### 2.1. Grant of Exploration Rights

A License grants to the Licensee for the License Term the exclusive right to Explore in the License Area on the terms and conditions set forth in these regulations for such Minerals as may be specified in the License. The right to Explore does not grant to the Licensee to engage in bulk sampling or pilot mining and recovery except in compliance with Section 13.2, or to conduct exploration outside of the License Area, or to conduct exploration in any portion of the License Area after that portion has been surrendered or deemed surrendered pursuant to the relevant provisions of

these regulations or after the License Term has expired or otherwise been terminated as provided in these regulations.

## 2.2. Limitations on the Right of a Licensee to Conduct Exploration

- (a) A Licensee may not conduct Exploration unless the Minister has approved the Licensee's work program and budget and the Licensee has provided any security for environmental remediation or restoration required by Section 10.3.
- (b) A Licensee may carry out only those Exploration activities that are provided for in a work program and budget approved by the Minister.
- (c) A Licensee may not conduct Exploration activities that are provided for in a work program approved by the Minister unless either (i) the work program has been reviewed by the EPA, the EPA has issued all required EPA approvals, permits or licenses and evidence of such review and issuance of required approvals, permits and licenses is delivered to the Minister, or (ii) the specific activities involved may be carried out without EPA review or the issuance of an EPA approval, permit or license.
- (d) A Licensee is solely responsible for identifying those components of its work program that may be carried out without EPA review or the issuance of an EPA approval, permit or license.

## 2.3. Impact on a Licensee's Environmental Management Program of EPA Requirements

- (a) Any "project brief" under Section 8 of the EPA Act or "environmental mitigation plan" under Section 15 of the EPA Act submitted by a Licensee to the EPA under the EPA Act must be consistent with the Licensee's Environmental Management Program, including its closure management component, as then proposed to or approved by the Minister.
- (b) Licensees should anticipate that if the EPA requires a Licensee to submit a "environmental mitigation plan" under Section 15 of the EPA Act, the EPA may require more detail and impose more specific, measurable performance requirements than will an Environmental Management Program contained in a work program that has been approved by the Minister.
- (c) If a Licensee is required by the EPA to adopt an "environmental mitigation plan" under Section 15 of the EPA Act that is inconsistent with the Environmental Management Program component of the Licensee's work program as approved by the Minister, the Licensee shall submit to the Minister a revised Environmental Management Program that conforms to the requirements of the EPA-approved "environmental mitigation plan," and such plan shall be deemed approved by the Minister if it accurately reflects the requirements of the EPA.
- (d) An EPA-approved "environmental mitigation plan" is not inconsistent with a Licensee's approved Environmental Management Program except to the extent it imposes requirements that cannot be performed if the Licensee performs its approved Environmental Management Program or that if

performed, make it impossible for the Licensee to perform its approved Environmental Management Program.

- (e) If in the judgment of the Licensee, particular work to be performed under the EPA-approved “environmental management plan” would if performed render particular work to be performed under its approved Environmental Management Program redundant or unnecessary but not impossible to be performed, the Licensee may apply to the Minister for a determination that the particular work under the approved Environmental Management Program need not be performed. The Minister may not unreasonably refuse such an application.

#### 2.4. License Area; Restricted Areas

- (a) The area available for exploration under a License (the “License Area”) is the area defined in the License, subject to adjustment as provided for in these regulations, and shall have metes and bounds defined in UTM coordinates based on the WGS84 UTM Grid Zone 29N. The License Area may be reduced as provided in Section 3.2 and 5.2, and increased as provided in Section 5.1.
- (b) A License does not entitle a Licensee to conduct Exploration on any land excluded from a grant of Mineral Rights by the terms of Section 10.1 of the Mining Law or other relevant Law except in compliance with the conditions set forth in such Law.
- (c) A License entitles the Licensee to access areas within the License Area subject to Class B or Class C Mining Licenses issued prior to the date of issue of the License on the following terms:
  - (i) the Licensee is entitled to access an area subject to a Class C Mining License on reasonable prior notice to the license holder for bona fide Exploration activities, excluding bulk sampling and pilot mining, but may not require the license holder to relocate any fixed equipment, and is responsible for any damage caused to the property of the license holder; and
  - (ii) the Licensee is not entitled to access an area subject to a Class B Mining license except with the prior agreement of the license holder, provided that if the Licensee believes that the license holder is unreasonably withholding consent or is imposing unreasonably terms, the Licensee may request the Minister to intervene (it being understood that the Minister has the right but not the duty to intervene).
- (d) The Licensee may request the Minister to include a clause in the Class B Mining Licenses (within the Exploration Area) permitting the Licensee access to such areas for exploration (excluding bulk sampling), at least 30 days before the expiry of an extant Class B license. The Minister's decision will be final.

## **SECTION 3. TERM OF LICENSES**

### **3.1. In General**

The initial term of a License (its “Initial Term”) commences on its Effective Date and, unless terminated sooner pursuant to Section 17, ends on the third anniversary of its Effective Date, subject (i) to surrender pursuant to Section 3.2 and (ii) to extension by operation of Sections 4.5 and 4.6. An two year Extended Term may be granted (and extended) as provided in Section 5.2. The Initial Term or the Extended Term of a License may also be extended as provided in 7.4 and 20.5.

### **3.2. Right to Surrender during the License Term**

- (a) A Licensee may at any time by notice in writing to the Minister and delivery of the information and materials required by Section 3.2(b) surrender its License and the License Area in its entirety, or surrender any portion of the License Area. Any portion so surrendered must form a polygon, with all sides aligned to the true north-south and east-west except for one or more sides bordering the retained area, and must constitute not less than 10% of the original License Area, and the retained area must form a polygon with no interior angle greater than 180 degrees. Upon any such surrender the Licensee has no further payment obligation under Section 12.1 with respect to the surrendered area. No such surrender will relieve Licensee of its obligations under Section 6 or Section 10 or under other applicable Law, or will entitle a Licensee to a refund of payments previously made under Section 12
- (b) A surrender notice pursuant to Section 3.2(a) must be accompanied by
  - (i) all materials and information required under Section 6 with respect to the surrendered area,
  - (ii) a certificate of the Chief Executive Officer of the Licensee to the effect (1) that all such materials and information have been delivered, and (2) that the Licensee is in compliance with its obligations under Section 10 with respect to the surrendered area, and
  - (iii) an environmental assessment and audit as described in Section 10.2 with respect to the surrendered area showing no non-complying locations.

### **3.3. End of License Term**

Each License automatically expires at the end of the Initial Term, without requirement of action or notification by the Minister, unless an Extended Term is granted under Section 5.2. Following the expiration of a License, the Licensee may conduct only environmental restoration and remediation Work and Work related to the shutting down of operations and the removal of equipment and facilities. All such work must be completed within six months from the end of the License Term, except as otherwise approved by the Minister.

## **SECTION 4. SUBMISSION AND APPROVAL OF WORK PROGRAM AND, BUDGET**

### 4.1. Submission of Work Program and Budget

Within 90 days of the Effective Date of a License, a License must submit

- (a) to the Minister, a proposed work program and budget substantially satisfying the requirements of Schedule 4.1, and
- (b) to the EPA, an application for an Environmental Impact Assessment license under Section 6 of the EPA Act, evidence of publication of a notice of intent under Section 7 of the EPA Act, and a project brief under Section 8 of the EPA Act, each of which shall reflect the Licensee's proposed work program.

### 4.2. Content of Work Program and Budget

A Licensee's work program and budget shall satisfy the requirements of Schedule 4.1 and the Licensee or the work program and budget shall in addition satisfy the following requirements:

- (a) the proposed work program is generally consistent with current best-practice exploration standards in light of the geology of the License Area, as then understood, and the Minerals covered by the relevant License;
- (b) the Licensee has demonstrated in accordance with Schedule 4.2(b) that it possesses, or has firm contractual commitments with responsible suppliers to provide, the technical capacity to carry out its proposed work program;
- (c) the Licensee has demonstrated to the reasonable satisfaction of the Minister that it has the financial capacity as described in Schedule 4.2(c) to carry out its approved work program and comply with its obligations under these regulations and the Mining Law.
- (d) the proposed work program and budget provide for the expenditure by the Licensee on Eligible Exploration Costs during each year of the License Term of an amount at least equal to the Adjusted Per Acre Expenditure Requirement as of the Effective Date of the License multiplied by the number of acres in the License Area;
- (e) the proposed work program includes an Environmental Management Program that complies with the requirements of Sections 8.1 through 8.3 of the Mining Law, and clause 4 of Schedule 4.1; and
- (f) the Licensee has made in writing to the Minister the representations and warranties set forth in Schedule 14, each of which was true and correct when made.

### 4.3. Approval or Disapproval of a Proposed Work Program and Budget

- (a) The Minister will approve a proposed work program and budget if it satisfies the requirements of Sections 4.2.

- (b) Any disapproval by the Minister of a proposed work program and budget must be in writing and must summarize the reasons for disapproval. If the licensee requests, Ministry staff will meet with the Licensee to explain in more detail the reasons for disapproval.
- (c) If the reason for disapproval is the submission by the Licensee of a proposed work program and budget that on its face clearly does not substantially satisfy the requirements of Schedule 4.1, the Licensee is not entitled to resubmit a proposed work program and budget unless the resubmission is made within 90 days of the Effective Date of the Licensee's License.

4.4. Deemed Approvals by the Minister; Nature of Resubmissions by Licensee

- (a) The Minister will be deemed to have approved a proposed work program and budget timely submitted by a Licensee unless within 20 Business Days of submission the Minister has notified the Licensee in writing of the reasons for disapproval or of a postponement of review as provided in Section 4.6.
- (b) Following any such disapproval and the resubmission by the Licensee of a modified work program and budget, the Minister will be deemed to have approved the work program and budget unless within 15 Business Days of such resubmission, the Minister notifies the Licensee in writing of the reasons for disapproval. The preceding sentence applies equally to any further resubmission by the Licensee.
- (c) The initial resubmission and each subsequent resubmission by a Licensee of material relating to a proposed work program or budget must comply with Section 19.4 and include both a clean version and a version conspicuously marked to show all changes (additions and deletions) from the previous submission.

4.5. Impact of Approval Delays if a Licensee Has Satisfied the 90-Day Submission Requirements in Section 4.1

- (a) If a Licensee has satisfied the 90-day submission requirements in Section 4.1, and thereafter has sought diligently and in good faith to
  - (i) obtain the approval of the Minister of its proposed work program and budget, and
  - (ii) file with the EPA all studies, documents and other materials or information required by the EPA and cause the issuance of all approvals, permits or licenses required from the EPA for the performance of its work program,
 then
  - (1) for the purposes of Section 5.3(e) of the Mining Law the Licensee will be deemed to have commenced Exploration within 180 days of the Effective Date if it commences Exploration within [30] days after the later of (x) the approval by the Minister of the Licensee's work program and budget and (y) the issuance by EPA of all required approvals, licenses or permits with respect to the Licensee's work program, and

- (2) the first year of the License Term will for all purposes be deemed to end 210 days after the later to occur of (x) the approval by the Minister of the Licensee's work program and budget and (y) the issuance by EPA of all required approvals, licenses or permits with respect to the Licensee's work program.

However, the License will terminate if Exploration does not begin within 360 days of the Effective Date unless the Licensee establishes that the approval of the Minister was unreasonably withheld or delayed or that an approval, permit or license required to be issued by the EPA was unreasonably withheld or delayed.

- (b) The Minister is entitled to determine that a Licensee is not seeking diligently and in good faith to obtain necessary permits, approvals or licenses if:
- (i) the Licensee refuses to agree to a modification in its proposed work program after the Minister has reasonably concluded that the modification is necessary to cause the work program to satisfy the requirements of the Mining Law or these regulations or the EPA has reasonably concluded that the modification is necessary to cause the work program to satisfy the requirements of the EPA Act, or
  - (ii) the Licensee does not respond in writing to a notice of disapproval from the Minister or a similar notice from the EPA within 20 Business Days of the date it receives such notice, indicating the changes it is willing to make to its work program and budget, or stating that it believes no such changes are required to enable the work program and budget to conform to the requirements of these regulations, and indicating the basis for such conclusion.

Clauses (i) and (ii) of this Section 4.5(b) do not exclude a determination on other grounds that a Licensee is not seeking diligently and in good faith to obtain necessary licenses or approvals.

