

**CHINESE-FOREIGN COOPERATIVE JOINT VENTURE
CONTRACT**

FOR

**GANSU PARGAS MINERALS
EXPLORATION COMPANY LIMITED**

BY AND BETWEEN

GANSU QINQI MINERALS COMPANY LIMITED

AND

PARGAS ENTERPRISES LTD.

DATED FEBRUARY 5, 2004

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Cooperative Joint Venture Contract

THIS CONTRACT is made on February 5, 2004, in Lanzhou, Gansu Province, China.

BETWEEN

- (1) **GANSU QINQI MINERALS COMPANY LIMITED**, a Chinese enterprise legal person duly organized and existing under the laws of the People's Republic of China ("**Party A**"), and
- (2) **PARGAS ENTERPRISES LTD.** (in Chinese, “帕格斯实业有限公司”), a company duly organized and existing under the laws of British Virgin Islands ("**Party B**").

WHEREAS

In accordance with the Law of the People's Republic of China on Chinese-Foreign Cooperative Joint Ventures (the “**Joint Venture Law**”), the Implementing Regulations of the Joint Venture Law (the “**Joint Venture Regulations**”) and other relevant laws and regulations of the People's Republic of China (“**China**”), the Parties hereto, adhering to the principles of equality and mutual benefit, agree after friendly consultations to jointly invest in and establish a cooperative joint venture in Lanzhou, Gansu Province, China, and hereby enter into this Contract.

1. DEFINITION

1.1 Unless the provisions of this Contract otherwise provide, the terms used herein should have the meanings set out below.

"**Affiliate**" of Party A means any corporation, partnership, trust or other entity directly or indirectly controlling or controlled by or under direct or indirect common control with such Party. In relation to Party B, an "**Affiliate**" means any corporation, partnership, trust or other entity directly or indirectly controlling or controlled by Pargas Enterprises Ltd. "**Control**" for the purpose of the definition of "**Affiliate**" is taken to mean direct or indirect ownership of more than 50% of the voting rights of said corporation, partnership, trust or other entity.

"**Approval Authority**" means the government organizations authorised by Chinese government and Gansu provincial government to have approval and supervision authorities to the establishment and operation of the foreign invested companies.

"Area of Interest" means the areas on which the Parties or the Joint Venture Company upon research on the geological materials wishes to conduct venture exploration and, within three (3) months, determine the detailed coordinates for exploration based on which the Parties will submit the applications for exploration licenses to the relevant government authority.

"Business License" means the business license issued by the Gansu Provincial Administration for Industry and Commerce ("GAIC") which authorizes the Joint Venture Company to conduct business.

"Chinese Legal Person" means any Chinese legal person under Chinese law that for the purpose of this Contract is not a competitor of the Joint Venture Company or Party B in China.

"Effectiveness Date" means the date on which the Approval Authority approves this Contract and issues the foreign-invested enterprise approval certificate ("Approval Certificate") for establishing the Joint Venture Company.

"Exploration Phase" means the period of the Joint Venture Company's operations following its establishment and before the Mine Development Phase when it conducts venture exploration for minerals pursuant to the Exploration Licenses (as defined below) transferred to it by Party A. The Exploration Phase includes the initial survey, the follow-up exploration, and evaluation (including feasibility study) and may refer to any of these stages.

"Exploration Licenses" means the licenses issued pursuant to the Mineral Resources Law of the People's Republic of China as specified in Appendix 1 to enable the holder of such licenses to conduct venture exploration pursuant to this Contract.

"Exploration Work Program" means the range of venture exploration activities carried out by the Joint Venture Company for prospecting operation as provided for in Article 7.1 during the Exploration Phase.

"Joint Venture Company" means the limited liability cooperative joint venture company established pursuant to this Contract.

"Mine Development Funds" means the mine development financing cost and the costs of constructing mine.

"Mine Development Phase" means the period of the Joint Venture Company's operations after the Exploration Phase and before the Production Phase when all approvals have been obtained which are necessary under Chinese law to enable the Joint Venture Company to undertake minerals mining, processing and selling

activities and financial commitments have been obtained enabling construction of production facilities. The Mine Development Phase includes the mine development financing and construction of the mine and may refer to any of these stages.

"Production Phase" means the period of the Joint Venture Company's operations after the Mine Development Phase when it has accepted hand-over of its production facilities from the construction contractors and commences production and has operated for thirty (30) consecutive days at 60% or more of the designed capacity as set out in the feasibility study.

2. PARTIES TO THE CONTRACT

2.1 *The Parties to this Contract are set forth below:*

(a) Party A:

Name: Gansu Qinqi Minerals Company Limited

Legal Address: 123 Hongxing Lane
Lanzhou
Gansu Province
China

Legal representative:

Name: Hou Yunsheng
Position: Chairman and General Manager
Nationality: Chinese

(b) Party B:

Name: Pargas Enterprises Ltd.

