

LARGE-SCALE MINING LICENCE

DATED 10 July 2012

BETWEEN

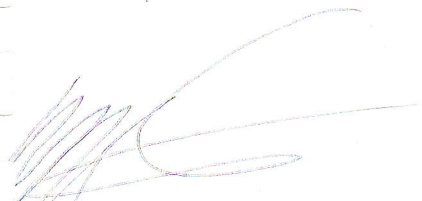
THE REPUBLIC OF SIERRA LEONE

AND

TONGUMA LIMITED

RELATING TO THE MINING AND COMMERCIAL EXPLOITATION OF
THE TONGO-PANGUMA DIAMOND FIELDS IN A PROJECT TO BE KNOWN AS
"THE TONGUMA PROJECT"

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MINISTRY OF MINERAL RESOURCES

TONGUMA LIMITED

THIS MINING LICENCE AGREEMENT (this "Agreement") made this _____ day of 10 July, 2012 between the Government of Sierra Leone (hereinafter called the "Lessor"), represented by the Minister of Mineral Resources (hereinafter called the "Minister"), of the one part, and Tonguma Limited (hereinafter called the "Lessee," which expression shall include its assigns and successors), a company incorporated in the British Virgin Islands and duly registered to trade in Sierra Leone and whose principal office is in Freetown, Sierra Leone, of the other part,

WHEREAS, on 29 March 2004, Koidu Limited (formerly known as Koidu Holdings S.A.) obtained an Exploration Licence (EXPL. 4/04) with respect to an area of approximately 88 square kilometres in the Lower Bambara Chiefdom, Kenema District, Eastern Province of Sierra Leone, which area is known as the "Tongo Diamond Field Project,"

WHEREAS, Koidu Limited submitted an application for a mining licence on 31 May 2008 over the Tongo Diamond Field Project,

WHEREAS, on 11 July 2008, the Director of Mines notified Koidu Limited that its application for a mining lease over the Tongo Diamond Field Project had been approved by the Lessor,

WHEREAS, on 5 April 2011, the Director of Mines notified Koidu Limited that the Minister of Mineral Resources had granted its request to include the area that is the subject of its Panguma Exploration Licence (EXPL. 09/08) as part of the area for which approval had been granted for the mining lease referred to immediately above, thus consolidating the two areas, which said consolidated area is more particularly described in Schedule 1 hereto (hereinafter referred to as the "Mining Licence Area"),

WHEREAS, the Lessee is a wholly owned subsidiary of Octéa Mining Limited and a sister company to Koidu Limited,

WHEREAS, Koidu Limited, the Lessor and the Lessee have agreed that the Lessee should enter into this Large Scale Mining Agreement with the Lessor instead of Koidu Limited, and

WHEREAS the Lessee and the Lessor have agreed to enter into this Agreement to confirm the terms and condition upon which the Lessee shall conduct mining operations in the Mining Licence Area.

NOW THEREFORE WITNESSETH AS FOLLOWS:

CLAUSE 1 – DEFINITIONS

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

“Affiliate” means any person directly or indirectly controlling, controlled by or under common control with the Lessee. For the purposes of this definition, “control” (including the terms “controlling”, “controlled by” and “under common control with”) means possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a person or company, whether through ownership of voting securities, by contract or otherwise;

“Arms-Length Transaction” means a contract or agreement that complies with Section 154 of the Mining Law;

“Agreement” means this Mining Licence Agreement, including the schedules hereto, which form an integral part of this Agreement, and references to this Agreement include references to such schedules;

“Change of Control” means the consummation of any transaction or series of transactions (including, without limitation, any sale, merger or consolidation), the result of which is that the Shareholders that collectively beneficially own more than 50% of the voting equity of the Lessee before such transaction or series of transactions cease to (i) be the beneficial owners of more than 50% of the aggregate voting equity of the Lessee or (ii) have the power to direct or cause the direction of the management and the policies of the Lessee;

“Commencement Date” means the date of Parliamentary ratification of this Agreement;

“Commercial Production” means the earlier of (x) the first year during which the annual production derived from the Lessee’s mining operations under this Agreement generates gross revenues of at least US\$20 million for the Lessee, based on its annual audited financial statements, or (y) the fourth anniversary of the Commencement Date.

“Control” means ownership of greater than 50% of the share capital of a company and/or the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of an entity, whether through the ability to exercise voting power, by contract or otherwise.

“EPA 2008” means the Environmental Protection Agency Act 2008 (as amended or superseded from time to time);

“Feasibility Study” means the study to be carried out by the Lessee in relation to the underground development and mining of the first Mining Cell within the

Mining Lease Area in accordance with Schedule 2 and shall include a bulk sampling programme, as well as microdiamond analysis.

“Income Tax Act” means the Income Tax Act 2000 (as amended or superseded from time to time).

“Infrastructure Facilities” means all the structural facilities, whether permanent or temporary used by the Lessee in its Mining Operations and shall include offices, living quarters, housing, roads, pipelines, processing plants, hoisting facilities, power houses, generators, water reservoirs, slimes dams, tailings dumps, workshops, stores, warehouses, fuel storage and transportation facilities, sorting offices as well as other immovable structures constructed in the Mining Licence Area, so long as the items to be covered by this definition are included in an itemised list to be provided to the Director of Mines prior to their importation into Sierra Leone;

“Lessee” means Tonguma Limited, and shall include its assigns and successors;

“Lessor” means the Government of the Republic of Sierra Leone;

“Mining Law” means the Mines and Minerals Act 2009 (as amended or superseded from time to time) and, save where herein otherwise provided, the expressions defined therein shall have the same meanings in this Agreement.

“Mining Licence Area” means the area described in Schedule 1 hereto.

“Mining Licence” means the mining licence granted by this Agreement;

“Mining Cell” means the minimum number of “dyke clusters” converged in one area, accessed via a central access, utilizing shared infrastructure, and potentially exploited economically with at least a 10-year life.

“Mining Operations” means any activity related to exploration, development, transportation, mining, mineral separation, processing and sorting, administration, management and maintenance of any kind carried out in the Mining Licence Area and in the Lessee’s Infrastructure in accordance with Schedule 2 hereto.

“Nominated Contractors” means foreign contractors required and engaged by the Lessee to carry out Mining Operations.

“Parties” means the parties to this Agreement and “Party” means any of them.

“Profit” means the net profit generated by the Lessee in respect of the Tonguma Project (being the net result from operating and trading activity after any taxation expense in accordance with International Financial Reporting Standards) and as

determined by the board of directors of the Lessee to be available for distribution to Shareholders from the Tonguma Project after taking into account the following –

- 1.1 tax considerations of the Shareholders and the Lessee in relation to the Tonguma Project (including any assessed losses relating thereto);
- 1.2 the cash flow and working capital requirements of the Lessee in respect of the Tonguma Project; and
- 1.3 all investments that the board of directors of the Lessee believes are required for the long-term growth of the Tonguma Project.

“Minister” means the Minister of Mineral Resources.

“Shareholders” means the holders of the voting equity of the Lessee, from time to time.

“Sorting Office” means the place, wherever situated in Sierra Leone, where the Lessee or its agent or contractor cleans, sorts, stores and packages its diamonds.

CLAUSE 2 – DURATION AND SURRENDER OF MINING LICENCE

2.1 Under this Agreement, the Mining Licence is hereby granted (as ML 01/12) for a period of 25 (twenty-five) years from the Commencement Date and shall continue in force until the expiry, surrender or termination of the Mining Licence pursuant to this Agreement. Any renewal of the Mining Licence shall be in accordance with this Agreement.

2.2 The Lessee may surrender all or part of the Mining Licence Area to the Lessor at any time during the duration of the Mining Licence by giving at least 90 (ninety) days’ written notice to the Director of Mines. Upon such surrender, the area surrendered shall cease to be part of the Mining Licence Area and subject to the terms of this Agreement, and shall revert to the Lessor.

2.3 Upon the surrender, expiration or termination of any portion of the Mining Licence Area or the Mining Licence under this agreement, the Lessee shall be granted a period of sixty (60) days, or such longer period as the Director may determine, during which the Lessee shall be entitled to decommission and remove all or any part of its plant, infrastructure, equipment, machinery and moveable assets from the Mining Licence Area.

CLAUSE 3 – RENEWAL OF MINING LICENCE

3.1 The Lessee may apply to the Minister for the renewal of the Mining Licence in respect of all, or part of, the Mining Licence Area at any time not later than one year before the expiry of the Mining Licence.

3.2 An application under this Clause 3 shall:

3.2.1 state the period, not exceeding fifteen years, for which the renewal is sought;

3.2.2 be accompanied by a statement giving particulars of Mining Operations proposed to be carried out in the period of renewal;

3.2.3 be accompanied by a statement giving details of:

(a) the latest proved, estimated or inferred ore reserves;

(b) the capital investment to be made in, and production costs and revenue forecasts in respect of the period of renewal;

(c) any expected changes in the method of mining and treatment;

(d) any likely social impact and any likely effects on the environment and proposals for mitigation and compensation measures;

(e) such further information as the Minister may require; and

3.2.4 shall, if renewal of the Mining Licence is sought in respect of only part of the Mining Licence Area, be accompanied by a plan and description identifying that part of the Mining Licence Area.

3.3 Subject to Clause 3.4, on application duly made for the renewal of the Mining Licence, the Minister may renew the Mining Licence with or without variation of the conditions of the Mining Licence, for a period not exceeding fifteen years.