#### 4.6. Postponement by the Minister of Review of Work Programs

- (a) Proposed work programs and budgets shall be reviewed in the order in which they are submitted. If the Ministry is unable reasonably promptly to review a proposed work program and budget timely submitted under Section 4.1, it may postpone such review for up to 90 days by notice to the affected Licensee. If the Minister has postponed the review of a proposed work program and budget pursuant to the preceding sentence, it may not begin the review of a work program and budget submitted at a later date until after it has begun the postponed review.
- (b) If the review of a proposed work program and budget is postponed pursuant to Section 4.6(a), the 180 day period within which the affected Licensee must commence Exploration, the first year of the related License Term and the 360 day outside limit provided in Section 4.5(a) will each be deemed extended by the number of days between the date such proposed work program and budget was submitted and the date upon which the Ministry begins to review the proposed work program and budget. The Ministry will notify the affected Licensee of the date on which review began and the length of any extension.

## **SECTION 5. ADDITIONS TO THE LICENSE AREA AND EXTENSION OF THE LICENSE TERM**

### **5.1. Right to Add to License Area**

- (a) Subject to the aggregate 20% limitation contained in Section 5.3(o) of the Mining Law, a Licensee may from time to time apply to the Minister to add to its License Area one or more additional areas (each, an “Additional Area”) adjoining its License Area that the Licensee demonstrates to the reasonable satisfaction of the Minister has a geological relationship to mineral resources located within the original License Area within the scope of the Licensee’s License, but only if such additional areas are not subject to Class A rights of others arising under the Mining Law in the resources of the same type. Each proposed Additional Area shall form a compact block, with the borders aligned to the true north-south and east-west.
- (b) The application must (i) contain a precise description of each proposed Additional Area, (ii) set forth the claimed geological relationship(s) and the evidence for such claim, (iii) propose appropriate modifications to the Exploration work program (consistent with Schedule 4.1) and budget to reflect the addition of each proposed Additional Area, and (iv) be accompanied by the review fee provided in Section 12.3.
- (c) In addition, the Licensee shall concurrently file with the EPA, an application for an amended Environmental Impact Assessment license under Section 6 of the EPA Act, evidence of publication of a notice of intent under Section 7 of the EPA Act, and a project brief under Section 8 of the EPA Act (or such other submissions as EPA may at the time require to commence a review of the work program modifications for possible environmental consequences), each of which shall reflect the Licensee’s proposed work program modifications submitted pursuant to clause (iii) of Section 4.1(b).
- (d) The Minister will approve the modified work program and budget shall follow the same process as outlined in Sections 4.2 through 4.4, except that Sections 4.2(a), (b), (c) and (f) and Section 4.3(c) are not applicable.
- (e) The Licensee’s right to conduct Exploration in the Additional Areas is subject to Section 2.2.
- (f) A Licensee is not entitled to an extension of its License Term by reason of the addition of an Additional Area to its License Area, by reason of delays in the approval of its modified work program covering the Additional Area or by reason of any delays in receiving necessary EPA approvals, permits or licenses with respect to its modified work program.

### **5.2. Extension of License Term after End of Initial Term**

- (a) , A Licensee may apply for a two-year extension of its License Term (an “Extended Term”) if it has prior to the application fulfilled its approved work program and budget expenditure obligations for the License Area and is otherwise in compliance with these regulations and applicable Law. The License Area for the Extended Term may not exceed 50% of the sum of the original License Area and all additions to the License Area pursuant to Section 5.1 existing at the end of the initial License Term, and must consist of

a single polygon not having any interior angle greater than 180 degrees. The portion of the original License Area not covered by the extension application is automatically deleted from the License Area on the last day of the Initial Term, to the extent not previously surrendered. The second sentence of Section 3.2(a) and all of Section 3.2(b) apply to the portion of the License Area so deleted, and must be complied with not more than 90 days after the end of the Initial Term.

- (b) To apply for an extension, the Licensee must, not more than 180 days and not less than 60 days prior to the end of the Initial Term submit:
  - (i) to the Minister (1) a proposed work program and budget for the Extended Term substantially satisfying the requirements of Schedule 4.1, and (2) a map of the original License Area, in such scale as may then be specified by the Minister, clearly setting forth the boundaries of the area proposed to be retained as the Extended Term License Area and the portion of the original License Area proposed to be surrendered, based on a GPS location system approved by the Minister or an actual survey, and
  - (ii) to the EPA, an application for an amended Environmental Impact Assessment license under Section 6 of the EPA Act, evidence of publication of a notice of intent under Section 7 of the EPA Act, and a project brief under Section 8 of the EPA Act (or such other submissions as EPA may at the time require to commence a review of the proposed work program for possible environmental consequences), each of which shall reflect the Licensee's proposed work program for the Extended Term.
- (c) Approval by the Minister of the Extended Term work program and budget shall follow the same process as outlined in Sections 4.2 through 4.4, except that
  - (i) if the Licensee proposes to conduct during the Extended Term pilot mining and recovery operations or bulk sampling operations as described in Section 13.2, the Minister will approve the application only if the Licensee and the Extended Term work program also comply with the requirements of that Section;
  - (ii) unless Section 13.2 is applicable, the Minister will approve the application without making the determination referred to in Section 4.2(a) and without requiring the Licensee to make the demonstrations as to technical and financial capacity referred to in Section 4.2(b) and (c);
  - (iii) Section 4.3(c) is deemed to permit resubmission only if the resubmission is made more than 30 days prior to the end of the Initial Term; and
  - (iv) The Minister may not postpone review of proposed Extended Term work programs and budgets pursuant to Section 4.6.
- (d) If a Licensee has timely made the submissions described in Section 5.2(b), the Extended Term shall begin on the day following the last day of the Initial

Term, but the Licensee's right to conduct Exploration during the Extended Term is subject to Section 2.2.

- (e) If after such timely submissions, the Licensee has sought diligently and in good faith to
  - (i) obtain the approval of the Minister of its proposed Extended Term work program and budget, and
  - (ii) file with the EPA all studies, documents and other materials or information required by the EPA and cause the issuance of all approvals, permits or licenses required from the EPA for the performance of its Extended Term work program,

then the Extended Term shall itself be extended by the greater of (x) the number of days between the last day of the Initial Term and the date that is 30 days after the approval by the Minister of the extended term work program and budget, and (y) the number of days between the last day of the Initial Term and the date that is 30 days after the issuance by EPA of all required approvals, licenses or permits with respect to the Licensee's work program.

However, the Extended Term will terminate if the approval by the Minister and the issuance by the EPA of all approvals, permits and licenses required for the conduct of the Extended Term work program do not both occur within 180 days of the initial date of the Extended Term unless the Licensee establishes that the approval of the Minister was unreasonably withheld or delayed or that an approval, permit or license required to be issued by the EPA was unreasonably withheld or delayed.

- (f) The Minister is entitled to determine that a Licensee is not seeking diligently and in good faith to obtain necessary permits, approvals or licenses if:
  - (i) the Licensee refuses to agree to a modification in its proposed work program after the Minister has reasonably concluded that the modification is necessary to cause the work program to satisfy the requirements of the Mining Law or these regulations or the EPA has reasonably concluded that the modification is necessary to cause the work program to satisfy the requirements of the EPA Act, or
  - (ii) the Licensee does not respond in writing to a notice of disapproval from the Minister or a similar notice from the EPA within 20 Business Days of the date it receives such notice.

Clauses (i) and (ii) of this Section 5.2(f) do not exclude a determination on other grounds that a Licensee is not seeking diligently and in good faith to obtain necessary licenses or approvals.

## **SECTION 6. REPORTING AND DELIVERY OF INFORMATION AND SAMPLES**

### **6.1. PART A - General Requirements**

A Licensee shall prepare and submit exploration reports as required by the provisions of this Section 6. Reports are reviewed to assess exploration progress, and to ensure that the results of exploration are fully and clearly recorded for the benefit of future explorers and researchers. Close liaison is encouraged between the Licensee's professional and technical staff, and the staff of the Liberian Geological Survey. The Liberian Geological Survey is responsible for assessing reports, and staff members are available to provide advice on reporting requirements.

The Licensee is responsible for, and thus must ensure compliance with, the conditions of the License. The Licensee must therefore ensure that full details of all exploration carried out are included in reports, irrespective of whether the exploration is undertaken by the Licensee, a consultant, a joint venture partner, or any other party

#### **(a) Submission of Reports**

All reports, unless otherwise indicated or approved, must be lodged within one calendar month after the end of the reporting period. Reports should be submitted to both:

1. The Minister of Lands, Mines & Energy, Capitol Hill, Monrovia, and
2. The Director, Liberian Geological Survey, Sinkor Old Road, Monrovia.

Reports may not be submitted by email. They should be on specified media and be submitted to the above address.

#### **(b) Reporting Responsibility of the Licensee**

The Licensee is responsible for, and thus must ensure compliance with, this Section 6. The Licensee must therefore ensure that full details of all exploration carried out are included in reports, irrespective of whether the exploration is undertaken by the Licensee, a consultant, a joint venture partner, or any other party.

#### **(c) Reports in Digital Form**

Reports must be submitted in hard copy and in digital form. Hardcopy or paper reports are not acceptable unless accompanied by a full digital copy. The digital reporting requirements are specified elsewhere in this Section 6.

#### **(d) Required Reports**

Reports required for Licenses are Interim Reports (brief quarterly summary reports), and Annual Reports (full technical reports).

#### **(e) Interim Reports. Interim Reports are to be submitted within 30 days after the end of each of the first, second and third quarters of each annual period under a License, and are due no more than 30 days after the end of each**

such quarter. These reports should include the amount expended during the quarter then ended and contain a brief summary of exploration conducted in the quarter then ended as well as a brief statement of the exploration proposed for the next three-month period. Interim reports should be completed on the one page *Interim Report on Mineral Exploration* form which appears as Schedule 6.1(e), and may be submitted solely in paper form, or in paper and digital form.

- (f) Annual Reports. An Annual Report must be submitted within 45 days following each anniversary of the commencement of the License Term (each such date, an "Anniversary Date"). A final Annual Report must also be submitted (1) within 45 days of the end of a License Term, if the License Term does not end on an Anniversary Date, or (2) within 45 days of the surrender of any area from the coverage of a License pursuant to Section 3.2, with respect to work performed in the surrendered area since the prior Annual Report covering such area. Each such report should be a full technical report covering all exploration activities conducted in period covered by such report, and must comply with the requirements of Section 6.1(g) and Section 6.2.

- (g) Contents of Annual Reports

Each Annual report must contain:

- full details and results of all studies, surveys, sampling or drilling programs, or other operations conducted;
- the locations of those operations;
- a summary of geological findings, which should include geological and structural mapping and petrological and mineralogical studies. (Information on stratigraphy, distribution and controls of mineralization, alteration features, etc should be included if available. Where there have been external studies, such as University theses or where papers have been prepared for publication, the main conclusions of those works should be briefly summarized and reference to the full work provided.)
- appropriate plans, sections, figures or other graphics as are necessary to satisfactorily identify and interpret the summary of geological findings;
- discussion of results, conclusions and recommendations;
- the amount of money expended on exploration during the report period;
- full details of any feasibility, metallurgical and marketing studies conducted (or if not completed, a clear description of the nature of the study or studies being conducted, and
- the proposed program for the next annual period (except in the case of a final Annual Report submitted pursuant to the second sentence of Section 6.1(f).

Annual Reports should also explain the exploration philosophy and objectives (eg, the type of mineral deposit sought and the reasons for considering the area prospective for such deposits). This is particularly important for the first

Annual Report since it provides a basis for future reports, and is the first opportunity at which the progress of the exploration program can be assessed. When extended surveys, such as regional geochemical surveys, are in progress at the time of submission of an Annual Report, it is acceptable to indicate the progress of such surveys, and to submit the full results and conclusions in a subsequent Annual Report when the survey has been completed. Annual Reports must be submitted in paper and in digital form.

(h) Final Annual Reports

A final Annual Report should summarize step by step all the work carried out during the full term of the License, including areas previously surrendered, and should include the main results and conclusions of each phase of operations. It is not necessary to present all the detailed data again if these have been included in previous Annual Reports, but the relevant progress reports should be listed and referenced where appropriate. A final Annual Reports should also outline the exploration objectives and discuss the final conclusions from the exploration. Plans should be included to show the location of the license, and the locations of the main activities and prospects.

Annual Reports must be submitted in paper and digital form.

If one or more portions of an Exploration Area are designated as Proposed Production Areas, the Licensee may be required to provide two final Annual Reports for the Exploration Area: one covering all the work done in the total License Area (to remain confidential in accordance with Section 13.4); and the other covering all work conducted outside the Proposed Production Area(s) (for immediate placement in the public files).

(i) Multiple License Reporting

If adjacent licenses are held by a single Licensee or by affiliated licensees and, in either case, are being worked as a single project, the Ministry may permit or require that a common Annual Report be submitted covering the License Areas under all of the Licenses. Each Licensee will be jointly and severally responsible for the preparation of such Annual Report unless the Ministry has agreed that the Annual Report is the responsibility of a named Licensee. The Ministry is under no obligation to enter into any such agreement.