Legal Address: 632 Crescent Boulevard S.W.
Calgary, Alberta
Canada
T2S 1L2

Authorized representative:

Name: Kun Wang
Position: Executive Director

Nationality: Canadian

2.2 *Power to Enter into this Contract*

Each Party to this Contract (hereinafter referred to individually as a "**Party**" and collectively as the "**Parties**") represents and warrants that:

- 2.2.1 it possesses full power and authority to enter into this Contract and to perform its obligations hereunder;
- 2.2.2 its representative whose signature is affixed to this Contract has been fully authorized to sign this Contract pursuant to a valid power of attorney, or resolution of the Party's board of directors, a copy of which has been provided to the other Party to this Contract;
- 2.2.3 the execution and performance of this Contract by that Party will not violate any outstanding commitments, licenses or obligations, contractual or otherwise, of that Party or any currently effective laws, regulations, decrees or policies of the country of registration of that Party.

3. ESTABLISHMENT OF THE JOINT VENTURE COMPANY

3.1 *Establishment of the Joint Venture Company*

In accordance with the Joint Venture Law, the Joint Venture Regulations, and other relevant Chinese laws and regulations, the Parties agree to establish a limited liability cooperative joint venture company pursuant to the terms of this Contract.

3.2 *Name and Address of the Joint Venture Company*

The name of the Joint Venture Company in English is: Gansu Pargas Minerals Exploration Company Limited;

The name of the Joint Venture Company in Chinese shall be: 甘肃帕格斯矿业
勘查有限公司.

The legal address of the Joint Venture Company is at:

123 Hongxing Lane, Lanzhou, Gansu Province, China.

3.3 *Limited Liability Company*

The Joint Venture Company is a limited liability company. The Joint Venture Company will be liable for its debts to the extent of its entire assets. The

liability of each Party will be limited to the contribution of the amount to the registered capital (including any additional subscriptions) and the conditions of cooperation that it has subscribed and is required to be made pursuant to this Contract, and no Party shall have any liability to the Joint Venture Company or any third party jointly or severally in excess of such contributions.

3.4 *Legal Person Status*

The Joint Venture Company shall be a legal person under the Chinese law.

3.5 *Compliance with Chinese Law*

The activities of the Joint Venture Company shall comply with the relevant published laws, decrees, rules and regulations of China, this Contract and the Articles of Association (the "**Articles of Association**") of the Joint Venture Company.

4. THE PURPOSE AND SCOPE OF BUSINESS

4.1 *Purpose of the Joint Venture Company*

4.1.1 The purpose of the Joint Venture Company is:

- (a) to strengthen the cooperation between the Parties; and
- (b) to obtain good economic results and beneficial profits for the Parties through the adoption of advanced international management methods based upon market economy conditions and the utilization of advanced management and technology in exploration and mining.

4.1.2 To achieve these objectives:

- (a) The Joint Venture Company will explore for a world class mineral deposit in the areas specified by the Exploration Licenses and in the Area of Interest.
- (b) The Parties or the Joint Venture Company will conduct prospecting operations within the areas as specified in the Exploration Licenses and the Area of Interest over the areas covered by the exploration licenses held by the Joint Venture Company at any time to identify geological, geophysical and/or geochemical information that may indicate the existence of a large mineral deposit.

- (c) Should the Joint Venture Company locate mineralization that the Joint Venture Company considers to have the potential to be developed into a large economically viable and profitable resource, then it will initiate a feasibility study of the resource.
- (d) If the Board decides under Article 8.2.1 hereof that the results of the feasibility study are favourable, then the Joint Venture Company will develop the deposit on the basis of the principles of development contained in this Contract.

4.2 *Priority in the Area of Interest*

Along with the exploration activities, the Joint Venture Company will determine the Area of Interest in different areas (initial bulk of Area of Interest is described in Appendix 2). The Joint Venture Company shall have priority over the Parties to explore the Area of Interest. Neither Party (nor its Affiliates) will apply for any exploration license within the Area of Interest without first giving a written notice of its intention (including details of the intended license area) to the Joint Venture Company. If the Joint Venture Company has not applied for exploration licenses over that area within three (3) month of receiving the notice, then the Party giving the notice shall be allowed to lodge applications in its own name.

4.3 *Scope of Business*

To conduct venture exploration for mineral deposits and to mine, process and sell related mineral products based on production of those deposits.

5. TOTAL AMOUNT OF INVESTMENT, REGISTERED CAPITAL AND CONDITIONS OF COOPERATION

5.1 *Parties Interests*

Subject to Articles 5.4, 5.6, 7.3 and 8.5, Party A shall have a 30% interest in the Joint Venture Company and Party B shall have a 70% interest in the Joint Venture Company.