3.4 The Minister shall refuse to renew the Mining Licence on reasonable grounds if:

3.4.1 (i) the Lessee is in default of this Agreement or the Mining Licence, (ii) the development of the Mining Licence Area has not proceeded with reasonable speed; (iii) minerals in reasonable quantities do not remain to be produced; or (iv) he is advised by the Director (as defined in the Mining Law) that the programme of Mining Operations proposed to be carried out is not satisfactory;

3.4.2 the Minister has given to the Lessee notice of his intention to refuse to renew the Mining Licence:

(a) giving of the notice particulars of the ground for the intended refusal; and

(b) stating a date before which the Lessee may take appropriate action or make representations in relation to that ground; and

3.4.3 if the Lessee has not before that date made appropriate amendments to its application, or made representations which remove the ground for the intended refusal.

CLAUSE 4 – REPRESENTATIONS AND WARRANTIES

4.1 The Lessor represents and warrants, as of the date hereof, that:

4.1.1 Pursuant to the Mining Law, the entire property and control of all minerals in, under or upon the Mining Licence Area is vested in the Lessor which has the sole and exclusive right to grant a mining licence relating thereto free of any lien, claim, or other encumbrance, except for any rights of third parties in accordance with generally applicable law in Sierra Leone, as applicable on the date hereof;

4.1.2 other than the Mining Licence, there is no valid and subsisting mining licence or mineral right (as defined in the Mining Law) over any minerals located in the Mining Licence Area;

4.1.3 no person (other than the Lessee) has any right or interest in respect of any minerals located over, under or upon the Mining Licence Area or to any improvements thereto and generally agrees to indemnify the Lessee harmless against any and all loss or damage arising out of or in connection with any rights inconsistent with any such warranties.

4.2 The Lessor covenants that the Lessee shall peaceably enjoy and without interruption by the Lessor or by any other person or persons claiming or under the Lessor or in trust for it, have the right during the term of the Mining Licence to explore for and mine diamonds and other minerals referred to in Schedule 3, and that no other person or entity shall have the right to engage in any exploration or Mining Operations or any other activities on, above or below the surface, in the Mining Licence Area during the term of the Mining Licence.

4.3 The Lessee represents and warrants, as of the date hereof, that:

4.3.1 The Lessee is a company duly organised, validly existing and in good standing under the laws of the British Virgin Islands. The Lessee has all the requisite power and authority to execute and deliver this Agreement and to perform its obligations hereunder.

4.3.2 The execution and delivery by the Lessee of this Agreement and the performance of its obligations hereunder have been duly authorised by all necessary corporate or other action on the part of the Lessee, and no further consent or authorisation

is required of the Lessee's board of directors or its shareholders to authorise this Agreement.

4.3.3 Neither the execution and delivery of this Agreement nor the Lessee's compliance with the obligations contemplated hereby will conflict with or result in a breach or violation of: (i) the organisational documents of the Lessee, (ii) any provision of law applicable to the Lessee on the date hereof or (iii) the terms of any material agreement to which the Lessee is a party or by which the Lessee is bound.

4.3.4 The Lessee has the financial and technical capabilities to finance and carry out the Mining Operations in accordance with this Agreement, including Schedule 2 hereto.

4.4 Any breach of representations and warranties in this Clause 4 shall be deemed to be a breach of this Agreement.

CLAUSE 5 – WORK OBLIGATIONS

5.1 The Lessee shall at all times perform its duties, obligations and work in the Mining Licence Area with all due professional diligence and in accordance with the best and safest practice contemporaneously prevailing in the mining industry worldwide.

5.2 The Lessee shall proceed with the development of the mine and related plant and facilities, and the mining, milling and processing, of diamonds and related minerals in accordance with Schedule 2 hereto, which the Lessee and Lessor acknowledge shall constitute the programme of Mining Operations in accordance with Section 113(1) of the Mining Law. Any amendment to such programme of Mining Operations shall be subject to Section 113 of the Mining Law.

5.3 Immediately after Commencement Date, the Lessee shall secure the Mining Lease Area and shall commence with the Feasibility Study on the first Mining Cell. This work shall be completed within twenty-four months of the Commencement Date.

5.4 Subject to the Feasibility Study demonstrating viability and a safe working environment, the Lessee shall proceed with Mining Operations in accordance with of Schedule 2. Mining Operations shall commence within thirty-six months of the completion of the Feasibility Study.

5.5 The Lessee undertakes to be in Commercial Production within twenty-four months of the commencement of Mining Operations.

CLAUSE 6 – OBLIGATIONS AND RIGHTS OF THE LESSEE

6.1 Subject to the terms of this Agreement (including but without limitation Clause 16.1 hereof), the Lessee shall at all times comply with the provisions of the Mining Law and other relevant laws and regulations in connection with the carrying out

of its obligations and work as described in this Agreement, except to the extent that they are inconsistent with the provisions of this Agreement.

6.2 Subject to its rights under this Agreement, the Mining Law and other generally applicable laws, the Lessee shall have the following rights:

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

6.2.2 the right within the Mining Licence Area, to use the water from any natural water course and to return the same together with washing spoils to the river, stream or watercourse, provided that in so doing, the Lessee shall not discharge or permit to be discharged any poisonous or noxious matter not present in the intake water, and to fell trees and otherwise clear the land to be mined; and

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

CLAUSE 7 – SECURITY

7.1 In addition to its rights under this Agreement, the Mining Law and other generally applicable laws, the Lessee shall have the right, in consultation with the Lessor, to take such measures as may be required to establish and maintain control over the mining, processing, handling, sorting, storage and transportation of diamonds within the Mining Licence Area, and, to, from and in, the Sorting Office, including the right to establish and maintain enclosed and security areas, to prevent access into and egress from such areas and the right to search persons within or seeking access to such areas.

7.2 The Lessor shall provide the Lessee with an armed security force, which (1) the Lessee shall be entitled to deploy throughout the Mining Licence Area and Sorting Office and to deploy to accompany the Lessee's property at any time when in transit within Sierra Leone but outside of the Mining Licence Area and the Sorting Office, and (2) shall be under the command and control of the Local Unit Commander (LUC) of Tongo Police Division.

7.3 The Lessor at the request of, and in consultation with, the Lessee shall take such measures as may be agreed with the Lessee in order to ensure the maintenance of proper security in the Mining Licence Area and the Sorting Office, and the surrounding areas of both.

7.4 The modalities and scale of the rights conferred on the Lessee by this Clause 7 may be reviewed by the Lessor by mutual agreement with the Lessee from time to time.

CLAUSE 8 – SORTING, VALUATION AND SALE OF DIAMONDS

8.1 The Lessor shall appoint a Valuer who is acceptable to the Lessee to value the diamond production of the Lessee hereunder. The Valuer shall be a competent, qualified, experienced and independent person recognised as such within the international diamond mining and marketing industry, who can substantiate to the Lessor and the Lessee that his interests and responsibilities outside of his appointment under this Agreement shall not give rise to any material risk of conflict of interest with the due performance of his functions hereunder. If at any time subsequent to his appointment such conflict of interest shall arise, the Lessor shall promptly replace him.

8.2 The Lessee shall, in the presence of a representative of the Lessor, undertake the sorting, valuation, sale and export of diamonds and other minerals produced hereunder in accordance with Schedule 4 hereto.

CLAUSE 9 – LOCAL PROCUREMENT

9.1 In accordance with the Mining Law, the Lessee shall, in the conduct of its Mining Operations, give preference to products and materials made in Sierra Leone and to service agencies located in Sierra Leone and owned by Sierra Leoneans, as provided in the Mining Law, to the maximum extent possible and consistent with safety, efficiency and economy.

CLAUSE 10 – EMPLOYMENT AND TRAINING

10.1 In accordance with the Mining Law, the Lessee shall, in the conduct of its Mining Operations, give preference to qualified and competent Sierra Leonean citizens possessing the necessary qualifications and experience, taking into account the requirements of safety and the need to always maintain acceptable standards of efficiency in the conduct of the Mining Operations.

10.2 The Lessee undertakes not to employ expatriate workers in unskilled labour positions. For purposes of this Agreement, the Parties agree that "unskilled" workers are workers who do not require more than basic training to perform their duties safely, efficiently and reliably.

10.3 The Lessee shall, in the conduct of the Mining Operations, observe and perform the programme for the training and employment of Sierra Leoneans as set out in Schedule 7.

10.4 From the commencement of Mining Operations, the Lessee will make available an annual budget of \$100,000, (a) 60% of which will be used for the training of

suitable employees at all levels in Sierra Leone and overseas, and (b) 40% for training of Sierra Leone students of secondary school leaving age in various technical vocational institutes in Sierra Leone.

10.5 The Lessee shall submit an annual written report to the Lessor describing the number of personnel employed, their nationality, their positions and the status of training programmes for citizens of Sierra Leone.

10.6 All Sierra Leonean employees will be covered under an appropriate insurance scheme at one of the companies registered to conduct such business in Sierra Leone with respect to workmen's compensation.

10.7 The Lessee and its nominated contractors shall comply with their obligations under the National Social Security and Insurance Trust Act 2001 ("NASSIT") except with respect to their expatriate employees working in Sierra Leone.

10.8 Expatriate employees of the Lessee and its nominated suppliers will be exempted from making any contributions under NASSIT.

10.9 All officers and employees of the Lessee shall be governed by the tax and other laws of Sierra Leone on a non-discriminatory basis. In respect of such officers or employees who are not citizens of Sierra Leone, the provisions of any treaty or agreement in respect of double taxation as may be concluded between the Lessor and the government of the country of which such officer or employee is a subject or citizen shall be applicable.