(j) Expenditure Statements

Expenditure statements accompanying Annual Reports must show in reasonable detail on a cash basis all Eligible Exploration Costs incurred during the covered period, with schedules setting forth each transaction described in Section 8.6(a) or (b) that is included in such statement, and setting forth costs excluded from Eligible Exploration Costs by virtue of the second proviso in the definition of such term. The statement must be accompanied by a report from a member office of an internationally recognized accounting firm to the effect that (a) it has reconciled the expenditures shown on such statement with expenditures recorded in the books of account or financial records of the Licensee, (b) the amounts reported as Eligible Exploration Costs in such report appear to exclude all

amounts required to be excluded by the definition of such term, and (c) such books of account and financial records appear to be maintained in compliance with all of the requirements of Section 11.1. The delivery of such a statement or report does not in any way imply acceptance of such statement or report by the Minister, or preclude the Government from auditing the licensee's books of account at the Government's expense.

(k) Drill Cores, etc

Drill cores and cuttings from exploration must be preserved to the extent not subjected to destructive analysis. Where destructive analysis is performed, half cores/cuttings must be preserved. All such preserved materials shall be labeled and the labels and sampling locations reported in the relevant Annual Report. Any such preserved materials shall be available for inspection on request by the Ministry or the Liberian Geological Survey, subject to Section 13.4.

At the time of the final Annual Report all such materials shall be offered to the Liberian Geological Survey, under cover of a comprehensive index of materials and the sampling locations. The cost and expense of organization and transportation of such materials to a location in Liberia designated by the Liberian Geological Survey and of the preparation of such index are for the account of the Licensee.

(l) Digital Data for Airborne Geophysical Surveys

Data from all airborne geophysical surveys are to be provided to the Liberian Geological Survey independently of Quarterly and Annual Reports as and when required by Section 6.2(j). T

(m) Environmental Performance Reporting

Required environmental assessments and audits are covered in Section 10.

6.2. PART B - STRUCTURE OF REPORTS

An Annual Report will normally contain several parts or sections:

- Main body of report, including title page, summary, keywords, list of contents, text and references.
- Appendices.
- Figures, plans and images as attachments.

(a) Main Body of Report

• **Title page**

The title page should state the report title, author(s), date of the report, and project manager or operator (company doing the work). The report title must include the License number(s), the project name or location, the report type (e.g., Quarterly, Annual, Final Annual ) and the reporting period.

Example:

QUARTERLY REPORT FOR LICENSE NUMBER XXX#####  
(Project name and approximate location\*)  
COVERING THE PERIOD FROM [(DATE) TO (DATE)]  
By (License Holder)  
(Date of Report):

(\* E.g, “approximately 30 km north-northeast of Buchanan Port”)

• **Executive summary or abstract**

This should indicate commodity or deposit type covered by the License, the general character of the geology of the Exploration Area, the nature of the exploration conducted, and the main results and conclusions.

• **Keywords**

Keywords and map sheet names and numbers should identify the main points of the report for indexing purposes.

• **List of contents**

The list of contents should include section headings and all appendixes and attachments. Note that the corresponding digital file name must be recorded against each item in the contents list.

• **Text**

The text should encompass a reasonably description of the work done and the results of that work, including interpretations and conclusions. It should also include details of expenditure as provided in Section 6.1(j) and the proposed program for the next period. Small figures (e.g., location plan) and tables may be interleaved with the text.

• **Appendices**

Appendices are items separate from the main body of the report, and may include a range of material – specific studies, consultant reports, tabular data such as drill logs, assay results, etc. – as necessary to explain in more detail the text of the report or to support the conclusions contained in the text of the report.

• **Figures, Plans and Images •**

• Figures, plans and images (other than small figures and tables) should not be interleaved with the text of a report and should appear grouped as attachments at the end of the report.

• Maps and plans should be compiled and presented at standard scales (e.g. 1:1000, 2500, 10000, 25000, 50000) with a graphic bar scale in metric units, and a north point (grid, true or magnetic).

- Maps and plans must show full coordinates, and the spatial reference must be WGS84 UTM Grid Zone 29N.
- Maps, plans, sections, logs, etc must be clearly labeled and should include a legend where appropriate.

(b) Submission of Digital Data

Digital submissions should retain the well established structure and sequence of a hardcopy (paper) report as outlined above. Digital formats for each component of a report are described below. Digital files must be submitted on Microsoft Windows-compatible disk media (see Type of Media) and should be readable in a Microsoft Windows environment. Each disk should contain one report only. All files should be virus free and should not have any form of password or other security protection.

(i) Text

The main body of the report is to be provided in Adobe Acrobat Portable Document format (PDF). This includes the title page, summary, list of contents, references, and any figures and tables that are interleaved with the text. This should be a single PDF file created by conversion from Microsoft Word or another word processing program, and not by scanning a hard document. Appendixes and attached figures, plans and images (and simple tables) may be incorporated if appropriate, as long as the file does not exceed [5] Mb (see File size).

(ii) Tabular Data (Geochemistry, Drilling, Ground Geophysics, etc)

All tabular data (excluding small tables incorporated in the report text) should be supplied as American Standard Code for Information Interchange (ASCII) files. These should be tab or comma delimited (tab preferred), not fixed width. The Liberian Geological Survey expects in the future to specify header (metadata) information to be included at the beginning of each file, followed by the actual data. . The amount of data that is included in a single data file depends on the practicalities of each case. File size, however, should not exceed [5] Mb.

(iii) Figures, Plans and Images

All graphics should be provided in PDF, Joint Photographic Group (JPEG or JPG) or Tagged Image File (TIFF or TIF) format. They must be readable and of fair print quality, and the color and spatial data of the original plan or image should be maintained. Resolution should be generally 150 dots per inch (dpi) or better. Most small-to medium-size graphics can be accommodated in PDF. These may be included in the main report PDF file, particularly if they are interleaved with the text. Further information will be provided from time to time in supplemental regulations, or, pending such regulations, by the [Director of the Liberian Geological Survey. For larger plans, or where PDF is not considered appropriate, the raster image formats of JPEG and TIFF may be used. Bear in mind that JPEG is suitable for images

with subtle gradations of color or shade. JPEG is not as suitable for line work because compression techniques play off quality against file size and may tend to blur sharp edges.

(c) File Naming Convention

File names should conform to the following convention. **License id\_YYYYMM\_##\_data type.eee**

- **License id** - an identifier for the License
- **YYYYMM** - a 6-digit report date representing year and month
- **##** - a 2-digit sequential number for each file submitted
- **data type** - for the data type contained in the file (e.g. map, appendix, report, etc)
- **.eee** - files extension (including the period). For example .pdf, .txt, .jpg, .tif

By way of example, the file 'MEL 4242\_200106\_03\_appendix.txt' would represent the third file in the June 2001 report for Exploration License MEL4242, containing tabular data in ASCII text format.

(d) File Verification

Each file name should be recorded against the item to which it refers in the List of Contents of the report. In addition, a file verification listing as an ASCII file may be included but is not a specified requirement.

(e) File Size

Individual files should not exceed 5 Mb in size. This is to ensure easy handling and delivery via the Internet from the MINING CADASTRE INFORMATION MANAGEMENT system. Larger graphic files may be acceptable but only if by limiting the size there is loss of valuable data. These larger files should represent a single plan only. Please seek advice from the Director or the Chief Geologist of the Liberian Geological Survey before submitting graphic files larger than 5 Mb. ASCII files containing tabular data, and PDF files containing multiple graphics or a mixture of text and graphics, must not exceed 5 Mb. If the file is larger than this it should be split into two or more smaller files.

(f) File Compression

Compressed files are acceptable but only if produced using Winzip. File names specified in the report's List of Contents (and the file verification listing) must be the original (uncompressed) file names, not the compressed file names.

Nothing beyond single directories should be compressed and there should be no recompression of multiple, already-compressed files.

As most people now use CD-ROM disk space is seldom a limitation. Files should only be compressed if there is a need to do so. However, files submitted in GIS or other native formats should be compressed (see below).

(g) Type of Media

Digital files should be submitted on either CD-ROM disks or DVD disks. All disks must be Microsoft Windows compatible and the files should be readable in a Microsoft Windows environment. Each disk should only contain one report.

(h) Geographical Information System (GIS) and Vector Data

GIS and other vector data in native format are generally not required as all the information should already be supplied as tabular data (in ASCII) and as plans or figures. Please seek advice from the Director or the Chief Geologist of the Liberian Geological Survey on the suitability of submitting data in this form. If GIS data are provided, however, all the files for a set of data should ideally be compressed as a single zip file.

(i) Location Coordinates

Wherever coordinates are used in the data, the spatial projection of the locations must be: **WGS84 UTM Grid Zone 29N**

(j) Airborne Geophysical Surveys

Digital data from airborne magnetic, electromagnetic and radiometric surveys do not form part of the normal annual reporting on exploration licenses. All such data must be provided separately within three months of completion of the survey generating such data. The data are to be provided as standard ASCII, formatted in ASEG GDF or as specified by the Liberian Geological Survey. Data should be supplied on CD-ROM or DVD disks. All such data should be accompanied by a metadata file and a covering letter giving details of the survey.

(k) Summary of File Formats

	<b>Mandatory</b>	<b>Preferred</b>	<b>Acceptable</b>
Text – Main body of report and add'l reports as appendices	PDF		
Tabular Data – Drilling logs, geo-chemistry, ground geophysics, etc	ASCII	tab delimited	comma delimited
Figures, Plans and Images	PDF, JPEG or TIFF	PDF for small plans; JPEG, TIFF for larger plans	
Airborne geophysical surveys – magnetic, radiometric, electromagnetic	ASEG-GDF (ASCII)		

## **SECTION 7. LAND AND FACILITIES**

### **7.1. Limitation on Rights to enter on Land**

A License does not entitle the Licensee to enter upon Land in the License Area held by a Landowner or an Occupant other than the Republic without making prior arrangements with such Person for access to or for the conduct of operations on such Land. Landowners or Occupants of Land are entitled as consideration for such access or operations to just, prompt and adequate compensation from a Licensee for any damage to the Land or any improvements thereon caused by or resulting from the activities of a Licensee including any long term loss in value of such Land.

### **7.2. Manner of Obtaining Access; Allocation of Costs**

- (a) If a Landowner or Occupant of Land refuses to permit a Licensee to have access to or to conduct Exploration operations on such Land or demands compensation in excess of that required in Section 7.1, the Licensee may petition the Ministry to intervene, setting forth all relevant facts and circumstances including any financial offers made to such Landowner or Occupant of Land and an explanation of why it is material to the Licensee's Exploration activities to have access to or to conduct operations on such Land. Appropriate procedures for the hearing and determination of such petitions will be made through subsequent regulations.
- (b) All costs incurred by a Licensee in connection with the acquisition of rights in Land to permit the conduct by the Licensee of Exploration, including the cost of participating in any hearing referred to in Section 7.3 are for the account of the Licensee. The hearing officer may assess the Landowner's or Occupant's costs against the Licensee if it determines that the compensation offered by the Lessee was unreasonably low.

### **7.3. Use of Resources from the Land**

The Licensee may from within the License Area utilize water, gravel, sand, clay, stone and timber (except for protected species) solely to the extent reasonably necessary for Exploration if the Licensee does so in accordance with applicable environmental Law and Section 10, provided that a Licensee may not (a) utilize any gravel, sand, clay or stone from a site to which a third party (other than the State) holds exploitation rights or from which a third party is currently extracting such material, except in either case on terms and conditions satisfactory to such third party, (b) sell or transfer any such material to any Affiliate or third party, (c) deprive any Person (even temporarily) of a constant and reasonable supply of usable water from a previously utilized traditional source without replacing it, or interfere with any water rights enjoyed by any user under any agreement with the Government, or (d) take any such material from Land in the License Area held by a Landowner or an Occupant other than the Republic without making prior arrangements with such Person for the right to do so.

### **7.4. Reservation of Rights to the Government**

The Government may construct or permit third parties to construct roads, highways, railroads, pipelines, power, telegraph and telephone lines, or other transport or communications facilities in and over a License Area on reasonable prior notice to the Licensee. The Government may construct or permit third parties to construct

other public facilities within a License Area after consultation with the affected Licensee. If a Licensee's work program is materially delayed by the work of such third parties, the Licensee may apply to the Minister for a compensating extension of its License Term. The Minister will authorize such extension if the affected Licensee can demonstrate that the delay occurred notwithstanding the Licensee's reasonable efforts to coordinate its work program with the work of such third parties. If an extension is granted, the affected Licensee will not be required to make additional payments under Section 12 or to incur additional Eligible Exploration Costs under Section 8.5 as a consequence of the extension. The affected Licensee is not entitled to recover any increased costs resulting from any such delay.