5.2 *Conditions of Cooperation, Investment and Registered Capital*

5.2.1 Joint Venture Company's Conditions of Cooperation

- (a) Party A shall contribute as the conditions of cooperation the title and all the rights to the Exploration Licenses as specified in Appendix 1 hereto and historical geological exploration

information and its experience relating to the areas under the above licenses.

- (b) Party B shall contribute as the conditions of cooperation funding during the Exploration Phase, international expertise, advanced exploration and mining technology, and modern management techniques.

5.2.2 Initial Total Amount of Investment and Initial Registered Capital

- (a) The initial amount of total investment of the Joint Venture Company is US\$2,000,000. This Amount may be increased, depending on the results of the Exploration Work Program, in accordance with this Contract. During the Exploration Phase, the total amount of investment is expected to reach US\$5,000,000. During the Mine Development Phase, the total amount of investment may be as much as US\$500,000,000.
- (b) The initial registered capital of the Joint Venture Company is US\$2,000,000. This amount may be increased in line with the increase of the total amount of investment as provided in Article 5.2.2 (a) above.

5.2.3 Time Frame to provide the conditions of cooperation

- (a) Unless otherwise provided in this Contract, Party A shall duly transfer its title and all the rights to the Exploration Licenses to the Joint Venture Company within sixty (60) days upon the issuance of the Business License.
- (b) Party B shall contribute US\$ 2,000,000 in cash to the registered capital of Joint Venture Company in accordance with paragraph 1 of Appendix 3 hereto. Where the registered capital of the Joint Venture Company is increased pursuant to Article 5.3.2, Party B shall contribute to such increase of the registered capital of the Joint Venture Company subject to the terms of this Contract. Should Party B purchase any drilling equipment or other equipments for the operation of the Joint Venture Company, the costs of such assets should be deemed to represent a portion of the capital contributions to the Joint Venture Company by Party B.

5.3 *Increase or Decrease of Registered Capital*

- 5.3.1 During the Exploration Phase, the Joint Venture Company is established as a venture exploration project whose further activities will depend upon discovering favourable geological metallogenic conditions, and it thus is not possible at the time of establishment of the Joint Venture Company to accurately estimate future exploration funding requirements.
- 5.3.2 Subject to the provisions on the review of Exploration Work Program as stated in Article 7.3, the General Manager shall keep the Parties regularly informed during the Exploration Phase of the status of the Exploration Work Program and expenditures to date, together with recommendations for future exploration activities, if any, and estimates of the amount of funds necessary to support the proposed future activities. The Parties shall cause the directors appointed by them to vote unanimously to approve such recommendation of the General Manager to increase the total investment and registered capital of the Joint Venture Company, which should be submitted to the Approval Authority for approval, in order to continue the Exploration Work Program.
- 5.3.3 If the Joint Venture Company is to proceed with the Mine Development Phase, further application will be made to the Approval Authority for the increase of the total investment and registered capital at that time based on the results of the project advance and as determined by the Board in accordance with Article 8.2.1. The Parties shall cause the directors appointed by them to vote unanimously to approve the recommendation of the General Manager to increase the total investment and registered capital of the Joint Venture Company, which should be submitted to the Approval Authority for approval so that the Mine Development Phase can be completed.
- 5.3.4 Where the Parties agree that the Exploration Work Program does not require expenditure of all contributions already made to the registered capital, the Parties shall cause the Joint Venture Company to apply to the Approval Authority for reducing the registered capital by the amount not needed for the Joint Venture Company. Such a reduction of registered capital should first be unanimously agreed to at a Board meeting by both Parties causing each of their appointed directors to cast their votes to approve such reduction.

5.4 *Transfer of Interests in the Registered Capital*

5.4.1 Transfer to Third Party

Subject to Articles 5.4.1(a), 5.4.2 and 5.4.3 below and by following the procedures in (a) to (d) below, either Party (the "**Disposing Party**") to this Contract may assign, sell or otherwise dispose of all or part of its interest in the Joint Venture Company (the "**Assigned Amount**") to any third party provided the Disposing Party shall obtain the prior written consent of the other Party (such consent only to be withheld if appropriate reasons are given) and the approval of the Approval Authority. The provisions in this Article 5.4 do not apply to a transfer by Party B pursuant to a Disposal Notice provided for in Article 7.3.

- (a) Subject to Article 5.4.2, the Disposing Party may not assign, sell or otherwise dispose of the Assigned Amount to a third party without first offering to sell the Assigned Amount to the other Party (the "**Non-Disposing Party**") by way of a notice in writing setting out the terms of the offer (the "**Offer**").
- (b) If the Non-disposing Party does not accept or respond to the Offer within thirty (30) days of receipt of the Offer, then the Disposing Party may sell the Assigned Amount within a period of thirty (30) days thereafter to the party identified in the Offer at the same price and on the same terms and conditions as those set out in the Offer.
- (c) Any assignee of an interest in the Joint Venture Company shall become a party to this Contract, and the Disposing Party shall ensure that the assignee assumes the obligations and responsibilities of the Disposing Party as stipulated in this Contract.
- (d) Any sale, assignment or other disposal made pursuant to the above provisions must be consented to in writing by the Non-Disposing Party (except for otherwise provided under (b) above) and submitted to the Approval Authority for approval. Upon receipt of the approval of the Approval Authority, the Joint Venture Company shall register the change in ownership with the GAIC.