CLAUSE 11 – HEALTH AND SAFETY

11.1 The Lessee shall comply with all health and safety standards and laws that are generally applicable in Sierra Leone from time to time.

CLAUSE 12 – PROTECTION OF THE ENVIRONMENT

12.1 The Lessee shall conduct its programme of Mining Operations in accordance with the EPA 2008, as well as Section 132 of the Mining Law and any regulations made under the EPA 2008 and the Mining Law, as amended from time to time. In the event of a conflict between these two acts, the provisions of the EPA 2008 shall prevail, and in the event of a conflict between the regulations made under the EPA 2008 and the regulations made under the Mining Law, the regulations made under the EPA 2008 shall prevail.

12.2 The Lessee shall at all times do everything reasonable in its power to limit the damage and disturbance to the local environment and populace. The Environment Protection Agency (the "EPA") may at any time conduct periodic inspections of the Mining Licence Area.

12.3 The Lessee shall, in accordance with the EPA 2008, conduct the Mining Operations and all project activity with a degree of care and professionalism that meets or exceeds the best international environmental protection standards.

12.4 In particular, the Lessee shall employ in the Mining Operations advanced techniques, practices and methods of operation for the prevention, limitation or treatment of pollution and the avoidance of unnecessary loss of, or damage to, natural resources, in each case in accordance with generally applicable law, as in existence from time to time.

12.5 Notwithstanding anything to the contrary in this Agreement, the Mining Law, the EPA 2008 or any other legislation or regulation, the Lessee shall not bear any liability whatsoever in respect of any pollution or loss or damage to the environment or the risk thereof, or any other claim, where such pollution, loss, damage, risk or claim arises from, or in connection with –

12.5.1 any acts or omissions in or with respect to the Mining Licence Area prior to 29 March 2004; or

12.5.2 any acts and or omissions caused by illegal artisanal mining prior to or subsequent to 29 March 2004 in areas of the Mining Licence Area that are not fenced and demarcated for the Lessee's Mining Operations.

12.6 The Lessor acknowledges that no additional obligations relating to the protection of the environment will be imposed upon the Lessee save those arising under the EPA 2008.

CLAUSE 13 – MINE CLOSURE AND RECLAMATION

13.1 In accordance with Section 136 of the Mining Law, the Lessee shall in the conduct of its Mining Operations observe and perform the programme for mine closure and reclamation as set forth in Schedule 5 hereto (the “**Closure Plan**”).

13.1.1 The Lessee shall provide a financial guarantee that complies with generally applicable law that shall assure that the cost of closure shall be borne by the Lessee and not the public. The guarantee shall be in an amount calculated to be necessary to implement the Closure Plan should the Lessee fail to implement the Closure Plan. Such guarantee shall be issued either by a financial institution in Sierra Leone that is acceptable to the Lessor or by a financial institution outside Sierra Leone with a long-term credit rating of at least A (or its equivalent) from at least two internationally recognised credit-rating agencies. Such guarantee may take the form of an irrevocable letter of credit or a performance bond in favour of the Lessor to guarantee effective mine reclamation and rehabilitation. In addition, the amount of the guarantee shall be updated any time the Closure Plan is updated, so that it continues to be sufficient to ensure that all steps in the Closure Plan can be completed in a satisfactory manner should the Lessee fail to implement the Closure Plan. It is understood that no more than a single financial

guarantee shall be required for these purposes, and in case of any conflict between the EPA 2008 and any other applicable law, the provisions of the EPA 2008 shall prevail.

CLAUSE 14 – GOVERNMENT ASSISTANCE

14.1 The Lessor shall extend to the Lessee all reasonable assistance to enable and facilitate the Lessee to carry out its functions and achieve its objectives in the best and most efficient manner. The Minister, and other officers of State, boards, commissions and Government agencies concerned, shall make such lawful orders and administrative acts as may be desirable from time to time for this purpose.

14.2 Subject to proper undertakings relating to confidentiality, the Lessor shall make available to the Lessee all aerial, magnetometer and other geological surveys and photographs and all other plans, maps, information and advice relating to the Mining Licence Area which they are at liberty to disclose and shall permit the Lessee to obtain copies of all such surveys, photographs, plans, maps and information for its own use upon payment of the actual cost of making such additional copies.

14.3 The Lessor shall promptly grant any and all permits and permissions of whatsoever nature required by law for the Lessee to import into Sierra Leone direct from external suppliers all goods, foodstuffs and services necessary or desirable for or in connection with the conduct of exploration and the Mining Operations, of such manufacture and types and, subject only to the Mining Law, from whatsoever source as may be determined by the Lessee.

14.4 The Lessor shall promptly grant any and all permits and permissions of whatsoever nature required by law for the Lessee to export from Sierra Leone any goods imported by it which it no longer requires in the conduct of its prospecting or Mining Operations hereunder, or activities related thereto.

14.5 The Lessor shall promptly grant to the Lessee or its Agent any and all necessary permits or permissions of whatsoever nature required by law for the Lessee or its Agent to export diamonds and associated minerals produced in the Mining Operations.

14.6 Subject to the Mining Law, the Lessor shall grant all necessary visas and permits to enable those non-citizens of Sierra Leone who are necessary to be employed in its operations, and their families, to enter and reside in and depart from Sierra Leone.

14.7 The Lessee and its Affiliates shall not solicit current or former employees of the Lessor within one year of the termination of their Government employment without the prior written approval of the Lessor; provided, however, that the foregoing restriction shall apply only to employees who have attained a seniority of "director" or higher.

CLAUSE 15 – FISCAL REGIME

ANNUAL LEASE RENT AND SURFACE RENT

15.1 Pursuant to Section 34 of the Mining Law, the Lessee shall pay to the Bank of Sierra Leone and without demand, on 1 July 2012 (the "Reference Date") and each anniversary of the Reference Date, the sum of US\$500,000 (Five Hundred Thousand United States Dollars) for the credit of the Lessor in respect of an annual lease rent in respect of the Mining Licence Area.

15.1.1 The amount specified in Clause 15.1 above shall be increased (and rounded to two decimal places) with effect from the first anniversary of the Reference Date by an amount equal to 3% of the annual lease rent for the previous year.

15.2 The Lessee shall pay a surface rent to the lawful occupiers of the Mining Licence Area. The amount of such surface rent shall be determined pursuant to agreements with the lawful occupiers of the Mining Area. Failing such agreement with any lawful occupiers, the surface rent payable to such occupier shall be determined by the Minister of Mineral Resources on the advice of the Minerals Advisory Board in accordance with Section 34A of the Mining Law.

INCOME TAX

15.3 The Lessee shall be liable in respect of each financial year to pay income tax (hereinafter referred to as "Income Tax") upon the income derived from its operations conducted in Sierra Leone as provided by generally applicable law from time to time; provided, however, that at any time that the generally applicable income tax rate for mining companies shall exceed 25.0%, the income tax rate that shall be deemed to apply to the Lessee at such time shall be 25.0%.

15.3.1 The Income Tax liability of the Lessee in respect of each financial year shall be assessed and payable in United States Dollars, and all such payments by the Lessee shall be made in such currency to the Bank of Sierra Leone for the account of the Lessor, a copy of each payment advice to be furnished to the Commissioner of Income Tax.

DEDUCTIONS FROM CHARGEABLE INCOME

15.3.2 The chargeable income of the Lessee shall, for the purposes of Income Tax, be calculated as provided by generally applicable law for mining companies from time to time, except as otherwise provided in this Agreement.

15.3.3 No amounts for marketing diamonds, gold or associated minerals to Affiliates may be deducted from the chargeable income of the Lessee for the purposes of Income Tax.

15.3.4 Notwithstanding otherwise applicable law in Sierra Leone, the amount of any operating loss incurred by the Lessee in any financial year may be carried forward and deducted from the chargeable income of the Lessee each year in full until the tenth anniversary of the Commencement Date. Operating losses shall be calculated as provided for in Clause 15.3.2.

ROYALTIES

15.4 The Lessee shall pay royalties on all diamonds produced by Mining Operations as follows:

15.4.1 for all diamonds whose ex-mine price exceeds \$500,000 ("Special Stones"), 8.0%, and

15.4.2 for all other diamonds, the lower of (a) 6.5% and (b) the royalty on diamonds prescribed by generally applicable law to commercial diamond mining operations from time to time.

15.4.3 With regard to the Mining Law, the ex-mine price for diamonds shall be as follows:

(a) for each Special Stone, the valuation assigned to such Special Stone by an independent Valuer of international repute, whose appointment shall be agreed by each Party, and the royalty payable shall be a percentage of such valuation.

(b) for all other diamonds, the actual sales price received and the royalty payable shall be a percentage of the aggregate of such actual sales price.

15.5 In accordance with the Mining Law, the Lessee shall pay a royalty on precious metal of 5% of the ex-mine price.

15.5.1 In accordance with the Mining Law and any applicable regulations, the ex-mine price for precious metals shall be determined by reference to the price for the relevant mineral published in the Financial Times of London on the publication day following the date of receipt by the refinery, after any adjustment for any differences in purity, specification or otherwise.