## **SECTION 8. OBLIGATIONS OF A LICENSEE**

### **8.1. Commencement of Exploration**

A Licensee must commence Exploration within 180 days of the Effective Date of its License or such later date as is provided for under Section 4.5.

### **8.2. Duty to Explore during License Term**

A Licensee must diligently carry on Exploration throughout the License Term in accordance with the substantive and timing provisions of its approved work program, these regulations, the Mining Law and other applicable Law.

### **8.3. Conduct of Exploration**

A Licensee must conduct all Exploration under its License using appropriate, modern and effective equipment and techniques. Exploration must be conducted in a proper and workmanlike manner, with due diligence, efficiency and economy, in accordance with the laws of Liberia and these regulations.

### **8.4. Amendment of Work Program and Budget**

- (a) A Licensee may seek amendment of its work program and budget at any time. A request for amendment must include a description of the nature and impact of the proposed amendments and a copy of the complete work program and budget marked to show all additions and deletions from the work program and budget as most recently approved by the Minister, and must be accompanied by the review fee provided for in Section 12.3. If the amendment involves any activities subject to EPA review, the Licensee must concurrently file with the EPA an application for an amended Environmental Impact Assessment license under Section 6 of the EPA Act, evidence of publication of a notice of intent under Section 7 of the EPA Act, and a project brief under Section 8 of the EPA Act (or such other submissions as EPA may at the time require to commence a review of the proposed amended work program for possible environmental consequences), each of which shall reflect the Licensee's work program as proposed to be amended.
- (b) The procedures to be followed in connection with the review and approval of such proposed amendment shall thereafter be the same as those required under Section 5.1 for modifications of the work program and budget in connection with the addition of Additional Areas to the License Area.

#### 8.5. Eligible Exploration Costs

- (a) A Licensee must incur Eligible Exploration Costs in the first year of a License Term in an amount equal to the Adjusted Per Acre Expenditure Requirement for such year multiplied by the number of acres in the original License Area.
- (b) A Licensee must incur in the second and each subsequent year of a License Term Eligible Expenditure Costs in an amount equal to the Adjusted Per Acre Expenditure Requirement for such year multiplied by the adjusted number of acres in the License Area for such year. An extension of the Initial Term or the Extended Term by operation of Section 4.5, 4.6, 5.2, 7.4 or 20.5 does not increase the obligation of a Licensee to incur Eligible Expenditure Costs.
- (c) The incurrence of Eligible Exploration Costs will be determined on a cash basis and not an accrual basis, even if goods or services purchased during a year are not delivered until a following year.
- (d) The number of acres in a License Area for a given year of the License Term must be determined on the basis that any portion of the License Area added to or removed from the License Area during a year of the License Term is weighted (for each such area) by multiplying the actual number of acres in such area by a fraction, the numerator of which is the number of days that such area is included in the License Area during such year and the denominator of which is 365.

#### 8.6. Transactions with Affiliates; Internally Charged Costs

- (a) A Licensee may not enter into directly or indirectly any transaction or group of related transactions (including without limitation the purchase, lease, sale or exchange of properties of any kind or the rendering of any service) with any Affiliate, except in the ordinary course and pursuant to the reasonable requirements of the Licensee's business and upon fair and reasonable terms no less favorable to the Licensee than would be obtainable in a comparable arm's-length transaction with a Person not an Affiliate if the value of such transaction would affect a determination of whether a Licensee has complied with its obligations under Section 8.5. Compliance with the preceding sentence by a Licensee does not establish compliance by the Licensee with other Law applicable to transactions by the Licensee with affiliates.
- (b) A Licensee may not charge to the costs of the Work amounts for the provision of goods or services by the Licensee in excess of the amounts an Affiliate would be permitted to charge by the terms of Section 8.6(a).

#### 8.7. Health and Safety; Labor Law

- (a) In connection with the Work, a Licensee must (and must require its contractors to) (i) comply with applicable health and safety Law of the Republic, and (ii) install, maintain and use such modern health and safety devices and equipment and practice such modern health and safety procedures and precautions (including regular safety training instruction for its employees) as required by applicable Law and as are in accordance with generally accepted developed country exploration and engineering practices. This Section is to be interpreted as requiring a Licensee to consider the impact of Exploration on the health and safety of the residents of the area in

which it is Exploring as well as the health and safety of those carrying out Exploration.

- (b) In connection with the Work, a Licensee must (and must require its contractors to) comply with applicable Law setting forth the duties of an employer and the rights of employees and must not hire (and may not suffer its contractors to hire) non-Liberian citizens for unskilled positions.
- (c) A Licensee must notify (and must direct its contractors to notify) the appropriate Government agency immediately of any death of or serious injury to any employee that is reasonably attributable to his or her participation in the Work. For the purposes of this Section 8.8(b), a serious injury shall mean an injury that is likely to cause the injured employee to lose 3 or more working days.

#### 8.8. Secondment of Ministry Employees

The Ministry may from time to time second up to two professionals (mining engineers or geologists) from the Ministry to a Licensee's operations with per diem allowances to be paid by such Licensee in such amounts as from time to time are determined by the Minister after consultation with Licensees the Minister and applicable to all Persons seconded to all Licensees under authority of this Section. Such allowances may differentiate among secondees based on whether the terms of the secondment require the secondee to be in the field or permit the secondee to reside at his or her normal residence, and may differentiate among secondees based on seniority and prior experience.

#### 8.9. Indemnity

A Licensee must indemnify and hold harmless the Government and its officers and agents from all claims and liabilities for death or injury to Persons or damage to property from any cause whatsoever arising out of its Exploration operations.

#### 8.10. Licensee an Eligible Applicant; Certain Licensees to be Liberian Corporations

A Licensee must at all times be an "Eligible Applicant" for a Class A Mining License under the Mining Law. A Licensee under a License awarded after September 1, 2008 must at all times be a corporation organized and subsisting under the laws of the Republic.

### **SECTION 9. SOCIAL OBLIGATIONS OF A LICENSEE**

#### 9.1. Employment and Training

A Licensee must provide on a continuing basis for the training of its Liberian employees, in order to qualify them for skilled, technical, administrative and managerial positions. A Licensee must (and must cause its contractors that are not Liberian owned to) employ and give preference to the employment of qualified Liberian citizens for skilled positions as and when such persons become available. A Licensee (and such contractors) shall advertise in at least two Monrovia newspapers for all such positions expected to have a term of at least one year, and shall maintain written records as to the number of local candidates applying and why they were determined to be unsuitable.

## 9.2. Liberian Goods And Services

When a Licensee purchases goods and services related to Exploration to be performed under its License, it must (and must cause its major contractors to) give preference to the maximum extent practical to materials and goods produced in Liberia, and to services provided by Liberian citizens resident in Liberia or entities incorporated or formed in Liberia where Liberian citizens resident in Liberia are entitled to receive 60% or more of all profits from such entities, provided that such goods and services are comparable in quality, terms, delivery, service, quantity and price, or better than, goods and services obtainable from other sources. Subject to the foregoing, a Licensee and its contractors may freely contract with any Person.

## 9.3. Local Community Enhancement Obligations

- (a) A Licensee must encourage economic and social development in or adjacent to its License Area during the term of its License and must provide for meetings on a regular basis between representatives of the Licensee and of local communities affected by its Exploration operations for the purposes of reasonably minimizing an adverse impact of such operations upon local communities.
- (b) A Licensee must expend each year during the License Term an amount equal to 1% of its approved budget for such year on the construction, maintenance or rehabilitation of schools or clinics within its License Area or within other local communities affected by the Licensee's Exploration. The expenditure may be made only after consultation with local officials and traditional leaders.

## 9.4. Infrastructure Consultation

A Licensee must consult with the responsible county officers of the [Ministry of Transportation] before decommissioning any access road and restoring it to a natural condition in order to determine whether the [Ministry of Transportation] wishes to adopt the access road as a public right-of-way and assume responsibility for its maintenance. If the [Ministry of Transportation] agrees in writing within 30 days to assume responsibility for the access road, the Licensee is excused from any obligation to restore the road bed to its natural condition, and instead shall pay over to the [Ministry of Finance] for credit to the general revenues the amount estimated from time to time by the Minister as being 85% of the average per mile restoration cost for exploration access roads, multiplied by the number of miles of access road covered by the agreement.

## **SECTION 10. ENVIRONMENTAL PROTECTION**

### 10.1. Duty of a Licensee

All operations of a Licensee in connection with Exploration must comply with accordance with Sections 8.1 through 8.3 of the Mining Law (as applicable), other applicable environmental law, regulations and treaty obligations of the Republic and the terms of any Environmental Impact Assessment license issued to it by the EPA. A Licensee must in any event take preventive or corrective measures to ensure that all streams and water bodies within or bordering Liberia, all dry land surfaces, and the atmosphere be protected from pollution, contamination or damage resulting from Exploration operations pursuant to its License. If the Exploration operations of a Licensee violate any requirement referred to in the two precious sentences or

otherwise damage the environment, the Licensee must proceed diligently to mitigate and/or restore the environment as much as possible to its original and natural state and shall take preventive measures to avoid further damage to the environment.

#### 10.2. Annual Environmental Audit

- (a) A Licensee must deliver to the Minister, within 60 days after the end of each year of the License Term and at the end of the License Term if it does not end on an anniversary of the Effective Date, an environmental audit and assessment of the License Area, performed by an environmental consultant who is not a regular employee of the Licensee or an Affiliate of the Licensee a registered engineer with at least 10 years of experience in making environmental compliance assessments and audits. The assessment and audit are for the purpose of determining whether the Licensee's work program is being conducted in conformity with applicable environmental law and regulations, and whether the schedule of remediation and restoration work set forth in the Licensee's work program is being maintained. The assessment and audit shall be accompanied by the Licensee's report of the amounts expended on restoration at each
- (b) The assessment and audit must cover (i) all locations at which the Licensee has maintained during the year then ended facilities and equipment engaged in or supporting Exploration (such as base camps and equipment pool locations, but excluding urban office locations) and (ii) locations randomly selected by the auditor from a list certified as complete and correct by the Licensee's chief operating officer of all locations at which the Licensee has conducted and completed drilling or other invasive exploration work during such year. The locations included pursuant to clause (ii) of the preceding sentence must include at least [10]% of all such locations (and must include at least two such locations). The assessment and audit for each year shall be accompanied by the Licensee's report of the amounts expended on restoration and remediation at each location covered by the assessment and audit.
- (c) If any such assessment and audit for any year identifies any location as not in compliance with the requirements of Section 10.1, the Licensee must promptly remedy such situation, and must thereafter cause the auditor to perform a second assessment and audit to be performed covering (i) the locations at which remedial work was performed and (ii) if any non-complying location was a location included pursuant to clause (ii) of Section 10.2(a), with respect to [10]% of the locations referred to in such clause (ii) and not previously audited (but not less than two such locations). The cycle required by the preceding sentence must be repeated until an assessment and audit show no further non complying locations.

#### 10.3. Security for Remediation and Restoration

- (a) Notwithstanding any finding of financial capacity of a Licensee under Section 4.2(c), a Licensee must before beginning Exploration provide security equal to 110% of the estimated cost of the closure management component of its approved work program to the extent the Work contemplated by such plan is to be performed after the end of its License Term, as such amount is reasonably determined by the Minister. The Minister's determination will take

into account estimated inflation over the License Term. The security must be provided as a letter of credit substantially in the form of Schedule 10.3 [to come] or in another form satisfactory to the Minister and the Minister of Finance.

- (b) A Licensee shall increase proportionately the amount available under any security delivered pursuant to this Section 10.3 upon the addition of any areas to the License Area pursuant to Section 5.1 without requirement of any notification from the Minister. A Licensee is not entitled to a reduction in the amount available under any such bond or letter of credit upon any reduction of the License Area under its License.
- (c) The Minister may require additional security from a Licensee If (i) following the completion of any environmental assessment and audit pursuant to Section 10.2 or (ii) in connection with any modification under Section 5.1, 5.2, 8.4 or 13.2 of the Licensee's original approved work program, it reasonably appears to the Minister that the costs to be incurred after the end of the relevant License Term in carrying out the closure management component of the Licensee's Environmental Management Program will exceed 90% of the posted security,
- (d) The Minister may draw under any security provided by a Licensee under this Section 10.3 solely to provide funds to be applied to discharge a failure of the Licensee to perform its environmental restoration and remediation obligations under Section 10.
- (e) The Minister shall release any security provided by a Licensee under this Section 10.3 at such time after the end of the License Term that the Licensee delivers an environmental audit and assessment complying with the requirements of Section 10.2 that identifies no non-complying locations and there is no outstanding determination by the Minister or the EPA that the Licensee has failed to perform its environmental restoration and remediation obligations under Section 10. If no such environmental audit and assessment has been delivered within 210 days after the end of the License Term, the Minister may call on such security in its entirety and hold the proceeds for application to any future environmental damage or defects discovered at any location. Any unused amount shall be returned to the Licensee on the third anniversary of the end of the License Term.
- (f) If under any law or regulation setting forth the powers of the EPA the EPA determines that security is to be provided for environmental remediation and restoration, the Minister and the head of the EPA will determine whether these regulations or the requirements of the EPA take priority.