5.4.2 Any transfer of its interest in the Joint Venture Company by Party A to a third party pursuant to Article 5.4.1 shall satisfy the following conditions:

- (a) the third party transferee is a Chinese Legal Person; and

- (b) where any transfer would result in the balance of Party A's interest in the Joint Venture Company falling to less than 5%, then Party A shall transfer all of its interest to Party B or another Chinese Legal Person agreed by Party B who shall hold not less than a 5% interest in the Joint Venture Company.

5.4.3 Transfer to an Affiliate

Notwithstanding the provisions of Article 5.4.1, the Disposing Party may transfer the Assigned Amount to its own Affiliate provided that such Affiliate shall have sound financial standing verified as such by the other Party (the "**Non-Disposing Party**") and shall be capable of performing the obligations of the Disposing Party under this Contract. An Affiliate of Party B of a similar financial and legal status as Party B should be deemed to meet the criteria mentioned in the previous sentence, and Party A may not withhold its consent to such transfer. When transferring to an Affiliate, the Disposing Party must notify the Board and the other Party in writing of such transfer and specify the name and the legal address of the Affiliate, evidencing that such Affiliate has the financial standing and the ability to perform the obligations of the Disposing Party under this Contract, as well as the name, position, nationality and address of the legal representative of the Affiliate. The Non-Disposing Party has no pre-emptive rights in respect of the transfer by the Disposing Party of the Assigned Amount to its Affiliate and shall give its written consent to such transfer to the Affiliate, provided that the Non-Disposing Party agrees that the Affiliate is financially and legally capable of performing the obligations of the Disposing Party under this Contract. Such transfer should be submitted to the Approval Authority for approval.

5.4.4 Transfer on bankruptcy

If either Party becomes bankrupt, or is the subject of proceedings for liquidation or dissolution, or ceases to carry on business or becomes unable to pay its debts as they become due, then it shall transfer all of its interests in the Joint Venture Company to the other Party or a third party designated by the other Party for an agreed consideration, or failing agreement, as determined by the auditor of the Joint Venture Company, subject to and in accordance with the relevant Chinese laws. Such transfer should be submitted to the Approval Authority for approval.

5.5 *Investment Certificates*

After the Parties have each made their capital contributions to the registered capital of the Joint Venture Company or the conditions of cooperation, the Joint Venture Company shall engage an independent accountant registered in China with international accounting experience and experience in similar transactions to verify that such contributions have been made and to issue a verification report. Upon the issuance of the verification report by the accountant, the Joint Venture Company shall issue an investment certificate to each Party signed by the Chairman and the Vice-chairman of the Board, confirming the amount contributed by such Party.

5.6 *Delay on providing conditions of cooperation*

If Party A fails to duly provide the title and all the rights to the Exploration Licenses as specified in Appendix 1 hereto and such other conditions of cooperation or Party B fails to duly contribute the registered capital as stated in Article 5.2, the other Party may serve written notice requiring rectification of such default. If, at the expiry of the notice period, there is no resolution of the default and the Parties have not agreed on an alternate course of action, the non-defaulting Party may give notice to the defaulting Party that it wishes to terminate this Contract in accordance with Article 21.

6. RESPONSIBILITIES OF EACH PARTY TO THE JOINT VENTURE

6.1 *Responsibilities of Party A*

In addition to its other responsibilities under this Contract, Party A shall:

- 6.1.1 complete all necessary procedures and obtain approvals with completely legal formalities in accordance with Chinese laws and regulations to provide the conditions of cooperation to the Joint Venture Company as stated in Article 5.2 of this Contract;
- 6.1.2 assist in matters for (i) the establishment of the Joint Venture Company including submission of applications for approval of this Contract to the Approval Authority and any other government authority whose approval is required, (ii) the registration of the Joint Venture Company with the GAIC for the issuance of the Business License, and (iii) the registration of the Joint Venture Company with the relevant tax authorities and any other relevant government authorities and provide Party B with true copies of all documentary applications, agreements and approvals either filed with or received from such authorities;

- 6.1.3 assist the Joint Venture Company in obtaining in its own name all necessary consents, permits and licenses so as to allow the Joint Venture Company to undertake all exploration, mining, production and sales activities contemplated under this Contract;
- 6.1.4 assist the Joint Venture Company in handling matters with the relevant branch of the State Administration of Foreign Exchange ("SAFE") to obtain a Foreign Exchange Registration Certificate for the Joint Venture Company, as well as to obtain other approvals necessary to establish Renminbi bank account(s) and foreign exchange bank account(s) and any other related matters;
- 6.1.5 assist the Joint Venture Company in applying for and obtaining all applicable tax reductions and exemptions and all other relevant investment incentives, privileges and preferences available to the Joint Venture Company under Chinese law;
- 6.1.6 assist the Joint Venture Company in recruiting Chinese management and technical personnel;
- 6.1.7 assist the Joint Venture Company in its relations with local government authorities and Chinese domestic companies; and
- 6.1.8 assist the Joint Venture Company in handling such other matters as entrusted to it from time to time by the Joint Venture Company.