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

(i) the aggregative weight in carats of the various size ranges and categories of diamonds produced by the Lessee in the Mining Licence Area during the preceding month,

(ii) the aggregate weight in carats of the various size ranges and categories of diamonds exported from Sierra Leone by the Lessee or its agents during the preceding month,

(iii) the value of diamonds so exported as determined in accordance with Clause 8 of this Agreement. Each export statement shall be accompanied by a copy of the export entries certificate by the Comptroller of Customs and Excise, and

(iv) the weight of gold and other precious metals exported from Sierra Leone by the Lessee or its Agent during the preceding month.

15.7 On or before the 20th day of the following month after export shipment, the Lessee shall pay to The Bank of Sierra Leone (in United States Dollars) the royalty on the diamonds, gold and other associated minerals exported and sold, a copy of the payment advice to be furnished to the Director of Mines and the Comptroller of Customs and Excise.

WITHHOLDING TAX

15.8 Subject to Clauses 15.8.1, 15.8.2 and 15.8.3 below, payments for interest, dividends and services, including payments to contractors, shall be subject to withholding tax at the statutory rates pursuant to generally applicable law from time to time, subject to any treaties or agreements that the Lessor may have with any other relevant countries;

15.8.1 The rate of withholding tax payable on payments for dividends or any other distribution to the Lessee's shareholders shall be five (5)% for the first seven (7) years after Commercial Production and thereafter in accordance with applicable law.

15.8.2 The rate of withholding tax payable on payments for services (including payment to contractors) shall be five (5)% for the first seven (7) years after the Commencement Date and thereafter in accordance with applicable law.

15.8.3 The rate of withholding tax payable on management fees to the Lessee's Affiliates shall be five (5)% for the first seven (7) years after the Commencement Date and thereafter in accordance with applicable law.

15.8.4 For the avoidance of doubt, the rate of withholding tax payable on interest payments shall be in accordance with applicable law.

CHARGES ON IMPORTS

15.9 In this Agreement:

(i) the term "**Charges on Imports**" shall include all taxes, duties, excise, charges, levies, fees, dues, contributions, payments and other impositions of any kind payable to the Lessor or any agency of the Lessor, whether ad

valorem, flat rate and otherwise, in respect of imports into Sierra Leone. Charges on Imports shall not include Import Inspection Fees, as defined in Clause 15.13;

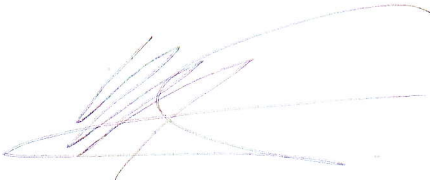
(ii) the term "**Fuel and Lubricants**" shall mean all petroleum products used by the Lessee in the course of its business hereunder including diesel, petrol, heavy fuel oil, lubricants and kerosene;

(iii) the term "**Mining Machinery, Plant and Equipment**" shall include (without limitation) all machinery, plant, and equipment useful to and used by persons carrying on mining operations, in clearing land, removing minerals from it and transporting, separating, handling and packaging such minerals for sale, including, but without prejudice to the generality of the foregoing construction materials for mining and processing, pumps, piping, screens, concentrating and separating equipment, power generating and distributing equipment, cranes, lorries, road building equipment, mineral storage, conveying and handling equipment, explosives, vehicles, office equipment, building materials and consumable mining stores and packaging facilities, together with accessories, spare parts and appliances to be used in activities necessary for the conduct of the Lessee's Mining Operations.

15.10 The Charges on Imports of Fuel and Lubricants and Mining Machinery, Plant and Equipment shall for the duration of this Agreement be in accordance with generally applicable law in Sierra Leone, including the provisions of the Customs Act and the Customs Tariff Act; provided, however, that the Lessee shall not be required to pay Charges on Imports in excess of those applicable under the ECOWAS Trade Liberalisation Scheme (TLS); provided, further, that the Charges on Imports of Mining Machinery, Plant and Equipment shall not exceed 5.0% of the CIF price of the imported goods.

15.11 All payments of Charges on Imports by the Lessee hereunder shall be made in United States Dollars to the Bank of Sierra Leone for the account of the Lessor, and the advice accompanying such payment shall be copied to the Commissioner-General, National Revenue Authority.

15.12 If items on which no Charges on Imports are paid are not re-exported or totally consumed within 5 (five) years after importation, and are afterwards sold, exchanged or transferred in Sierra Leone (except to the Lessor), the Lessee shall pay to the Lessor the customs import duties and levies on the then fair market value of those items within thirty (30) days of the date of sale, exchanged or transfer.



GOODS AND SERVICES TAX

15.13 For the duration of this Agreement, the Lessee and its Nominated Contractors shall be exempt from goods and services taxes as provided for in the Goods and Services Act 2009 (as amended or superseded from time to time).

IMPORT INSPECTION FEES

15.14 In this Agreement, “**Import Inspection Fees**” means the fees payable to the Government in respect of the inspection of goods imported into Sierra Leone;

15.14.1 Import Inspection Fees may be imposed by the Lessor on the Lessee in respect of all goods imported by or on behalf of the Lessee into Sierra Leone in accordance with generally applicable laws in Sierra Leone.

15.14.2 All payments of Import Inspection Fees by the Lessee hereunder shall be made in United States Dollars to the Bank of Sierra Leone for the account of the Lessor, and the advice accompanying such payment shall be copied to the Comptroller of Customs and Excise.

15.14.3 Import Inspection Fees shall be invoiced to the Lessee by the responsible Agent duly authorised by the Lessor to act on its behalf.

DEBT/EQUITY RATIO

15.15 At no time shall the Equity of the Lessee be less than 20% of the Affiliated Debt of the Lessee. For purposes of this Clause 15.15, “Affiliated Debt” shall mean the total debt of the Lessee owed to affiliates of the Lessee, and “Equity” shall mean the shareholders’ equity in the Lessee, each as defined by International Financial Reporting Standards.

AFFILIATE TRANSACTIONS

15.16 Any transaction between the Lessee and any Affiliate of the Lessee shall be at an arm’s-length fee basis negotiated between the parties in substantial accordance with the substantive principles and guidelines set forth in *the Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations* published by the Organization for Economic Cooperation and Development or subsequent substantive guidelines having a similar purpose agreed to by the Parties.

15.17 Any discounts or commissions allowed in transactions between the Lessee and its Affiliates shall be no greater than the prevailing rate so that such discounts or commissions will not reduce the net proceeds below those which it would have received if the parties had not been Affiliates.

15.18 Any such transaction shall be accompanied by contemporaneous documentation. In particular, the Lessee shall make sales commitments to Affiliates only

at prices based on or equivalent to sales in Arms-Length Transactions to non-affiliated purchasers and in accordance with such terms and conditions on which agreements would be made if the parties had not been affiliated. The Lessor shall have the right to review the terms of all transactions between the Lessee and any Affiliate of the Lessee, including documentation therefor.

COMMUNITY DEVELOPMENT FUND CONTRIBUTIONS

15.19 It is the objective of the parties hereto that the Lessee's Mining Operations shall be carried out in a manner that is consistent with the continuing economic and social viability of centers of population surrounding the Mining Licence Area. Upon request of the Lessor at any time, the Lessee shall consult with the Lessor and the communities in the Mining Area to establish plans and programs for the implementation of this objective, and thereafter the Lessee shall in good faith cooperate with the Lessor with regard to its efforts concerning the realisation of such plans and programs.

15.20 In accordance with Section 139 of the Mining Law, the Lessee shall enter into a Community Development Agreement with the primary host community (as contemplated by Section 139 of the Mining Law), pursuant to which the Lessee shall make payment each year to a community development fund of one-quarter of one per cent (0.25%) of the Lessee's sales revenue in US Dollars for such year.

PROFIT SHARING

15.21 The obligations of the Parties set forth in Schedule 6 hereto are hereby incorporated by reference herein.

RING FENCING

15.22 To the extent that the Lessee conducts activities constituting the carrying on of business or investment activities for the production of income that are not related to or contemplated in connection with the Mining Operations, such activities (the "Non-Tonguma Activities") shall be accounted for and treated for purposes of this Clause 15 as if these Non-Tonguma Activities are carried on by a legal entity separate from the Lessee and not subject to this Clause 15, but instead subject to all applicable laws of Sierra Leone (subject to any contractual arrangements with the Government of Sierra Leone), so that the Lessee's activities contemplated by this Agreement in undertaking the Mining Operations are treated as "Ring Fenced" (i.e., separately treated as the sole activities of Lessee). With respect to the Ring Fenced Mining Operations of the Lessee, the provisions of this Agreement shall apply.

CLAUSE 16 – LIMITATION ON AGGREGATE FISCAL IMPOSTS

16.1 For the duration of this Agreement, no taxes (including, but without limitation, income tax, additional profits tax, surtax, Minor Taxes, profits tax, turnover tax, sales tax, export tax, import tax, value added tax, withholding tax and employment

related tax), royalties, duties, excise, charges, levies, fees, dues, contribution, payments or imposition of any kind whatsoever payable to the Central, regional or local Governments authorities or agents or to any Chiefdom or Tribal Authority or to any other Agency of the Lessor shall apply to the Lessee, or any affiliate company or Agent of the Lessee or the employees of the Lessee or any affiliate company of the Lessee, other than:

16.1.1 Annual rent and surface rent payable in accordance with Clauses 15.1 and 15.2 and their subsections;

16.1.2 Income Tax payable in accordance with Clause 15.3 and its subsections;

16.1.3 Royalties payable in accordance with Clauses 15.4, 15.5 and 15.7 and their subsections;

16.1.4 Withholding taxes payable in accordance with Clause 15.8;

16.1.5 Charges on Imports payable in accordance with Clause 15.9, 15.10, 15.11 and 15.12;

16.1.6 Import Inspection Fees payable in accordance with Clause 15.14 and its subsections;

16.1.7 Community development fund contributions payable in accordance with Clause 15.20;

16.1.8 Profit Sharing in accordance with Clause 15.21 and Schedule 6;

16.1.9 Taxes deducted from emoluments of employees of the Lessee as required under the Income Tax (PAYE) Rules as provided in the Income Tax Act, Payroll Taxes payable under the Payroll Taxes Act and required payments under NASSIT, subject to Clauses 10.7 and 10.8.