## **SECTION 11. BOOKS AND RECORDS AND RELATED OBLIGATIONS OF A LICENSEE**

### **11.1. Books and Records; Accounting**

- (a) A Licensee must maintain books of account and financial records relating to the Work in conformity with GAAP or IFRS, as it may elect, and in compliance with all applicable requirements of Law. A Licensee must maintain its books of account and financial records in Dollars, and all amounts paid or received,

and obligations incurred or transactions carried out, in Liberian Currency or in any other non-Dollar currency shall be converted to Dollars in accordance with and pursuant to GAAP or IFRS, as the case may be, based upon the Prevailing Market Rate of Exchange of Dollars and any such currency at the date of the applicable transaction.

- (b) The books of account and financial records of a Licensee relating to the Work must be maintained in a manner that will enable the Minister or its designee to determine the Licensee's compliance with Section 8.5(a) through 8.5(c) and that clearly identifies each transaction to which the requirements of Section 8.6(a) or 8.6(b) or the exclusions contained in the definition of Eligible Exploration Costs are applicable.
- (c) If a Licensee holds more than one License, it must maintain independent books and records, including books of account and financial records, for its operations under each License in such a manner as will permit the Minister to determine the compliance of the Licensee with the requirements of these regulations on a separate basis for each License.

### 11.2. Currency of Payment

A Licensee must make payments of sums it collects on behalf of the Government, including, but not limited to, taxes withheld from the salaries or wages of its employees, and any other sums payable to other Persons from which a portion is required by Law to be withheld or retained by it on behalf of the Government, in the currency in which such salaries or wages or such other sums are paid. All other payment obligations of a Licensee to the Government, including all amounts due under the express provisions of these regulations, must be discharged by the payment of Dollars. Any obligation originally stated in Liberian Currency must be converted to Dollars at the Prevailing Market Rate of Exchange. For purposes of determining compliance by the Licensee of required payments in Liberian Currency under any Law (including without limitation any Law determining minimum wages) the amount of any payment by a Licensee made in Dollars shall be converted to Liberian Currency at the Prevailing Market Rate of Exchange as of the date of payment.

### 11.3. Location of Books and Records

A Licensee must have an office in Monrovia and must inform the Minister promptly of the location of such office and of any changes in such location. A Licensee must maintain at such office (or at such other location in Liberia as the Minister may approve) originals or copies of all maps, geological, mining or other earth science reports and mineral analyses (together with all field data which support such reports or data), production records, retained portions of all core and other field samples, marketing and financial reports and other data obtained or compiled by or on behalf of such Licensee as a result of exploration operations under its License until such time as delivery of those items is made to the Minister or the Minister's designee under Section 6 (or to a repository designated under Section 13.4). A Licensee must also maintain at its office in Monrovia original or copies of all books of account and financial records of the Licensee relating to its License and the Work performed or to be performed thereunder. The Minister or the Minister's designee is entitled to full access to all such information, material, books and records on at least one Business Day's prior written notice to the Licensee.

#### 11.4. Inspection

- (a) Agencies of the Government may monitor a Licensee's operations from time to time to determine compliance with applicable law and regulations, and Government personnel may, without prior notice but at reasonable times of day and without materially interfering with the normal conduct of a Licensee's operations, visit and inspect any facilities or operations of a Licensee in Liberia. The failure of an agency to make any such inspection or ascertain in any such inspection the existence of any breach by the Licensee of any of its obligations will not affect the ability of the Government to require full compliance by the Company with such obligations.
- (b) As a condition to permitting any such inspection, a Licensee is entitled to insist upon (i) receipt of a copy of written instructions to conduct such inspection from an official senior to the official purporting to conduct the inspection, manually and legibly signed, and (ii) viewing and copying the identification of the persons claiming the right to conduct such inspection.

#### 11.5. Report of Eligible Exploration Costs

Within three months after the end of each year in the License Term, a Licensee must deliver to the Minister a statement showing in reasonable detail on a cash basis all Eligible Exploration Costs incurred during such year, with schedules setting forth each transaction described in Section 8.6(a) or (b) that is included in such statement, and setting forth costs incurred that are excluded from Eligible Exploration Costs by virtue of the second proviso in the definition of such term. The statement must be accompanied by a report from a member office of an internationally recognized accounting firm to the effect that (a) it has reconciled the expenditures shown on such statement with expenditures recorded in the books of account or financial records of the Licensee, (b) the amounts reported as Eligible Exploration Costs in such report appear to exclude all amounts required to be excluded by the definition of such term, and (c) such books of account and financial records appear to be maintained in compliance with all of the requirements of Section 11.1. The delivery of such a statement or report does not in any way imply acceptance of such statement or report by the Minister, or preclude the Government from auditing the licensee's books of account at the Government's expense.

### **SECTION 12. SURFACE RIGHTS PAYMENTS AND OTHER FEES AND TAXES**

#### 12.1. Payments for Surface Rights

- (a) A Licensee must make an annual payment (a "Surface Rights Payment"), in advance, for the right to Explore the License Area. Payment in full of the Surface Rights Payment for the initial year of the Initial Term is a condition precedent to the issuance of a License. Subsequent annual payments during the Initial Term are due and payable by the Licensee on the first day of each of the second and third years of the License Term, it being understood that the so-called "first year" of the License Term may be longer than a calendar year by virtue of the extensions of such "first year" that may occur by operation of Section 4.5 and/or 4.6.

- (b) If the Term of the License is extended pursuant to Section 5.2, the initial annual Surface Rights Payment is due on the later of (i) the first day of the Extended Term and (ii) the day on which the Minister approves the Licensee's work program for the Extended Term, and the second annual Surface rights payment is due on the first anniversary of such day.
- (c) The Surface Rights Payment for any year of a License Term commencing prior to June 1, 2009 is US\$0.20 per acre included in the License Area.
- (d) The Surface Rights Payment for any year of a License Term commencing in the twelve month period beginning July 1, 2009 or in any following 12 month period shall be US\$0.20 per acre adjusted, as of July 1 in each year, in proportion to the increase in value, if any, of the "GDP Implicit Price Deflator" as published by the U.S. Department of Commerce, Bureau of Economic Analysis as the "revised" GDP Implicit Price Deflator for the fourth quarter of the preceding calendar year from the value of the "revised" GDP Implicit Price Deflator published for the fourth quarter of 2007. The Minister's determination of such change in value and the Minister's determination of the acreage in a License Area is final, absent manifest error.
- (e) No abatement or refund of a Surface Rights Payment for any year will be made as a consequence of the surrender by a Licensee of any portion of a License Area or any termination of its License.
- (f) Surface Rights Payments on any areas added to a License Area pursuant to Section 5.1 will accrue from the date such area becomes part of the License Area and will be due and payable for the balance of the current year of the License Term 10 days following notice from the Minister that such area has become part of the License Area.

#### 12.2. License Fee

A annual License fee of US\$5000 is due and payable in advance for each year of the License Term. Payment in full of the License fee for the initial year of the Initial Term is a condition precedent to the issuance of a License. Subsequent annual payments are due and payable by the Licensee on the due date of each Surface Rights Payment due under Section 12.1. No abatement or refund of the annual Licensee fee will be made as a consequence of the surrender by a Licensee of any portion of a License Area or any termination of its License.

#### 12.3. Application Processing Fees

A Licensee must pay the following fees for the processing of applications made under these regulations.

- (a) for the processing of any application to add one or more Additional Areas to the License Area under Section 5.1, or to extend a License Term under Section 5.2, US\$5,000;
- (b) for the processing of any application under Section 8.4 to amend an approved work program and budget, US\$2,500;
- (c) for the procession of any application to undertake a pilot mining and recovery program under Section 13.2, US\$10,000 plus the fees of the Competent

Person selected by the Minister as contemplated by Section 13.2(f), whether such application is filed separately or together with an application for an Extended Term;

- (d) for the processing of any assignment or transfer of a License, or any request for a consent to an assignment or transfer of a License, US\$10,000; and
- (e) for the processing of any request to approve the transfer of Management Rights with respect to, or an economic interest in a Licensee, \$2,500

The Ministry will not process any item referred to in this Section 12.3 until it has received conformation from the Ministry of Finance that the required fee or fees have been paid.

#### 12.4. Method of Payment of Amounts due under Section 12.1 or 12.2

All payments due from a Licensee under this Section 12 must be made in the manner from time to time specified by the Minister [and the Minister of Finance??].

#### 12.5. Taxes, Duties, Fees, etc

The issuance of a License does not excuse a Licensee from paying, and a Licensee must pay all direct and indirect income, profit, excess profit, additional profit, gains, capital gains, corporation, dividend, interest, financing, net worth, sales, transaction, payroll, import, export, customs, consul, inspection, value added, consumption, supply, use, turnover, severance, stumpage, cash flow, rental, land rental, surface rental, property, stamp, withholding and other taxes, duties, fees, levies, excises, rates, charges, imposts, surcharges, royalties and other Government-imposed revenue payments of whatever nature and however called from time to time imposed or required by the Revenue Code of Liberia or other applicable Law, whether paid to the Government or to any other Person at the directive of the Government.

### **SECTION 13. CERTAIN RIGHTS OF LICENSEES**

#### 13.1. Right to Take Samples

A Licensee may obtain, either directly or from others who hold exploration or prospecting licenses issued and in effect under the Mining Law, and freely export (where it decides not to have tests conducted within Liberia) samples recovered from the License Area or adjacent areas for analysis by recognized laboratories or research institutes so long as the samples are of no commercial value and have been inspected and certified by the Liberian Geological Survey. The Licensee will not be required to pay royalties or other Taxes and Duties on such samples. The right set forth in this section extends to the taking by or on behalf of the Licensee of bulk samples (not in excess of [ ] metric tons) from within its License Area so long as they are solely for analysis and verification of economic beneficiation or other processing techniques with respect to a mineral resource discovered by the Licensee and within the scope of its License.

#### 13.2. Pilot Plant Mining and Bulk Sampling

- (a) If a Licensee with diamond exploration rights identifies a diamond prospect within its License Area and the Licensee is unable to determine through normal sampling techniques whether the mineral content is high enough to

make exploitation of the resource substantially as a whole economically feasible, the Licensee may apply for permission under this Section 13.2 to conduct pilot diamond mining and recovery. The Minister will consider any such application only if the Licensee has prior to the application fulfilled its approved work program and budget expenditure obligations for the License Area and is otherwise in compliance with these regulations and applicable Law.

- (b) To apply, the Licensee must submit:
- (i) to the Minister (1) a proposed work program and budget for the project substantially satisfying the requirements of Schedule 4.1, and (2) a map of the affected portion of the License Area, in such scale as may then be specified by the Minister, clearly setting forth the area to be affected by the project, the location of the sampling program, and the facilities and access roads to be constructed in connection with the project, all based on a GPS location system approved by the Minister or an actual survey, and
  - (ii) to the EPA, an application for an amended Environmental Impact Assessment license under Section 6 of the EPA Act, evidence of publication of a notice of intent under Section 7 of the EPA Act, and a project brief under Section 8 of the EPA Act, each of which shall reflect the Licensee's proposed work program submitted pursuant to clause (i) of this Section 13.2(b) (or such other submissions as EPA may at the time require to commence a review of the proposed work program for possible environmental consequences), each of which shall reflect the Licensee's proposed work program.
- (c) An application under Section 13.2(a) must, for each site at which pilot mining and recovery is proposed:
- (i) provide an analysis from a Competent Person that the information provided to the Ministry under Section 6 supports the Licensee's conclusion that it would be necessary to carry out pilot diamond mining and recovery operations at the site;
  - (ii) set forth a proposed mining and recovery work program and budget that will result in bulk sampling the resource in a scientific manner and recording sampling data and data from the processing of samples in such manner as to permit a Competent Person to draw statistically valid conclusions about the probable distribution of diamonds throughout the mineral resource;
  - (iii) demonstrate in the work program an understanding of applicable environmental Law, and propose an Environmental Management Program that (1) complies with the requirements of Sections 8.1 through 8.3 of the Mining Law, (2) is otherwise reasonably designed to minimize the overall impact of the work program on the environment of the License Area and surrounding areas, and (3) includes a closure management program that provides for timely and effective remediation and restoration of all areas affected by the Work on the