6.2 *Responsibilities of Party B*

In addition to its other responsibilities under this Contract, Party B shall:

- 6.2.1 contribute to the registered capital of the Joint Venture Company in accordance with Article 5.2 of this Contract;
- 6.2.2 assist the Joint Venture Company in formulating standards for recruiting, evaluating and promoting staff and workers;
- 6.2.3 cooperate with Party A to secure all approvals necessary to establish the Joint Venture Company and enable it to operate as envisaged in this Contract;
- 6.2.4 assist the Joint Venture Company in recruiting expatriate management and technical personnel and assist the Joint Venture Company in achieving international levels of management and technical efficiency; and

6.2.5 assist the Joint Venture Company in handling such other matters as entrusted to it by the Joint Venture Company.

6.3 *Rights of Exploration Applied in the Area of Interest by Party A for the Benefit of the Joint Venture and Payment for Relevant Fees*

6.3.1 The Parties confirm that the exploration licenses as to the Area of Interest which have been obtained and will be applied for by Party A for the benefits of the Joint Venture Company (as described in Appendix 2) should be transferred to the Joint Venture Company promptly after the licenses are duly transferred to the Joint Venture Company.

6.3.2 Any statutory charges in the process of application of the exploration licenses as stated in Article 6.3.1 above as required by Chinese law should be born by Party A and should be reimbursed by the Joint Venture Company to Party A after the exploration licenses are duly transferred to the Joint Venture Company. Meanwhile, the Joint Venture Company shall be responsible for the required minimum cost for relevant exploration.

7. EXPLORATION PHASE

7.1 The Exploration Phase is preliminarily set to be three years and may be extended or shortened in accordance with project assessment in the course of exploration activities. After the Exploration Licenses as described in Appendix 1 of this Contract transfer to the Joint Venture Company as the condition of cooperation, subject to approval of Party B, Party A may continue its exploration work as to such areas indicated by the Exploration Licenses in accordance with previous exploration schedule and tasks as required by law, provided that Party A shall ensure that such exploration work does not adversely affect the exploration activities of the Joint Venture Company. The exploration results belong to the Joint Venture after the Joint Venture Company and Party A through consultation decide the responsibility of the cost and expenditures spent by Party A on such exploration.

7.2 *Exploration Work Program*

Subject to regular reviews under Article 7.3 below, the exploration activities of the Joint Venture Company will be carried out in the areas covered by the Exploration Licenses described at Appendix 1 to this Contract on the basis of a program of exploration activities formulated through consultation between the Parties every six months, commencing from the date of the issue of the Business License, and submitted to the Board for approval (“**Exploration Work Program**”).

7.3 *Review of Exploration Work Program*

- 7.3.1 During the Exploration Phase commencing from the issuance of the Business License, the Joint Venture Company shall from time to time review past and present exploration and project assessment activities to determine whether further exploration or other investments are justified and shall timely revoke the exploration licenses to the exploration areas it decides to give up.
- 7.3.2 If in its absolute discretion Party B determines that further exploration investments are not justified, then Party B shall inform Party A that Party B does not wish to continue with the Exploration Work Program and other assessment activities and that it intends to dispose of its interest in the Joint Venture Company (“**Disposal Notice**”). From the date of the Disposal Notice Party B shall be relieved of any obligation to make further contributions to support the Exploration Work Programme, and the Joint Venture Company shall cease its exploration activities and expenditure of exploration funds pursuant to the Exploration Licenses.
- 7.3.3 Commencing from the date of the Disposal Notice Party B shall have the lesser of 180 days or the period until the Exploration Licenses expire (“**Disposal Period**”) in which Party B may find a third party buyer for its interest in the Joint Venture Company. If Party B cannot find a buyer during the Disposal Period then it shall, subject to consent of Party A, transfer all of its interest in the Joint Venture Company to a designated party of Party A at no consideration, but such party shall be responsible for all taxes and charges payable in connection with the transfer.
- 7.3.4 If Party B locates a third party buyer during the Disposal Period, Party A has ninety (90) days commencing from the end of the Disposal Period within which Party A may offer to buy Party B’s interest in United States Dollars on terms not less favourable than those offered by the third party buyer (“**Disposal Offer**”).
- 7.3.5 If Party A does not offer to buy Party B’s interest in the Joint Venture Company in accordance with Article 7.3.4 then Party B may sell its interest to the third party buyer identified in the Disposal Offer at the same price and on the same terms and conditions as those set out in the Disposal Offer. Such third party buyer shall become a party to this Contract and will assume the obligations and responsibilities of Party B under this Contract. Party A shall give its consent in writing to the disposal which should be submitted to the Approval Authority for approval within sixty (60) days. Upon receipt of the approval of the

Approval Authority, the Joint Venture Company shall register the change in ownership with the GAIC.