16.2 For the purpose of this Agreement, the words "Minor Taxes" means those taxes imposed on the Lessee which are not specifically provided for in this Agreement, which are generally applicable from time to time to all corporations on a non-discriminatory basis, and which do not amount in the aggregate to more than the equivalent of US Dollars 500,000 (five hundred thousand United States dollars) in any financial year of the Lessee.

16.3 Except as provided in this Agreement, no tax, royalty, duty, excise, levy, fee, due, contribution, payment or imposition of any kind whatsoever (other than those provided for in this Agreement) which is of a discriminatory nature shall be payable by the Lessee, or by the employees or shareholders of the Lessee, or by any Affiliate or agent of the Lessee or a Contractor of the Lessee who is specifically engaged in the Mining Operations. For the purposes of this Clause, any imposition shall be considered

discriminatory if its effect is confined wholly to the Lessee or its employees or to its shareholders or any Affiliate or agent of the Lessee.

16.4 No officer, salaried consultant or employee of the Lessee or of an Affiliate or agent of the Lessee, or officer or employee of a Contractor of the Lessee specifically engaged in the Mining Operations who is not a citizen of Sierra Leone, even although he may be for the time being a resident of Sierra Leone, shall be subject to the payment of any direct or personal taxes now or hereafter authorized, levied or imposed by the Lessor at rates in excess of those levied or imposed upon permanent residents of Sierra Leone. Subject to the foregoing, the payment of income tax to the Lessor by any such officer, salaried consultant or employee shall be governed by the income tax laws of Sierra Leone and the provisions of such treaty or agreement in respect of double taxation as may be concluded between the Lessor and the country of which such officer, salaried consultant or employee is subject or citizen.

CLAUSE 17 – MANAGEMENT OF FUNDS

17.1 The management of funds will be conducted in accordance with the Mining Law, but in particular, the following additional rights and conditions shall apply to the Lessee in the conduct of its business under this Agreement.

17.1.1 The Lessor and Lessee agree that, during the period of this Agreement the Lessee shall pay all amounts due hereunder to the Lessor in United States Dollars to the Bank of Sierra Leone for the amount of the Lessor, or to such other bank account as may be from time to time designated in writing by the Minister for the purpose.

17.1.2 The Lessee shall meet all its operating costs in Sierra Leone either from funds remitted from abroad or out of Leones earned by the Lessee in Sierra Leone and shall pay for all capital assets brought into Sierra Leone and all other foreign costs and expenses, with funds earned, held or borrowed abroad.

17.2 The Lessee shall have the right, during the term of the Mining Licence, freely to receive, hold in banks or other financial institutions of its own selection in any country, and dispose of all local and foreign currency funds received or becoming due to it.

17.3 No applicable law or regulation will restrict or abrogate the right of the Lessee:

17.3.1 to retain abroad the proceeds of the sale of precious stones and minerals to which the Lessee is entitled to hereunder,

17.3.2 to enter into loan agreements outside Sierra Leone for the purpose of financing the Mining Operations and to retain abroad the disbursements of such loans including interest and principal repayments, except that, where an assignment

of the Mining Licence is contemplated, in the form of security for any such loan, the Lessee will first obtain the prior written consent of the Lessor,

17.3.3 to open and maintain bank accounts, denominated in either the currency of Sierra Leone or in foreign currency, and freely dispose of the sums deposited therein without restrictions where the said accounts are credited only with funds related to or derived from the Mining Operations, and

17.3.4 to purchase and sell currency of Sierra Leone, through authorised dealers (if so required by law), without discrimination at the market rate of exchange for such transactions or at the official rate of exchange determined by the Bank of Sierra Leone for applicable class of transaction if such rates are from time to time duly determined under the relevant legislation.

17.4 Expatriate employees and consultants of the Lessee or its affiliate companies and its contractors engaged in Mining Operations hereunder shall be entitled to:

17.4.1 export freely from Sierra Leone during each year of their employment any part of their salaries and emoluments paid in Sierra Leone and to export freely from Sierra Leone upon termination of their contract any balance of such salaries as well as any sums due to them from any provident fund, pension fund, or like fund on termination of their employment; and

17.4.2 export freely from Sierra Leone upon termination of their employment their personal and household effects previously imported in Sierra Leone or purchased there.

17.5 Provided that arrangements satisfactory to the Commissioner of Income Tax have been made in respect to the discharge of an official or employees' liability to income tax, the Lessee shall have the right to provide to that employee the whole or any part of remuneration due in any currency outside Sierra Leone.

17.6 For the purposes of Clause 17.4, "expatriate employee" means an official or employee not normally resident in Sierra Leone who is engaged under a contract which provides for payment of passage to and from Sierra Leone.

CLAUSE 18 – FINANCIAL STATEMENTS AND BOOKS

18.1 The Lessee shall engage a reputable local accounting firm for the purpose of producing audited accounts for each financial year.

18.2 Within 30 days of the end of each quarter and 90 days of the end of each year, the Lessee will provide the Lessor with a quarterly or annual report of financial and operating activity, including a copy of unaudited financial statements for such period.

Such financial statements shall include the balance sheet, a statement of earnings and a statement of cash flows expressed in United States Dollars.

18.3 By 30 June of each year, the Lessee will provide the Lessor annual financial statements for the previous financial year that have been audited by an independent internationally recognised accounting firm registered in Sierra Leone.

18.3.1 The Lessor, at its cost, may audit such statements or appoint an auditor to conduct such an audit on its behalf. The Lessor and/or its auditor (as the case may be) shall be given access to all underlying documents necessary to complete the audit of such annual financial statements. If an audit reveals material underpayment by the Lessee, then the Lessee shall bear the cost of the government audit. For purposes of this Clause 18.3.1, "material" shall mean underpayment of more than 5% in accordance with this Agreement or generally applicable laws.

18.4 The Lessor shall, upon reasonable notice and from time to time, have access to the books of account of the Lessee including all bank accounts.

CLAUSE 19 – CONFIDENTIALITY AND DISCLOSURE

19.1 All data, information and reports relating to the Mining Licence Area or to the Mining Operations owned by or in possession of the Lessee shall be treated as confidential by each of the Parties, and no Party shall disclose the contents hereof to any third party without the written consent of the other Parties subject, however, to Clause 19.2. The Parties shall take such steps as are necessary to ensure that their officers, employees or agents comply with the provisions hereof.

19.2 The obligation specified in Clause 19.1 above shall not operate so as to prevent disclosure:

19.2.1 to Affiliates or contractors of the Lessee to the extent necessary for the purposes of its Mining Operations;

19.2.2 to employees, professional consultants, advisors, data processing centers and laboratories, where required for the performance of functions in connection with the Mining Operations of the Lessee;

19.2.3 to banks or other financial institutions, in connection with the Mining Operations;

19.2.4 to bona fide proposed assignees or transferees of an interest hereunder of the Lessee or in connection with a sale of stock of the Lessee;

19.2.5 to consultants or advisors to the Lessor in connection with the Mining Operations or the administration or implementation of the Mining Law or this Agreement;

19.2.6 to the extent required by any applicable law from time to time, executive order or Governmental or regulatory agency, or in connection with any legal or arbitral proceedings or by the regulation of any stock exchange;

19.2.7 to Government Departments for, or in connection with, the preparation publication by or on behalf of the Lessor of statistical reports with respect to the Mining Operations, or in connection with the administration of this Agreement or any relevant law or for any purpose connected with the Mining Operations; and

19.2.8 by a Party with respect to any data or information which, without disclosure by such party, is generally known to the public.

19.3 Any data, information or reports disclosed by a party to any other person pursuant to Clause 19.2 shall be disclosed on the terms that such data, information or reports shall be treated as confidential by the recipient.

19.4 Notwithstanding the foregoing, this Agreement will be made publicly available.

CLAUSE 20 – CHANGE OF CONTROL

20.1 The Lessee shall provide written notice to the Lessor of any Change of Control within 30 days after the consummation of such Change of Control.

CLAUSE 21 – ASSIGNMENT

21.1 The Lessee shall not assign to any person, firm or corporation not being a party hereto, in whole or in part any of its rights or privileges, duties or obligations under this Agreement other than to a person who qualifies to hold the Mining Licence and conduct Mining Operations pursuant to the Mining Law.

21.2 An application shall be made for the approval of a transfer and shall give to the Minister such details of the transfer as may be prescribed together with such other information as the Minister, on the advice of the Director, may require.

21.3 Subject to Clause 21.1, the Minister, on the advice of the Director, shall obtain the approval to the transfer of the Mining Licence, and the transferee shall assume and be responsible for all right, liabilities and duties incurred by the Lessee under this Agreement prior to the transfer.