- assumption that the Licensee will not proceed to seek a mining license for the site;
- (iv) demonstrate that it possesses has the financial and technical resources to carry out such a pilot mining and recovery program, or has firm contractual commitments with responsible financiers and suppliers to provide, the financing and technical capacity to carry out its proposed work program, and pay the processing fee required under Section 12.3;
  - (v) make provision satisfactory to the Minister for compliance at the expense of the Licensee with the Kimberley Process Certificate Scheme;
  - (vi) enter into a written agreement with the Minister satisfactory to the Minister providing for the full time presence at the site of a representative of the Ministry who will monitor compliance of the Licensee with the approved pilot mining and recovery program;
  - (vii) enter into a written agreement with the Minister satisfactory to the Minister providing for the payment of royalty on all sales of recoverable mineral content resulting from pilot mining and recovery at the then applicable royalty rate imposed under applicable Law; and
  - (viii) make in writing to the Minister the representations and warranties set forth in Schedule 14.
- (d) Approval of the pilot mining and recovery work program and budget shall follow the same process as outlined in Sections 4.3(a) and (b) and Section 4.4.
  - (e) Only costs associated with pilot mining and recovery that exceed the amount recovered from the sales of recovered material (after payment of royalties) may be taken into account in determining compliance by a Licensee with the Adjusted Per Acre Expenditure Requirement in any year of its License Term. The salary, accommodations and per diem allowance for the inspector referred to in clause (vii) of Section 13.2(c) are for the account of the Licensee and will be set at the level reasonably determined by the Minister to be necessary to obtain the services of individuals with suitable prior experience.
  - (f) The Minister may also apply the requirements of this Section 13.2 (with such changes as the Minister deems appropriate on the advice of a Competent Person selected by the Minister) to
    - (i) a pilot mining and recovery plant to be used to determine the economic feasibility of developing a non-diamond mineral resource in which the recoverable mineral appears to be randomly distributed on a “nugget” basis if the Competent Person has advised the Minister in writing that there are no practical less invasive methods of determining whether the resource could be developed, or
    - (ii) a program for recovering bulk samples in excess of (100) cubic meters tons for analysis and verification of economic beneficiation or other

processing techniques if the Competent Person has advised the Minister in writing that there are no practical less invasive methods of determining whether the resource could be developed.

### 13.3. Access to Information

- (a) A Licensee is entitled to have access to or obtain copies of all geologic information relating to the License Area that is owned by or subject to the control of the Ministry, subject to any confidentiality obligations required to be observed by the Ministry. The Ministry may establish uniform charges reasonably related to its costs of indexing and preserving such information.
- (b) A prospective Licensee is entitled to have access to or obtain copies of all geologic information relating to areas in which it is interested that is owned by or subject to the control of the Ministry, subject to any confidentiality obligations required to be observed by the Ministry. The Ministry may establish uniform charges for the provision of information to prospective licensees that may differentiate according to the nature of the material to be provided, and the volume of information available, but that does not otherwise discriminate as between prospective Licensees seeking similar information
- (c) The Ministry makes no representation or warranty as to the accuracy of any information provided by it under this Section 13.3.

### 13.4. Confidentiality

- (a) The Ministry will hold confidential all information and materials provided by a Licensee to the Ministry pursuant to Section 6 during the term of such Licensee's License. If a Licensee applies to convert its License into a mining license for any portion of the License Area prior to the end of its License Term such information (to the extent applicable to such portion) will be kept confidential until the Licensee's application is granted, finally rejected or withdrawn. If the application is granted, the confidential status of such information (to the extent applicable to the area covered by such mining license) will be as provided in the mining license or mineral development agreement covering such area.
- (b) Information that (i) was publicly known or was otherwise known to the Ministry prior to the time of such disclosure and not subject to a confidentiality obligation, (ii) subsequently becomes publicly known through no act or omission by the Ministry, (iii) otherwise becomes known to the Ministry, or (iv) has been disclosed pursuant to generally applicable Law or a final order of any court having jurisdiction is not subject to the confidential requirements of this Section.
- (c) A Licensee may arrange to have information and materials delivered by it under Section 6 held in Monrovia by a third party satisfactory to the Minister during the period of confidentiality provided for in this Section, at the Licensee's sole cost and expense. Any such information and materials must be accessible during normal business hours to the Minister or Ministry personnel designated in writing by the Minister to the Licensee and the third party custodian, but the third party need not make it available to Ministry employees generally or other officials or employees of the Government. The

Licensee must notify the Minister whenever information or materials are delivered to such third party, specifying in reasonable detail what is being delivered and the provisions of these regulations to which the delivery is responsive, and the third party must confirm to the Minister the receipt of such information or materials (indicating the nature of the items received), within one Business Day following receipt thereof. At such time as information or materials so deposited are no longer confidential, the Licensee must cause custody of such information and materials to be transferred to the Minister or the Minister's designee, at the Lessee's sole cost and expense. The Government has no responsibility for any failure of any such third party to maintain the confidentiality of information or materials held by it. The Minister may limit the number of third parties eligible to act under this paragraph to no more than two Persons.

13.5. Approvals Not to be Unreasonably Withheld; Right to Administrative Hearing

- (a) The Minister may not unreasonably withhold approvals required to be given under these regulations to permit a Licensee to conduct Exploration.
- (b) If a Licensee believes that it has complied with the applicable provisions of the Mining Law and these regulations and that an approval of the Minister required under these regulations is being unreasonably withheld, the Licensee is entitled to request a hearing by notice to the Minister and the Minister of Justice. The notice must contain a summary in reasonable detail of the facts expected to be relied upon by the Licensee to establish that an approval required to be given by the Minister is being unreasonably withheld.
- (c) Upon receipt of notice requesting a hearing, the Minister shall cause a hearing to be held in compliance with the Administrative Procedure Act, Section 82 of the Executive Law (Liberia Revised Code, Vol II), to commence not more than 45 days following the date of such notice. The Licensee shall be given at least 20 days notice of the date such hearing is scheduled to commence, which notice must comply in all material respects with the requirements of Section 82.4 paragraph 1 of the Executive Law (specifying the content of a notice of hearing given by an agency of the Government). Thereafter the hearing schedule shall be established by the hearing officer designated by the Ministry after consultation with the Ministry and the Licensee.
- (d) If a final determination following such hearing is favorable to the Licensee, the hearing officer will order the necessary approval granted and will make an appropriate adjustment to the period available for Exploration under the License in question. A Licensee is not entitled to such an order and adjustment if the Minister is determined to have a legitimate reason for withholding an approval, even though one or more other reasons advanced by the Minister for withholding approval were determined to have been unreasonable.
- (e) If a final determination of the Ministry following such hearing is adverse to the Licensee, the Licensee shall have such right of appeal to a court of competent jurisdiction as is provided in Section 82.8 of the Executive Law. Licensees are requested to note that review by a court is subject to the limitations contained in clause 7 of Section 82.8.

## **SECTION 14. REPRESENTATIONS AND WARRANTIES**

The Minister will require a Licensee to make the representations and warranties set forth in Schedule 14 when specified in these regulations, or in connection with any with any consent or approval sought by a Licensee under these regulations if the Minister determines such requirement to be appropriate under the circumstances for the protection of the interests of the Government. The Minister may at any time it requires a Licensee to make the representations and warranties set forth in Schedule 14 require such additional representations and warranties as the Minister determines to be reasonable under all the facts and circumstances relating to such Licensee and the consent or approval being sought. The Minister may refuse any consent or approval requested by a Licensee under these regulations if the Minister determines that any representation or warranty given by a Licensee in connection with such consent or approval is false or incorrect.

## **SECTION 15. ASSIGNMENTS AND TRANSFERS**

### 15.1. General Rules

Except as provided in this Section 15, (a) no sale, assignment, pledge or other transfer of the rights of a Licensee under its License, by operation of law or otherwise, and (b) no direct or indirect transfer of Management Rights with respect to a License, or of the right to share in profits of a Licensee, by operation of law or otherwise, is valid unless it has received the prior written consent of the Minister.

For the purpose of this Section 15:

- (a) a “Change in Control” with respect to a Licensee occurs if a Person or Group other than the Person or Group that had Control of the Licensee at the time its License was granted acquires Control of the Licensee, or if there is a Change of Control within the Group that Controls the Licensee;
- (b) a Change in Control” within a Group is deemed to occur if there is a change in the beneficial ownership of at least 33 1/3% of the Management Rights of such Licensee held within such Group (including both a change that comes about by expansion of a Group and a change that comes about through a transfer of Management Rights within a Group);
- (c) a “Controlling Person” is a Person who Controls a Licensee or who is a member of a Group that Controls the Licensee;
- (d) a “holder” of a Management Right includes any Person who, directly or indirectly, through any contract, arrangement, understanding, relationship, or otherwise has or shares the power to direct the exercise of such Management Right;
- (e) a Person holding the right to share in distributions from a Person that holds a right to share in the profits of a Licensee has the right to share in the profits of the Licensee if the second Person passes through distributions from the Licensee to the first Person without reflecting in the distribution its own income and expenses, or if the right to share in the profits of the Licensee is represents a principal asset of the second Person.

- (f) if a trust or other entity holds the rights to share in the profits of a Person, the beneficiaries of such trust are deemed to hold the rights to share in the profits of that Person.

If Person A Controls Person B, and Person B has a 25% voting interest in a Licensee (assumed to be an ordinary corporation), then Person A is deemed to hold 25% of the Management Rights in the Licensee. And if Person Z Controls Person A, then Person Z is deemed to hold 25% of the Management Rights in the Licensee, and a transfer of Person Z's rights to a third party is within the scope of Section 15.2(c). But if there is no Person (or Group) that Controls Person B, then a Licensee does not have to look beyond Person B for persons who may be said to have Management Rights with respect to the Licensee.

Similarly, if Person A is entitled to a 10% share of the profits of Person B, and Person B's sole asset is a 25% interest in a Licensee (assumed to be an ordinary corporation), then Person A is deemed to hold the rights to share in 2.5% of the profits of Licensee.

#### 15.2. Transfers permitted Without Prior Consent

- (a) The transfer of a License as a consequence of a merger or consolidation of a Licensee with another entity does not require such consent if the transaction does not result in a Change of Control, the surviving entity is a corporation organized under the laws of Liberia that delivers to the Minister concurrently with such merger or consolidation (x) written representations and warranties as to such corporation as set forth in Schedule 14 made immediately after giving effect to such merger or consolidation, and (y) its written acceptance of such Licensee's work program and budget, as then approved under these regulations, and such representations and warranties were true and correct when made.
- (b) A transfer in its entirety of a License to an Affiliate of the Licensee does not require such consent if the beneficial owners of the right to share in profits of the Affiliate and the holders of Management Rights with respect to the Affiliate are the same as for the Licensee immediately prior to such action, the Affiliate is a corporation organized under the laws of Liberia that delivers to the Minister concurrently with such transfer (i) written representations and warranties as to such corporation as set forth in Section 14 made immediately after giving effect to such transfer, and (ii) its written acceptance of such Licensee's work program and budget, as then approved under these regulations, and such representations and warranties were true and correct when made.
- (c) A direct or indirect transfer of Management Rights of a Licensee does not require such consent if it does not result in a Change of Control, or in a Prohibited Person directly acquiring Management Rights in the Company or , a Prohibited Person being deemed to have acquired the right to exercise more than 5% of such Management Rights.
- (d) A direct or indirect transfer of the right to share in the profits of a Licensee does not require such consent if it does not result in a Prohibited Person directly holding the right to share in profits of the Licensee or a Prohibited Person or the members of the immediate family of such Prohibited Person

being deemed entitled to receive in excess of 5% of the profits of the Licensee.

### 15.3. Right to Encumber

A Licensee may mortgage, charge or otherwise encumber all but not less than all of its interest under its License for the purpose of raising, from one or more Affiliates or third parties, funding for the performance of its exploration obligations if the holder of such mortgage, charge or other encumbrance has agreed in writing with the Minister prior to the granting to it of such mortgage, charge or other encumbrance that a foreclosure or other exercise of remedies under such mortgage, charge or other encumbrance against the rights of the Licensee under its License may occur only if the exercise of remedies results in a transfer of 100% of the interest of the Licensee in its License to a corporation organized and validly subsisting under the laws of Liberia, and the transferee,

- (a) delivers to the Minister concurrently with such transfer (1) written representations and warranties as to such corporation as set forth in Section 14, made as of the effective date of such transfer, and (2) its written acceptance of such Licensee's work program and budget and its obligations under each license or permit issued to such Licensee by the EPA, and
- (b) has in the reasonable judgment of the Minister the technical skills, experience, and financial resources necessary to carry out such work program and budget in accordance with the requirements of these regulations.

No transfer of a License referred to in this Section 15.5 may occur unless the Minister is satisfied that the transfer complies with the requirements set forth above

### 15.4. Responsibility of Licensee

It is the responsibility of the Licensee and its Controlling Persons to ensure that Management Rights with respect to the Licensee and the rights to share in the profits of the Licensee are structured and held in such a manner that transfers of such rights are made in compliance with this Section 15.