- 7.3.6 If Party B is unable to dispose of its interest in the Joint Venture Company in accordance with this Section 7.3, then Party B may issue a notice to Party A terminating this Contract in accordance with Article 21.

7.4 *Supply of Goods and Services*

In selecting contractors for the supply of goods and/or services to the Joint Venture Company, contractors will be selected on an arm's length basis on terms and conditions most favourable to the Joint Venture Company. Party A or its Affiliate will be preferred in awarding such contracts provided that it can meet the quality, price, performance and delivery standards offered by competitors. If Party A or its Affiliate cannot meet such conditions, another contractor may be engaged.

- 7.5 The exploration result reports completed by the Joint Venture Company in the Exploration Phase should be submitted to the competent government authorities in accordance with relevant Chinese administrative regulations on exploration.

8. MINE DEVELOPMENT

8.1 *Mine Development Financing*

After the Exploration Phase, for the purpose of construction of the mine the Joint Venture Company will conduct the mine development financing.

8.2 *Decision on Construction of the Mine*

- 8.2.1 Subject to a satisfactory outcome of the feasibility study the Parties may cause the Joint Venture Company by a simple majority decision of the Board to develop a mine based on the minerals resources identified pursuant to the Exploration Work Program and to apply for the necessary mining license on the basis of its "priority right" under the Mineral Resources Law of the People's Republic of China and other relevant laws and regulations.

- 8.2.2 Concurrently with the application by the Joint Venture Company for the mining license, the Parties shall jointly prepare and submit all documents, whether of a technical or financial nature or otherwise, to the relevant departments concerned with mining, planning, foreign investment, taxation, environment or other relevant agencies necessary to assist the Joint Venture Company in obtaining all relevant approvals so that it can proceed to the construction of the mine.

8.3 *Development Principles*

The Parties shall apply the following principles as a basis for the development of the mine.

- 8.3.1 Subject to Articles 5.4, 5.6, 7.3 and 8.5, Party A and Party B shall have a 30% and 70% interest respectively in the Joint Venture Company.
- 8.3.2 The Parties may amend this Contract to provide a more detailed basis for the project and enter into agreements between themselves or with third parties to secure the technical, financial and other resources necessary to successfully develop the project.
- 8.3.3 Should Chinese law in the future so provide, the Parties may later agree to change the corporate form of the Joint Venture Company, for example to a company limited by shares, in order to facilitate the financing and healthy development of the project.
- 8.3.4 The Joint Venture Company may enter arrangements with financial institutions, either foreign or domestic, to enable the project to be developed and financed in the most economically efficient manner.
- 8.3.5 To support the financial stability of the project, preference should be given to sales denominated in foreign currency.

8.4 *Mine Development Funds*

The Mine Development Funds, including the mine development financing cost and the costs of constructing of the mine, should be met wholly or in part by increasing the registered capital of the Joint Venture Company which increase should be contributed to by the Parties in the proportions of their respective interests in the Joint Venture Company as determined under Article 5.1. Part of the Mine Development Funds may at Party B's discretion also be obtained using domestic and international sources of finance on the most favourable terms available ("**Project Finance**").

8.5 *Further Contribution and Funds Shortfall*

- 8.5.1 In the case that the increase of the registered capital is determined in accordance with this Contract, if either Party ("**Diluting Party**") is unable to contribute all or part of its proportion of its respective interests as determined under Article 5.1 of the Mine Development Funds on time ("**Contribution Shortfall**"), then the other Party ("**Non-diluting Party**") may issue a notice to the Diluting Party requiring it to contribute all of the Contribution Shortfall within sixty (60) days from the date of issue of

the notice or within such other time as agreed between the Parties (“**Contribution Notice**”).

- 8.5.2 In the event that the Diluting Party fails to contribute the Contribution Shortfall within the time limit specified in the Contribution Notice, then the Non-diluting Party may, as part of its increased contribution to the registered capital and total investment of the Joint Venture Company, provide the Contribution Shortfall. In such circumstances the interest of each Party in the Joint Venture Company shall be recalculated in accordance with the following formula:

$$PI = \frac{A}{A+B} \times 100\%$$

Where:

PI = the Diluting Party’s recalculated interest.

A = the total of:

- (i) the actual contributions to the Mine Development Funds made by the Diluting Party up to the date of service of the relevant notice of non-contribution; plus
- (ii) the contributions to the Mine Development Funds (if any) to be made by the Diluting Party.