21.4 The Lessee shall have the right, with the written consent of the Lessor, to pledge or otherwise create security interests over the Mining Licence, including movable and immovable assets within the Mining Licence Area, in order to secure financing. Such written consent shall not be unreasonably withheld. The Lessor shall provide each mortgagee, trustee, receiver or administrator under a mortgage, deed, trust or other instrument encumbering the Lessee's assets or rights under this Agreement with a copy of any written notice regarding nonpayment of royalty or other non-compliance with the

terms of this Agreement, and any written notice of termination to the Lessee under this Clause 24. The Lessee and each mortgage holder, trustee, receiver or administrator shall notify the Lessor of its name and mailing address. The Lessee shall undertake to ensure that each mortgagee, trustee, receiver, or administrator shall have a reasonable period of time from the date of receipt of such notice (but no more than 90 days) in which to remedy any non-payment or noncompliance complained of and substantiated by the Lessor.

CLAUSE 22 – SUBCONTRACTORS

22.1 Upon the Lessor's request, the Lessee shall provide the Lessor with copies of:

22.1.1 any contract with an Affiliate of the Lessee; and

22.1.2 any contract with a non-Affiliate of the Lessee with a value of more than US\$5,000,000 (five million United States Dollars) over the term of such contract.

22.2 The Lessor shall have the opportunity to conduct reasonable due diligence on any contractual arrangement of the Lessee, whether with an Affiliate or non-Affiliate.

22.3 The Lessee shall ensure that each of its subcontractors complies with all of the obligations imposed upon the Lessee under this Agreement.

CLAUSE 23 – FORCE MAJEURE

23.1 Failure on the part of either the Lessor or the Lessee to fulfill any of the terms and conditions of this Mining Licence shall not give the Lessor or the Lessee any claim against the other or to be deemed in breach of this Agreement insofar as such failure arises from force majeure. If, through force majeure the fulfillment of any of the terms and conditions of this Agreement is rendered impossible, hindered or delayed, the period of such delay shall be added to the relevant periods provided in this Agreement. In this context, "force majeure" means, without limitation, an act of God, peril of air, land or sea navigation, action of the elements, storm, flood, earthquake, ground cave-in, subsurface pollution (natural gas etc.), explosion, fire terrorist activity or other hostilities, war (declared and undeclared), blockade, insurrection, civil commotion, riot, medical emergency, revolution, embargoes and any other cause which the party affected could not reasonably prevent or control.

23.2 The Party claiming suspension of its obligations on account of force majeure shall, as promptly as practicable, notify the other Party in writing of the occurrence thereof. In such event, the party claiming suspension of its obligations as aforesaid shall take all reasonable actions to remove the causes thereof and upon removal of the cause, promptly notify the other party and shall take all reasonable steps for the

resumption of its operations as soon as possible after the removal of the force majeure situation.

CLAUSE 24 – TERMINATION OF MINING LICENCE

24.1 The Lessee may terminate, suspend or reduce its production in compliance with Section 118 of the Mining Law. The rights and obligation of the Parties shall survive termination of the Mining Licence and this Agreement.

24.2 In any of the following events, namely

24.2.1 if and whenever any royalty payable under this Agreement by the Lessee be in arrears for a period in excess of three months after the date upon which such payment is due and payable, or

24.2.2 if the Lessee shall fail to cease using wasteful mining or treatment practices, after being so ordered by the Minister in accordance with the Mining Law, or

24.2.3 if there be a material breach by the Lessee of any other requirement of the Mining Law applicable to the Lessee under the terms of this Agreement, then, subject to Clauses 24.4 to 24.7, the Lessor may terminate this Agreement by serving on the Lessee a notice in writing specifying the particular breach if such breach is capable of being remedied or, if not, to make compensation in money for the breach, provided always that the aforesaid power shall not be exercised unless and until the Lessee fails within a reasonable time (not being less than three months) from the date of such notice to remedy the breach if capable of being remedied, or, if not, to make reasonable compensation in money to the satisfaction of the Lessor for the damages caused by such breach.

24.3 The Lessee may duly file for arbitration as provided in Clause 27 hereof and thereupon all proceedings relating to the termination of this Agreement shall be suspended until resolved by such arbitration.

24.4 Termination of this Agreement under this Clause 24 shall be without prejudice to any rights or liabilities which had accrued or fallen due before this Agreement was terminated or deemed to have been terminated. Upon termination, the Parties shall be entitled to receive such amounts owing to them before the termination of this Agreement. Any share of Profit payable pursuant to Clause 15.21 and Schedule 6 shall be payable *pro rata* to number of completed calendar months the Mining Licence was still in existence prior to its termination following the completion of the previous fiscal year.

24.5 For the purposes of this Agreement, the word “termination” shall, where the context so permits, include termination, suspension, cancellation, revocation, or other

proceedings affecting the Mineral Right or any other rights under this Agreement, and the word "terminate" shall be construed correspondingly.

CLAUSE 25 –CORRUPT PRACTICES

25.1 The Lessee represents and warrants that none of the Lessee, any of its employees acting in the course of their employment, and any Person acting on behalf of the Lessee 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 an Official's family member or to an intermediary for payment to or for the benefit of an Official or an Official's family member in connection with this Agreement or the transactions contemplated hereby.

25.2 The Lessor represents and warrants that neither the Lessor nor any Official on behalf of the Lessor has solicited any payment or transfer of anything of value, directly or indirectly, to or for the benefit of the Lessor or such Official in connection with this Agreement or the transactions contemplated hereby.

25.3 The Parties shall comply with the anti-corruption laws at any time and from time to time applicable in Sierra Leone.

CLAUSE 26 – APPLICABLE LAW

26.1 Except as otherwise specifically provided in this Agreement, this Agreement shall be governed by, interpreted and construed in accordance with the laws and regulations of The Republic of Sierra Leone, as in effect from time to time.

CLAUSE 27 – CONCILIATION AND ARBITRATION

27.1 The parties shall in good faith endeavor to reach an amicable settlement of all differences of opinion or disputes which may arise between them in respect to the execution, performance and interpretation of this Agreement and in respect of the rights and obligations of the Parties under this Agreement.

27.2 In the event that the parties shall be unable to reach an amicable settlement of such dispute within a period of three (3) months from entering into negotiations thereon, either party shall submit the matter to exclusive jurisdiction of a board of three (3) arbitrators who shall be appointed and carry out their mission in accordance with the Arbitration Rules and Regulations of the International Chamber of Commerce (ICC). The venue of the arbitration shall be London. The English language shall be used in the proceedings. The award and any decision of the Arbitration Board shall be binding upon either party having the same force and effect as a judgment of a court of last resort of that party's country.

27.3 Dispute resolution or arbitration proceedings, in accordance with Clauses 27.1 and 27.2, shall not release either party from any of its obligations under this

Agreement, and this Agreement shall remain in full force and effect until otherwise terminated in accordance with the terms of this Agreement.

CLAUSE 28 – NOTICES

28.1 Any notice, request, consent, or other communication to be given hereunder shall be given in the English Language and will deem to have been duly given when delivered in writing or by email (with appropriate answer back received) or by facsimile transmission (with written confirmation of receipt, which may be by facsimile transmission) to a Party at its address indicated below or to such other address as may be furnished for this purpose by such Party:

If to the Lessor:

The Director of Mines, Ministry of Mineral Resources,
5th Floor, Youyi Building, Brookfields,
Freetown, Sierra Leone

If to the Lessee:

The Chief Executive Officer
84 Wilkinson Road
Freetown, Sierra Leone

CLAUSE 29 – NON VARIATION

29.1 This Agreement contains the entire and only agreement between the Parties and no variation thereof, including any agreement to vary the terms of this Clause, shall have any effect or be binding upon the parties unless in writing and signed by both the Parties; provided, however, that any amendment that is inconsistent with then-applicable law may require Parliamentary ratification.

CLAUSE 30 – RATIFICATION

30.1 Immediately upon execution of this Agreement, the Lessor will cause it to be ratified by the Parliament and promptly cause it to be promulgated thereafter as an act of Parliament by publication as a Supplement to the Sierra Leone *Gazette*.



IN WITNESS WHEREOF the Parties have caused this Agreement to be executed in the manner hereinafter appearing.

SIGNED, SEALED AND DELIVERED by the Honourable Minister of Mineral Resources for and on behalf of the Government of Sierra Leone.

by [Signature]
in the presence of Blutaypha

SIGNED AND DELIVERED
for and on behalf of Tonguma Limited

by J. S. C. Joubert

in the presence of SPADA patrick

[Signature]



[Signature]

SCHEDULE 1

THE MINING LICENCE AREA

DESCRIPTION AND PLAN OF LAND SITUATED IN THE LOWER BAMBARA, KENEMA DISTRICT
IN THE REPUBLIC OF SIERRA LEONE
(known as the Tonguma Project)

The Mining Licence Area lies within the Lower Bambara Chiefdom and the Dodo Chiefdoms, two of the Chiefdoms in the Kenema District.