### 15.5. Disclosure; Consents; Exceptions; Fees

- (a) A Licensee must give notice to the Minister of each transfer referred to in Section 15.2(c) or (d) within 20 days of it becoming known to the Licensee or a Controlling Person, without regard to whether the consent of the Minister was required for such transfer.
- (b) If the Minister questions whether a transfer referred to in Section 15.1 occurred without a required consent, the relevant Licensee has the burden of demonstrating that consent was not required.
- (c) A transfer does not comply with the requirements of this Section 15 if any representations and warranties required to be delivered in connection with such transfer were not true and correct as of the date as of which they were made.

- (d) If a Licensee determines that a transfer occurred that did not comply with this Section 15, and reports such transfer to the Minister promptly thereafter, the Licensee is not in breach of its obligations under these regulations if within 60 days of such report it takes such actions as will result in such unpermitted transfer being reversed or otherwise remedied to the satisfaction of the Minister.
- (e) The existing Licensee is responsible for the payment of all fees payable under Section 12.3 in connection with any transaction contemplated by this Section.

## **SECTION 16. SUSPENSION OF WORK**

### 16.1. Power of Minister to Suspend Work

The Minister may suspend all or a portion of the Work being carried out pursuant to a License on the terms and conditions set forth in this Section 16.

### 16.2. Grounds for Suspension

If any of the following events or conditions relating to a Licensee or to Work being carried out under its License has occurred and is continuing, the Minister may order the suspension of all or any part of the Work under such License:

- (a) the Licensee did not make a payment when due under Section 13.1 or 13.2 and the failure is not cured within five days after the Licensee received notice of the failure from the Ministry or the Ministry of Finance; or
- (b) the Licensee is not an Eligible Applicant, or the Licensee is Controlled by a Person who is not an Eligible Applicant; or
- (c) there is a violation of Section 15; or
- (d) the License is not in compliance with Section 8.7, and the Minister has determined that such failure poses significant risks to the health and safety of workers or individuals residing in or near the License Area; or
- (e) an environmental assessment and audit under Section 10.2 has demonstrated, or the Minister or the EPA, as the case may be, has determined that there exist material failures to comply with the Environmental Management Program or the Licensee's EPA-approved "environmental mitigation plan," as the case may be, and the Licensee has not remedied such failures to the satisfaction of the Minister or the EPA, as the case may be, within 60 days from notice to the Licensee as to the nature of such failures; or
- (f) any representation or warranty of the Licensee made in writing to the Minister proves to have been false or incorrect in any material respect on the date as of which made; or
- (g) the Licensee is utilizing resources from the Land in violation of Section 7.3 (other than an isolated immaterial violation); or
- (h) the Licensee is conducting Exploration outside of the License Area (other than an isolated immaterial encroachment); or

- (i) the Licensee has failed to comply in a material manner with the reporting or information and sample delivery requirements under Section 6, and the failure has not been cured within 30 days of notice from the Minister.

### 16.3. Order Suspending Work

- (a) Except as provided in the following sentence, an order of suspension of Work must be in writing and signed by the Minister, and shall be effective the Business Day following its receipt by the Licensee at its address for notices, or, if delivered to a field office or other location at which Work is performed and at which a person with supervisory responsibilities is present, is effective on delivery. An order of suspension of Work based on a violation of Section 8.7 that has resulted in (or is determined by the Minister to create a serious risk of resulting in) death or severe personal injury may be given by telephone confirmed in writing within 24 hours, and is effective immediately.
- (b) Any order suspending Work (except an oral order under the last sentence of Section 16.3(a)) must set forth in a summary manner the facts relied upon for the issuance of the order and the name, location and telephone number of a responsible person at the Ministry who may be contacted for additional information.
- (c) Neither a Licensee's payment obligations under Section 12 nor a Licensee's obligation to incur Eligible Exploration Costs under Section 8.5 is suspended by an order of suspension of Work under this Section 16.
- (d) A License Term is not extended by an order of suspension of Work under this Section 16.

### 16.4. Compliance with Suspension Order

A Licensee must comply with an order of suspension of Work properly given under this Section 16 until such order is withdrawn by the Minister (or deemed withdrawn) pursuant to Section 16.5 or is directed to be withdrawn in pursuant to a final administrative order in a hearing held under Section 18.3, or in a final order in a judicial proceeding referred to in Section 18.4.

### 16.5. Right to Resume Work

A Licensee may at any time submit a request that an order suspending Work be withdrawn, setting forth in detail the facts and circumstances relied upon to demonstrate the elimination or correction of the event or condition that supported the issuance of the order suspending Work. The Minister must withdraw the order if the event or condition no longer exists or has been remedied to the reasonable satisfaction of the Minister.

If within 15 Business Days of receiving such submission the Minister does not either grant such request or give notice to the Licensee setting forth reasons for not granting such request, the order involved will be deemed withdrawn. If within 10 Business Days of receiving a resubmitted request for withdrawal of the same order, the Minister does not either grant such request or give notice to the Licensee setting forth reasons for not granting such request, the order involved will be deemed withdrawn. The initial and each subsequent resubmission (if any) shall be

conspicuously marked to show all changes (additions and deletions) from the previous submission.

## **SECTION 17. LICENSE TERMINATION EVENTS**

The occurrence of any of the following events or conditions shall constitute a “License Termination Event” as to a particular License, subject to force majeure as provided in Section 20:

- (a) a Licensee has not made the filings required by clauses (a) and (b) of Section 4.1 within 90 days of the Effective Date of its License, or has not commenced Exploration by the date required under Section 8.1; or
- (b) a Licensee has, after a warning from the Minister, failed to proceed diligently and in good faith to prosecute applications for licenses or approvals required for Exploration; or
- (c) a Licensee has failed to carry out Exploration in accordance in all material respects with its work program approved pursuant to these regulations, or has ceased Exploration for a period of 12 months, unless any such failure or cessation is excused by force majeure or is consented to by the Minister and the Minister of Finance, together acting for the Government; or
- (d) a Licensee is in violation of a material provision of these regulations or the Mining Law and the failure is not cured within 60 days of notice from the Minister to the Licensee; or
- (e) a Licensee has failed to pay any taxes, duties, levies, fees or other payment due any agency of the Government on the date due and the failure has not been cured within 60 days of notice to the Licensee from the agency of the Government responsible for the collection of such payment setting forth the unpaid amount and a statement as to the calculation of such amount.

## **SECTION 18. TERMINATION BY MINISTER FOLLOWING A LICENSE TERMINATION EVENT; OPPORTUNITY FOR HEARING AND JUDICIAL REVIEW UPON AN ORDER TO STOP WORK OR A TERMINATION BY THE MINISTER**

(The following section is based on Section 82 of the Executive Law, the Liberian Administrative Procedure Act.)

### 18.1. Termination by the Minister

The Minister may give notice of termination of a License (a “Termination Notice”) at any time that a License Termination Event has occurred and is continuing, setting forth in such notice a summary in reasonable detail of the facts relied upon by them to establish the occurrence and continuation of a License Termination Event. Such notice must include a statement of the right of the Licensee to request a hearing to be held to contest the assertion that a License Termination Event has occurred and the consequences (as set forth in Section 18.2) of the failure of the Licensee to request a hearing within the time period provided. Pursuant to Section 9.15 of the Mining Law a termination under this Section is effective two months after the Termination Notice is sent to the Licensee.

## 18.2. Licensee Right to Challenge

If a Licensee wishes to challenge the determination of the Minister that a License Termination Event has occurred and is continuing, or the issuance of an order to stop Work under Section 16, it shall give notice requesting a hearing to the Minister and the Minister of Justice. The notice must contain a summary in reasonable detail of the facts expected to be relied upon by the Licensee to establish that a License Termination Event has not occurred or the order to stop Work is not justified under these regulations. If the Minister does not receive such notice within 30 days of the date on which the Licensee received the notice of termination given under 18.1 or the order to stop Work under Section 16, as the case may be, the Licensee will be deemed to have waived its rights to such hearing. In the case of a notice of termination, the License in question shall then terminate at noon on the date provided in Section 18.1.

## 18.3. Hearing

Upon receipt of notice requesting a hearing, the Minister shall cause a hearing to be held in compliance with Section 82 of the Executive Law (Liberia Revised Code, Vol II). The Licensee shall be given at least 30 days notice of the date such hearing is scheduled to commence, which notice shall comply with the requirements of Section 82.4 paragraph 1 of such law governing the content of a notice of hearing given by an agency of the Government. Thereafter the hearing schedule shall be established by the hearing officer designated by the Ministry in consultation with the Ministry and the Licensee.

## 18.4. Appeal

If a final determination of the Ministry following such hearing is adverse to the Licensee, the Licensee shall have such right of appeal to a court of competent jurisdiction as is provided in Section 82 of the Executive Law. If the Licensee fails to timely file a petition for appeal in accordance with applicable Law, the License in question shall terminate at noon on the first Business Day following the last day upon which the licensee was entitled to file a petition for appeal.

## 18.5. Validity of Notice of Termination

If all of the conditions for the existence of a License Termination Event were satisfied as of the date of the notice of the Minister referred to in Section 17.1, the fact that a condition precedent to the occurrence of a License Termination Event is no longer in existence at time of a hearing or judicial proceeding provided for under this Section 18 does not affect the validity of a notice of termination given under Section 18.1.

## **SECTION 19. NOTICES**

### 19.1. Communications to be in Writing

All notices, demands, reports and other communications required or expressly provided for under these regulations shall be in writing or as otherwise expressly provided in or pursuant to this Section 19.

19.2. Communications to the Minister and other Officials or Agencies of the Government

- (a) A communication under these regulations to the Minister or any other agency or official of the Government shall be in writing and shall be effective only when a copy is date stamped (or manually dated and signed) and returned to the Person making delivery. The preceding sentence does not prevent a Person from introducing evidence that a communication was duly tendered to an agency of the Government and a responsible person at the agency involved refused to confirm delivery in the manner required.
- (b) The Minister may from time to time, by notice to Licensees generally or by publication as provided in Section 19.5, provide that for specified purposes other means of communication to the Minister or other governmental officials or agencies will be necessary or sufficient (as the case may be) to establish delivery by such Licensee under these regulations. Such notice or publication shall be effective as to all Licensees.
- (c) Until further notice to a Licensee, the address of the Minister for any communications under these regulations other than under Section 6 is:

The Minister of Lands, Mines and Energy  
Ministry of Lands, Mines and Energy,  
Capitol Hill,  
Monrovia, Republic of Liberia

and the address for all communications to the Minister under Section 6 is:

The Director  
Geological Survey of Liberia  
Old Sinkor Road,  
Monrovia, Liberia

- (d) A copy of each communication to the Minister or the Ministry under these regulations, other than exploration reports required under Section 6, shall be concurrently delivery to:

The Chairman  
Public Procurement and Concessions Commission  
Capitol Hill  
Monrovia, Republic of Liberia

19.3. Communications to a Licensee

A communication under these regulations to a Licensee shall be to such address as the Licensee shall have from time to time reported to the Minister by notice given in accordance with the requirements of Section 19.2. Until any such notice is received by the Minister, the address of a License stated on its License is its address for delivery of communications under these regulations. A communication to a Licensee is effective only when delivered. Delivery of a communication to a Licensee shall be deemed to have occurred in any one of the following circumstances:

- (a) in the case of facsimile communication, confirmation of receipt is electronically issued to the sender by the facsimile receiving device; or

- (b) written confirmation of receipt is received by the postal or courier service delivering the communication and returned to the sender; or
- (c) the Licensee has otherwise directly or indirectly acknowledged in a writing receipt of the communication.

#### 19.4. Quantities

All notices, reports, applications, work programs, budgets, related plans and documents, financial statements and similar materials furnished to the Minister under these regulations (other than pursuant to Section 6) shall be delivered in triplicate hard copy, and, if more than 750 words long or in a spread-sheet format, shall be accompanied by a reproducible electronic copy on a CD-ROM in Word 2003, Excel 2003 or Adobe PDF format clearly labeled as to the name of the Licensee, the submission date, and the purpose of the submission. All copies of any such materials to be delivered pursuant to Section 19.2(c) or (d) shall be delivered in hard copy without accompanying electronic copy. All documents, information or materials delivered pursuant to Section 6 shall be delivered in the manner provided in Section 6.

#### 19.5. Notice of Certain Changes by Amendment and Publication

The Minister may amend any provision of this Section 19 to change the address of the Minister for any particular or all communications to the Minister, change the number of copies of a communication to be provided, add or subtract agencies of the Government to which communications are to be directed and their addresses for communications, or change the medium in which communications shall be provided, in each case without hearing or notice of hearing, and such amendment shall be effective 60 days after publication in at least two newspapers of general circulation in Monrovia.