B = the total of:

- (i) the actual contribution to the Mine Development Funds made by the Non-diluting Party up to the date of service of the relevant notice of non-contribution; plus
- (ii) the total contributions to the Mine Development Funds to be made by the Non-diluting Party (including any amount contributed to the Contribution Shortfall).

The Non-Diluting Party’s recalculated interest in the Joint Venture Company will be $100\% - PI$.

- 8.5.3 Any such change in the interest in the Joint Venture Company provided for in this Article 8.5 should be submitted to the Approval Authority for approval within thirty (30) days. Upon receipt of the approval of the Approval Authority, the Joint Venture Company shall register the change in ownership with the GAIC.

8.6 *Project Finance*

If in Party B's opinion Project Finance is necessary for the optimum development of the mine, in order to obtain the Project Finance, the Joint Venture Company will give security undertakings in its own name over its assets including plant, equipment and land, and security over its exploration and mining rights, charges over bank accounts and any foreign exchange sales contracts. Where it is a condition for obtaining Project Finance, the Parties may also provide security to support loans to the project, including security over the Parties equity interests in the Joint Venture Company and their rights under this Contract.

9. EXPLORATION AND MINING RIGHTS

- 9.1** Party A represents, guarantees and undertakes that (a) it has complete and lawful rights and authority to transfer the Exploration Licenses as described in Appendix 1 at the Effectiveness Date; (b) these Exploration Licenses are free and clean of all mortgages, liens, pledges or any other types of encumbrances that would affect the use of these Exploration Licenses by the Joint Venture Company; (c) by the Effectiveness Date, there exists as of the Effectiveness Date no actual claim by any government or administrative department, military unit, organization, company, or any other entity in any form, or any individual, that such party has the right to the Exploration Licenses as described in Appendix 1 hereto or any part thereof or that otherwise may subject the Joint Venture's right to use the Exploration Licenses to any conditions; and (d) by the Effectiveness Date, there exists as of the Effectiveness Date no suit, action, prosecutions, or any other proceedings that may involve any of the Exploration Licenses or the lawfulness or ability of Party A to transfer to the Joint Venture Company its title and all the rights to any of the Exploration Licenses.
- 9.2** Party A shall transfer its title and all the rights to the Exploration Licenses to the Joint Venture Company in accordance with this Contract and ensure that the Joint Venture Company is registered as the legal owner of all of the Exploration Licenses described at Appendix 1 hereto. The Joint Venture Company shall be responsible for such procedural costs or fees as may be required by the competent government authorities in the process of transfer. Party A shall take all actions necessary including the signing of documents, lodging of applications, obtaining approval and other procedural requirements of Chinese law to ensure that the Joint Venture Company becomes the legal owner of the Exploration Licenses. The fees charged by the competent government authorities for the above transfers and other administrative fees should be borne by the Joint Venture Company.
- 9.3** Party A shall complete and lodge all documents and provide all information required to register the Joint Venture Company as the legally registered owner of the Exploration Licenses within sixty (60) days after the Joint Venture Company obtains the Business License issued by the GAIC.
- 9.4** In the event that the Joint Venture Company is not registered as owner of the Exploration Licenses within sixty (60) days after the Joint Venture Company obtains the Business License then Party B may issue a notice to Party A terminating this Contract in accordance with Article 21 in which case the Joint Venture Company shall refund to Party B upon demand all unspent funds contributed by Party B to the Joint Venture Company.

- 9.5 The Joint Venture Company shall apply for and hold in its own name all mining, production and sales rights related to its activities.
- 9.6 Party A will duly assist the Joint Venture Company in applying for mining rights and any necessary licenses associated with mining rights as required by Chinese laws and regulations.
- 9.7 The Parties shall cooperate closely and use their best endeavours to ensure that the Joint Venture Company is able to exercise a "priority right" as provided for in the Mineral Resources Law of the People's Republic of China so that it may enjoy the exclusive right to mine and exploit minerals discovered by it.

10. OWNERSHIP OF DATA

- 10.1 All data generated as a result of the research, exploration and development activities of the Joint Venture Company, or information transferred to the Joint Venture Company by either Party ("**Data**") shall belong to the Joint Venture Company.
- 10.2 The Parties shall treat the Data as confidential. Except for the materials to be submitted to the administrative authority as required, the Parties shall not disclose the Data to any third party except as approved by the Board, required by law or in order to assist the Parties or the Joint Venture Company in obtaining finance to support the development activities of the Joint Venture Company.

11. CONFIDENTIALITY

- 11.1 During the term of this Contract and for a period of five (5) years from the date of termination or expiration of this Contract for any reason whatsoever the Parties shall:
- (a) keep the Confidential Information confidential;
 - (b) not disclose the Confidential Information to any person (other than an Affiliate or employee) without the prior written consent of the other Party or in accordance with Articles 11.2 and 11.3 below; and
 - (c) not use the Confidential Information for any purpose other than the performance of its obligations under this Contract.
- 11.2 During the term of this Contract either Party may disclose the Confidential Information to any of its employees or Affiliates (each a "**Recipient**") to the extent that such disclosure is reasonably necessary for the purposes of this Contract.