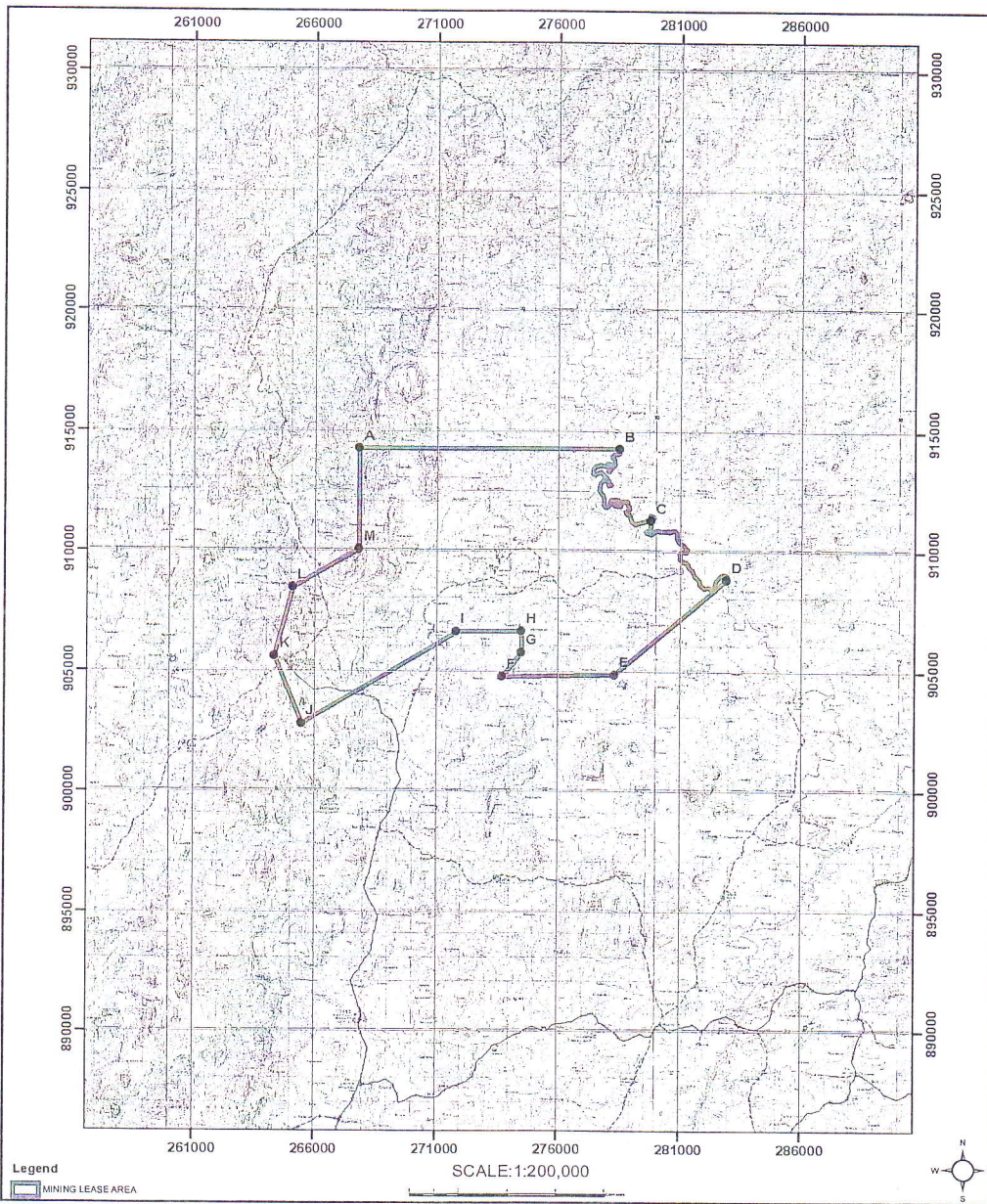
The attached plan indicates the position of the Mining Licence Area at the chiefdom level. The schedules which follows describe in precise terms the outline of the Mining Licence Area.

TONGUMA LIMITED

Tonguma Project – Mining Licence Area

UPDATED UTM COORDINATES FOR ML 01/12

Area = 124.82sq. km



DIRECTOR, GEOLOGICAL SURVEYS
Adh
DATE 10.07.12

TONGUMA MINING LICENCE AREA - UTM COORDINATES

All that piece or parcel of lease land situate lying or being in the Lower Bambara Chiefdom in the Kenema District, Eastern Province in the Republican State of Sierra Leone, whose dimensions are defined or bounded as follows:

BEACON SEQUENCE	X COORDINATES	Y COORDINATES	UTM	DATUM
A	267794.8	914296.7	29	WGS84
B	278491.3	914296.7	29	WGS84
	278476.7	914240.3	29	WGS84
	278476.7	914203.6	29	WGS84
	278502.9	914172.1	29	WGS84
	278502.9	914135.4	29	WGS84
	278492.4	914103.9	29	WGS84
	278445.2	914077.6	29	WGS84
	278387.5	914072.4	29	WGS84
	278335	914061.9	29	WGS84
	278266.8	914056.7	29	WGS84
	278224.8	914025.2	29	WGS84
	278209.1	913962.2	29	WGS84
	278209.1	913915	29	WGS84
	278245.8	913888.7	29	WGS84
	278272	913862.5	29	WGS84
	278282.5	913836.2	29	WGS84
	278282.5	913789	29	WGS84
	278282.5	913752.3	29	WGS84
	278293	913699.8	29	WGS84
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M	267794.845	910097.957	29	WGS84

DIRECTOR, GEOLOGICAL SURVEYS
Adh
DATE 10.07.12

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SCHEDULE 2

PROGRAMME OF PROPOSED MINING OPERATIONS

PART 1. FEASIBILITY STUDY

The Life of Mine (LOM) commercial exploitation of the diamond resources within the Tonguma Licence Area will be preceded by the completion of a Feasibility Study in pursuit of which internationally accredited consultants will be contracted to carry out the following work programme:

1. Phase 1: Geo-economic Evaluation and Pre-Feasibility Study (12 Months)
 - a) Delineation drilling and modeling of the known dyke zones and kimberlite deposits;
 - b) Bulk sampling on all four dykes zones;
 - c) Geotechnical evaluation and geohydrological investigations;
 - d) Formulation of a robust mineral resource statement;
 - e) Pre-feasibility study – considering all possible development options, including;
 - i. Mine design,
 - ii. Processing;
 - iii. Engineering and infrastructure requirements,
 - iv. Resource requirements;
 - v. Environmental impact assessment study;
 - vi. An economic trade off study;
 - f) Selection of the preferred option / mine configuration;

2. Phase 2: Feasibility Study (12 Months)
 - a) Refining of the geological models and resource statements i.e. classification of Tonguma resources in accordance with NI: 43 101;
 - b) Detailed mine design and formulation of the reserve statement;
 - c) Detailed geotechnical and geohydrological analysis;

- d) Detailed process designs,
- e) Detailed engineering designs;
- f) Detailed resource estimates;
- g) EISA
- h) Financial modeling
- i) Formulation of a Feasibility Study Report in accordance with industry requirements

The capital cost estimate related to Part 1 of the Work Program is estimated at US\$15,000,000 over a period of 24 months from the Commencement Date.

PART 2. MINE DEVELOPMENT & PRODUCTION

Subject to the economic valuation and outcome of the Feasibility Study, the intention is to develop an underground mine, which will incorporate all the mineral resources within Mining Licence Area, at a depletion rate of at least 180,000 tonnes per annum over a life-of-mine of at least 25-years. Should any kimberlite pipes or enlargements be discovered during the geo-economic evaluation phase, that would justify alternative mining methods such as, open pit or vertical pit, the development of these will take preference over the underground development.

Phase 1: Mobilization

The mobilization phase will consist largely of the mobilization of an expert shaft-sinking contractor who will be responsible for the highly specialized shaft-sinking exercise.

During the mobilization phase all capital equipment required for the shaft sinking and subsequent development phases will also be mobilized to site and includes items like shaft headgear, compressors, ventilation equipment, generators and all required mining equipment. Trained human resources will also be mobilized during this phase with the aim to initiate the project. All site preparation work will also be conducted during this phase in preparation of the arrival of the mobilized resources and equipment.

Phase 2: Development

The development phase will consist of the sinking and equipping of shaft access and the lateral waste-rock tunnel development in order to access the ore zones. Once the ore zones are reached, some ore development (raising) will also be conducted as part of the mine development phase. The aim of the development phase will be to establish

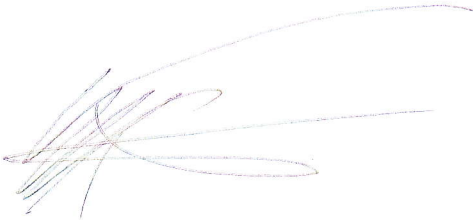
underground access and associated lateral tunnel development which will be capable of supporting a 180,000 tonnes per annum operation.

Phase 3: Production Ramp-Up

Once the underground access and lateral development have been concluded, ore production from the underground operation will be initiated. The ore volumes produced by the underground operation is directly related to the number of mining faces operating concurrently. The number of operating underground mining faces will increase systematically with commercial production approximately 24 months and full production from all the areas only achieved after 48 months from when initial underground access development commenced.

Notes:

The above work programme, schedules and costs are based on estimates and are subject to completion of bulk samples and feasibility studies as outlined as well as market conditions and operational / technical conditions.



SCHEDULE 3

MINERALS INCLUDED WITHIN THE MINING LICENCE

Diamond

Gold

Associated Minerals (as defined in the Mining Law)

SCHEDULE 4

HANDLING, SORTING, VALUATION, SALE AND EXPORT OF DIAMONDS

The Lessee shall sell prescribed mineral products obtained under its Mining Operations (a) in accordance with generally accepted international business practices; (b) at the best available international market prices at the time the contract for sale is made; and (c) on the best international terms compatible with world market conditions and conditions obtainable in the circumstances. The Lessee shall make sales commitments to Affiliates only at prices based on or equivalent to sales in Arms-Length Transactions to non-affiliated purchasers and in accordance with such terms and conditions on which agreements would be made if the parties had not been affiliated. Failure to comply with the preceding two sentences shall result in the Minister, on the advice of the Minerals Advisory Board, determining the appropriate price.