### **SECTION 20. FORCE MAJEURE**

#### 20.1. Impact of Force Majeure on Licensee Obligations

If a Licensee is rendered unable, in whole or in part, by force majeure to carry out any obligation imposed on it by these regulations, the Licensee's obligation to perform such obligations is suspended to the extent provided in the Mining Law.

#### 20.2. Definition of Force Majeure

For the purposes of these regulations, "force majeure" has the meaning set forth in Section 9.21 of the Mining Law

#### 20.3. No Required Settlement

Nothing in Sections 20.1 or the definition of force majeure shall, in and of itself, be construed to require a Licensee to settle any strike, lockout or other labor or industrial dispute except as may be required by Law.

#### 20.4. Limitations on Availability of Force Majeure as Excuse

Force majeure does not excuse;

- (a) delays caused by the negligence or omissions of a Licensee or the negligence or omissions of its contractors or suppliers; or
- (b) delays caused by a Licensee's inability to retain, or the unavailability of, contractors or suppliers, except to the extent such inability or unavailability is itself the result of force majeure; or
- (c) delays resulting from (i) reasonably foreseeable unfavorable weather conditions, (ii) reasonably foreseeable unsuitable sea conditions, (iii) unsuitable ground conditions (other than earthquakes or other geological calamities) or (iv) any other similar reasonable foreseeable adverse conditions.

20.5. Extension of Time for Performance

- (a) A Licensee is expected to make reasonable adjustments in its work program if force majeure prevents the conduct of Exploration in part of its License Area but not the remainder of its License Area. An event of force majeure will entitle the Licensee to an extension of the License Term only if the impact of such event, together with all prior events of force majeure, shall have forced the Work to be substantially discontinued for an aggregate period of at least two months.
- (b) If the Work is so discontinued, the affected Licensee may apply to the Minister for a compensating extension of its License Term. The Minister will authorize such extension if the affected Licensee can demonstrate that the delay occurred notwithstanding the Licensee's reasonable efforts to adjust its work program and that the delay was not attributable to any of the factors referred to in Section 20.4. If an extension is granted, the affected Licensee will not be required to make additional payments under Section 12 or to incur additional Eligible Exploration Costs under Section 8.5 as a consequence of the extension.

20.6. Termination of License for Force Majeure

If one or more events of force majeure have caused the work under a License to be suspended for an aggregate period of at least [12] months, the Licensee may by notice to the Minister terminate the License. A termination under the preceding sentence

- (a) will excuse a Licensee from payment of all future amounts due under Section 12.1 and 12.2 but will not entitle the Licensee to the return of any payments previously made under Section 12, and
- (b) will not excuse the Licensee from the performance of its post-term environmental restoration and remediation obligations unless (i) the Licensee is unable to perform such Work for a period of at least [12] additional months after the Licensee's notice of termination or (ii) the Ministry has failed, after request by the Licensee, to give the Licensee reasonable assurances that if it performs such Work it will be able to recover any security provided by it under Section 10.3.

**SECTION 21. MINERAL DEVELOPMENT AGREEMENT AND MINING LICENSE**

At any time prior to the expiration of the License Term, a Licensee may request that all or a portion of the License Area that has a reasonable expectation of constituting an exploitable resource based on geological data produced by the Work Program be subjected to a Mineral Development Agreement with a view to obtaining a Class A Mining License to exploit the minerals contained in such area. The Mineral Development Agreement offered by the Ministry shall be based on the terms and conditions then commonly proposed by the Ministry in Mineral Development Agreements covering deposits of similar types, grades and sizes. If the Minister has at the time promulgated regulations generally applicable to the issuance and administration of Class A Mining licenses, the Mineral Development Agreement shall incorporate by reference such regulations.

## SCHEDULE 4.1

### WORK PROGRAM AND BUDGET CONTENT

#### A. Work Program

The work program must:

1. describe all non-invasive exploration activities planned to be undertaken, such as geochemical surveys, geophysical surveys, geobotanical surveys, and any other geological mapping and survey techniques to be utilized;
2. describe all invasive exploration activities to be undertaken, such as excavations, trenching, pitting and drilling, and in the case of drilling, specifying technique, (i.e. percussion drilling - normal or reverse circulation, diamond core drilling, auger drilling, large diameter drilling etc.), and include information as to expected dimensions and volumes of excavations and expected depths and diameters of boreholes, deep drilling, etc;
3. include a plan at a scale of at least 10cm to 1 Km of the License Area indicating the location(s) and spacing of all proposed invasive exploration activities, all base camps, all field camps and all access roads or helipads; and
4. include a discussion of any adverse impact on the environment of the activities included in the proposed exploration plan, and an "Environmental Management Program" which shall include a description of the actions to be taken to mitigate such adverse impact, and the remediation and restoration actions to be undertaken in respect of those adverse impacts that are not avoided by mitigation actions.

In the case of activities to be conducted as part of the work program that would affect the flow of rivers or streams, the response to clause 4 should include a full discussion of the methods to be undertaken to avoid interruption of water flow and contamination of downstream waters. In the case of other activities to be conducted as part of the work program that will adversely affect the environment (such as the construction of base camps and access roads or the removal of ground cover to create a sampling area), the response to clause 4 should contain a "closure management" component that provides a budget and a schedule for effective environmental restoration and remediation of such locations so that all such work is completed within six months of the end of the License Term, and that separates restoration and remediation work to be done during the License Term from restoration and remediation work to be done after the end of the License Term.

#### B. Budget.

The budget must indicate the estimated costs incurred in carrying out the principal components of the work program, including the environmental components, on a Annual basis and broken down into conventional accounting categories, and must demonstrate compliance with the Eligible Exploration Expenditure requirements set forth in Section 8.5.

## SCHEDULE 4.2(b)

### LICENSEE TECHNICAL CAPACITY

The Licensee must demonstrate that it possesses, or is able to out-source the technical resources to conduct the proposed work program. These technical resources must include registered professionals with experience in the specific field of prospecting for the Minerals covered by the relevant Licensee. The experience must be substantiated by evidence provided by sources other than the Licensee. If the requisite technical capacity is to be provided through external sources, the submission must include certified copies of the relevant contractual agreements binding the consultant/contractor to the applicant for the duration of the work program (or the portion of the program in which the contractor/consultant is to provide services). The Licensee must also demonstrate the availability on the schedule provided in the proposed work program of the requisite equipment required for the proposed work program.

## SCHEDULE 4.2(c)

### LICENSEE FINANCIAL CAPACITY

The Licensee must demonstrate financial capacity (or access thereto) sufficient to carry out the proposed work program in a professional manner, including the incurrence of the requisite level of Eligible Exploration Expenditures, all amounts payable under Section 12, and all costs of required environmental restoration and remediation. Audited financial statements and estimated free cash flow projections certified by the Licensee's chief financial officer as taking into account all factors known to the Licensee at the time are required to demonstrate internal financial capacity. Financial capacity based on funding commitments of third parties must be demonstrated through certified copies of the relevant contractual agreements, and the Licensee may be required to provide information as described in the previous sentence with respect to the financial capacity of such third parties if they are not public companies of established financial capacity.

**SCHEDULE 6.1(e)**  
**FORM OF INTERIM (QUARTERLY) REPORTS**

Liberia Geological Survey / Ministry of Lands, Mines and Energy

**INTERIM REPORT ON MINERAL EXPLORATION**

For the quarterly period beginning on \_\_\_\_\_ and ending on \_\_\_\_\_.

**DETAILS OF LICENSE(S)**

License No:

Location:

Project Name:

License Holder:

Exploration Operator/Manager(s) (if different from License Holder(s)):

**EXPLORATION PROGRESS REPORT:**

**EXPENDITURE:**

Total Expenditure during the quarterly period:

**PROPOSED EXPLORATION PROGRAM (for the next quarterly period)**

**SUBMITTED BY:**

Name:

Title or Position:

Date:

Phone No:

Signature: \_\_\_\_\_

## **EXPLANATORY NOTES FOR QUARTERLY REPORT FORM**

### **DETAILS OF LICENSE**

Include the full name of (each) Licensee and (each) operator/manager.

Give the location in geographic coordinates and with reference to a significant regional geographic centre or feature, eg, "30 km northeast of Buchanan Port"

### **EXPLORATION PROGRESS REPORT**

The progress report should be a brief resume of exploration completed and in progress. Any significant developments, including the discovery of potentially economic mineralisation, must be clearly identified. Any significant delays to the exploration program must be explained. A lengthy statement is not required as full details are to be provided in the Annual Report.

In the case of a joint report being submitted, progress on each License in the group should be specified.

Maps, plans and detailed data are not required with this report.

### **EXPENDITURE**

The total expenditure attributable to exploration on (each) License should be included here.

### **PROPOSED PROGRAM**

Give a brief outline of the program of exploration proposed for the next quarterly period.

### **ADDRESS FOR SUBMISSION OF REPORTS**

The Director  
Liberian Geological Survey  
Sinkor, Old Road  
Monrovia, Liberia

SCHEDULE 10.3  
FORM OF LETTER OF CREDIT FOR SECURITY  
[To Come]

## SCHEDULE 14

### REQUIRED REPRESENTATIONS AND WARRANTIES

The representations and warranties set forth below are to be made in a writing addressed to the Minister and signed by and on behalf of the Licensee. The individual executing such writing on behalf of the Licensee or on behalf of an entity with the authority to act for the Licensee shall be deemed to have represented in his or her individual capacity that he or she has no reason to believe that any of such representations and warranties is not true and correct. Capitalized terms below must be used with the definitions provided for such terms in the Exploration Regulations to which this Schedule is annexed.

1. The Licensee (if its License was granted after August, 2008) is a corporation duly organized and validly subsisting under the laws of the Republic.
2. The Licensee, if other than an individual, has the power and authority and the legal right to own or hold under lease the properties it purports to own or hold under lease, to transact the business it transacts and proposes to transact, and to apply for and perform under a License granted pursuant to these regulations.
3. The Licensee has delivered to the Minister complete and correct lists or tables identifying:
  - (a) each Affiliate of the Licensee, setting forth in each case its relationship to the Licensee and the jurisdiction in which it is organized; and
  - (b) if the Licensee is not a natural person,
    - (i) the directors and officers of the Licensee (or Persons acting in a similar capacity),
    - (ii) each Person that directly holds Management Rights in or the right to share in profits of the Licensee, and
    - (iii) each Person that directly or indirectly Controls the Licensee or is a member of a Group that controls the Licensee; and
    - (iv) the directors and senior management (or Persons acting in a similar capacity) with respect to each person referred to in clause (b)(iii)
4. Each director or officer of the Licensee (or any Person that has similar powers with respect to the Licensee), and each Person holding Management Rights with respect to the Licensee is an Eligible Applicant.
5. The Licensee is not a Prohibited Person, no Person identified pursuant to clause 3 above is a Prohibited Person, no Person holding, directly or indirectly, in excess of 5% of the Management Rights with respect to the Licensee is a Prohibited Person, and no Person who directly or indirectly has [5%] or more of the rights to share in the profits of the Licensee is a Prohibited Person.

For the purposes of clause 5, the record owner of the right to receive 20% of the profits of a Person that has a 25% record interest in the profits of a Licensee is the record owner of 5% of the rights to share in the profits of a Licensee if the 25% profits interest in the Licensee represents a principal asset of the holder thereof.

6. The Licensee has reviewed and understands the reporting and other requirements contained in or referred to in Section 6 of the Regulations Governing Exploration under a Mineral Exploration License of the Republic of Liberia and has the technical and administrative capacity to comply with those requirements;
7. The Licensee has the experience, expertise, technical know-how and systems required for the conduct in a professional and competent manner of the exploration permitted by its License and set forth in its work program, or has entered into binding contracts for the provision of such experience, expertise, technical know-how and systems with third parties who possess such experience, expertise, technical know-how and systems.
8. None of the Licensee, any Affiliate of the Licensee or any Person acting on behalf of the Licensee or any Affiliate of the Licensee has made or promised to make any payment or transfer of anything of value, directly or indirectly, to or for the benefit of an Official or to an intermediary for payment to or for the benefit of an Official, or made any promise of employment to an Official or a family member of an Official, in either case in connection with the obtaining of the Licensee's License or any consent or approval from any ministry, department or other agency of the Government required in order that the Licensee may conduct Exploration in compliance with Applicable Law. For the purposes of this paragraph, "Official" means (i) any employee, officer, legislator or judge of any government, including any national, regional or local government, (ii) any employee, officer or director of any corporation or other entity owned or controlled by any government, (iii) any official, representative or agent of a political party, (iv) any official or employee of a multilateral international organization, (v) any candidate for political office, or (vi) any Person acting or believed by the Licensee, any such Affiliate or any such other Person to be acting on behalf of any Person identified in any of clauses (i) through (v) of this sentence.