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

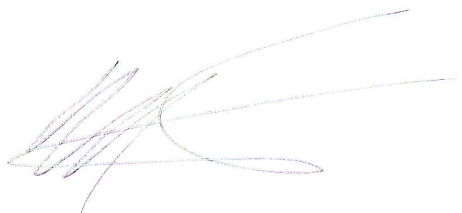
The Valuer in making his valuation shall take into account the prevailing Diamond Trading Company (DTC) diamond purchase price for Sierra Leone diamonds and shall work with the Lessee's representative in close harmony.

In the event that the Lessee is unable to accept the valuation of the Valuer on any diamond or parcel of diamonds it will notify the Minister in writing identifying each diamond or parcel of diamond that is in dispute. The Parties shall thereupon mutually decree the appointment of an Independent Valuer of international repute who will be asked to value such diamonds, at the sole cost of the Lessee. The valuation of an Independent Valuer shall be binding on the Parties. Alternatively, and with mutual agreement of the Valuer and the Lessee, special diamonds of value in excess of Five Hundred Thousand United States Dollars (US\$500,000.00) may be sent for competitive

international tender. If a tender is arranged, the Valuer may be present to witness the event.

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

Subject to its compliance with the provisions of this Schedule, the Lessee shall have the right freely to export and sell all production be it precious metals or rough diamond from the Mining Licence Area without restriction, interference or imposition of conditions by the Lessor or any Agency thereof.



SCHEDULE 5

MINE CLOSURE AND RECLAMATION

1. INTRODUCTION

Closure and reclamation is an on-going programme designed to restore the physical, chemical and biological quality or potential of air, land and water regimes disturbed by exploration and/or mining activities, to a state acceptable to the regulators. The activities associated with closure are designed to prevent or minimise long-term environmental impacts based on an agreed set of objectives. This schedule outlines the objectives for the closure of the Tonguma Project. The closure plan's main purpose is to ensure site rehabilitation and a satisfactory degree of environmental safety upon project conclusion.

2. OBJECTIVES OF CLOSURE

The overall closure and reclamation objectives for the project are:

- To return the affected land to a land capability similar to that which existed prior to exploration and operating activities, or as close as possible thereto;
- To ensure the exploration trenches and possible open pit workings are made safe by conducting slope conditioning and constructing rock berms around the working, as far as practically possible;
- To stabilize dump sites by through profiling and rehabilitation;
- To demolish infrastructure associated with the mine shafts and seal off all possible access into the underground working. This is in order to prevent any inadvertent access post closure.
- To demolish all infrastructure that cannot be utilised by subsequent land users or any third party. Once demolition has occurred prompt topsoil application and re-vegetation should take place. Where buildings can be used by a third party, arrangement will be put in place to ensure long-term sustainable use;
- To clean up all spills on site;
- To maintain and monitor all rehabilitated areas following re-vegetation;

- To involve all relevant stakeholders, authorities and communities in the closure process; and
- To allow for the mine to leave behind a safe environment for the surrounding community, as close as possible to prior operating activities.

3. ACTIVITIES FOR CLOSURE

3.1. PROCESSING PLANT

All infrastructure associated with the process plant will be demolished and broken down to natural ground level. Inert building material will be buried next to the plant or be disposed of in an environmentally responsible manner acceptable to regulators. This means the agglomeration of inert waste material into a specific area within the exploration right boundary, where it can be top-soiled, vegetated and ultimately maintained sustainably. This includes foundations and other building related concrete works.

Any building material with the potential to pollute the environment will either be treated or isolated in an environmentally responsible manner. Isolating material will need to take place within a specific area of the mining right. The site will be lined to prevent both the pollution of surface and groundwater resources. The material will then be covered by a breaker layer, top-soil and vegetation in order to limit seepage into and out of the materials. Areas disturbed by surface infrastructure and demolition activities will be ripped and top-soiled and re-vegetated with indigenous plant species.

3.2. STEEL, REINFORCED CONCRETE, HOUSING, FACILITIES & SERVICES

All steel, brick and concrete structures (with no post closure use) will be demolished to 1m below ground level. The remaining inert rubble will be buried adjacent to the building sites or be disposed of in an environmentally responsible manner acceptable to the regulators. Any building material with the potential to pollute the environment will either be treated or isolated as described in paragraph 3.1 above. Areas disturbed by surface infrastructure and demolition activities will be top-soiled and re-vegetated with indigenous plant species.

3.3. SHAFT HEADGEAR & VENTILATION SHAFTS

Underground access shaft structures and associated ventilation infrastructure will be demolished and secured respectively. The shaft and

ventilation pass surface infrastructure (headgear, fan housings etc.) will be stripped and impacted sites rehabilitated according to international best practice. All these accesses into the underground workings will also be sealed with reinforced concrete "plugs" (thicknesses designed by civil engineers) with the aim to prevent any inadvertent access into the underground working, post mine closure. The areas around these sealed accesses will also be secured by means of security fences with all necessary warning notices provided.

3.4. EXPLORATION TRENCH AND OPEN PIT EXCAVATIONS

The purpose of open excavation rehabilitation is to ensure that these excavations don't pose safety risks to humans and animals, post closure. The degree of slope conditioning will be determined based on actual excavation geometry and executed in order to ensure a stable surface environment around these open excavations. Rock berm walls will be constructed around the trenches to limit access. These berm walls will be constructed in order to create a 10m buffer from the edge of the excavation and will allow for surface water from precipitation to drain into the excavations, thereby filling the final void with water and minimising risks to both humans and animals. Signage will be placed around the trenches, warning the public of potential danger.

3.5. WASTE DUMP AND SPOILS REHABILITATION

The slopes of all over-burden, waste- and processed rock dumps will be stabilized by profiling the outer slopes down to a calculated gradient. These slopes will be cross ripped before applying a layer of topsoil in order to promote vegetation establishment.

3.6. GENERAL REHABILITATION

General surface rehabilitation will involve the shaping of the surface topography to match the surrounding landscape and top-soil applied where applicable. Drainage lines will be reinstated during the process of shaping and landscaping, with erosion protection implemented where necessary.

3.7. MAINTENANCE AND AFTERCARE

Maintenance and aftercare activities will be planned to monitor the rehabilitation process for a determined period post closure. Maintenance will specifically focus on vegetation re-establishment in rehabilitated areas, erosion monitoring as well as any alien vegetation control.

SCHEDULE 6

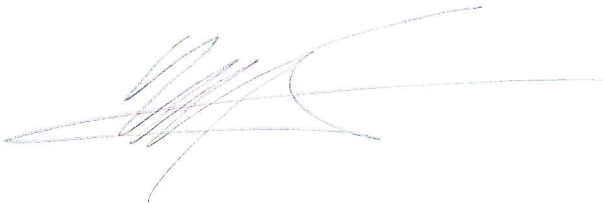
PROFIT SHARING

3. FORMATION OF COMMUNITY TRUST

As soon as practicable after the date of this Agreement, and in any event on or before the distribution of any Profit by the Lessee, or by such later date as may be agreed in writing between the Parties, the Lessor shall procure that a trust is properly formed, constituted and registered as a trust in terms of the laws of Sierra Leone for the benefit of the beneficiaries, as determined by the Lessor, of the profit share arrangements described in this Schedule 6, such arrangements to be on terms and conditions acceptable to the Lessee and the Lessor, including specifically, but without limiting the generality of the foregoing, the appointment of trustees (the "**Tongo Trust**").

4. PROFIT SHARE ARRANGEMENT

- 4.1 Subject to the prior repayment of all claims in the form of loan account or otherwise which the Shareholders may have against the Lessee from time to time, the Lessee agrees to pay to the Tongo Trust, within 15 days following receipt by the Lessee of its audited financial accounts for each fiscal year, a sum equal to 10% (ten per cent) of the Profit generated during such fiscal year.
- 4.2 All amounts payable by the Lessee to the Tongo Trust in terms of this Agreement shall be paid into such bank accounts as are notified to the Lessee.



SCHEDULE 7

EMPLOYMENT AND TRAINING

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

1. Sierra Leonean citizens will be given priority in hiring for positions which are compatible with their experience and skill. In no case will unskilled positions be filled by non-Sierra Leone citizens.
2. The Lessee sees the training of staff at all levels as an absolute priority and will provide funds for training of suitable individuals at all levels both in Sierra Leone and overseas. In the initial states, the emphasis will be on safety and the development of underground skills in all disciplines.
3. From the commencement of Mining Operations, the Lessee will make available an annual budget of \$100,000, (a) 60% of which will be used for the training of suitable employees at all levels in Sierra Leone and overseas, and (b) 40% for the training of Sierra Leone students of secondary school leaving age in various technical vocational institutes in Sierra Leone.
4. The Lessee will collaborate with other mining companies within the Sierra Leone Chamber of Mines to establish in Sierra Leone a "school of excellence" for the training of Sierra Leonean citizens in technical and vocational skills.
5. It is the declared policy of the Lessee to keep expatriate recruitment to a minimum consistent with fair play, good security and efficiency.
6. Any contracting arrangements entered into by the Lessee will contain the provisions, that Sierra Leonean citizens are to be employed where possible, and that these employees are to be genuinely trained and groomed for higher skilled positions. Training will be provided for suitable Sierra Leonean citizens in the Lessee's Sorting Office due to be set up.