11.3 The Parties shall procure that each Recipient is made aware of and complies with all the Party's obligations of confidentiality under this Contract as if the Recipient was a party to this Contract.

11.4 The obligations contained in Articles 11.1 to 11.3 above will not apply to any Confidential Information which:

- (a) at the date of this Contract is in, or at any time after the date of this Contract, comes into the public domain other than through breach of this Contract by the Party receiving the Confidential Information (“**Receiving Party**”) or any Recipient;
- (b) can be shown by the Receiving Party to the reasonable satisfaction of the other Party to have been known by the Receiving Party before disclosure to the Receiving Party;
- (c) subsequently comes lawfully into the possession of the Receiving Party from a third party; or
- (d) must be provided as request to a competent government authority acting within the scope of its lawful authority including any securities exchange having authority over any of the Parties to this Contract.

11.5 For the purposes of this Article, "**Confidential Information**" means all information of a confidential nature, including without limitation any information relating to the Data, historical information and experience, exploration techniques and strategies, operations, processes, plans or intentions, product information, know-how, design rights, trade secrets, market opportunities and business affairs of the Joint Venture Company or either Party.

The provisions of this Article 11 should survive the termination of this Contract and the dissolution or liquidation of the Joint Venture Company.

12. MANAGEMENT AND OPERATIONAL STANDARDS

In all its operations the Joint Venture Company will adopt world class best practices in exploration, environmental protection, health, safety, community affairs and mining.

13. THE BOARD OF DIRECTORS

13.1 Date of Establishment of the Board

The Board of the Joint Venture Company (“**Board**”) should be established on the date the Joint Venture Company is registered and issued its Business License by GAIC.

13.2 Composition of the Board

There should be five (5) directors with three (3) being appointed by Party B and two (2) being appointed by Party A.

In the event that either Party transfers all or part of its interests in the registered capital of the Joint Venture Company to a third party or parties (the “**Transferee**” or “**Transferees**”) then the Transferee(s) shall have the right to appoint numbers of directors previously held by the transferring party provided that the maximum number of directors remains at five (5) and that where Party B maintains an interest in the Joint Venture Company of not less than 70%, transferees may individually or jointly not appoint more than two (2) director.

The directors (including the Chairman and Vice-chairman appointed pursuant to this Contract) shall be appointed for a term of three (3) years and may serve consecutive terms if re-appointed by the original appointing Party. Changes in membership of the Board should be reported to the relevant government authorities for registration and/or filing.

13.3 Replacement of Directors

Any Party may, at any time, remove any director appointed by such Party by giving written notice to the Joint Venture Company with a copy of such notice to the other Party. If a seat on the Board is vacated by the retirement, removal, resignation, illness, disability or death of a director, the Party that originally appointed such director may appoint a successor to serve out such director's term.

13.4 Decisions of the Board

13.4.1 The Board shall be the highest authority of the Joint Venture Company. It shall decide all major issues concerning the Joint Venture Company.

Decisions of the Board involving the following matters should require the affirmative unanimous approval of all members of the Board present in person or by proxy at the Board meeting:

- (a) amendment of the Articles of Association;
- (b) increase or decrease of the Joint Venture Company's registered capital;
- (c) termination and dissolution of the Joint Venture Company;
- (d) mortgage of the assets of the Joint Venture Company; and
- (e) the merger or division or change in the form of organization of the Joint Venture Company.

13.4.2 Decisions of the Board over issues other than those listed in Article 13.4.1 above shall require a simple majority of the voting directors present in person or by proxy at the meeting of the Board. In the case that an event of deadlock exists, the Chairman of the Board shall have the decisive voting right.

13.5 Chairman and Vice-chairman of the Board

A director appointed by Party B shall serve as the Chairman of the Board, and a director appointed by Party A shall serve as the Vice-chairman of the Board. The Chairman of the Board is the legal representative of the Joint Venture Company, but the Chairman may not unilaterally take any action binding upon the Joint Venture Company which may be beyond the authority delegated to him in the Articles of Association or provided by established Joint Venture Company policy without the prior authorisation of the Board.

13.6 Meetings of the Board

13.6.1 The Board shall convene at least two (2) meetings per year. The meetings should be convened and presided over by the Chairman who shall give the Parties ten (10)-day advance notice in writing of the meeting. If the Chairman is unable to call and preside over the meeting, he shall authorize the Vice-chairman or another director to do so. The Chairman shall convene an interim meeting based on a proposal made by more than one third of the directors. The quorum for a Board meeting shall be at least two thirds of the directors including a director appointed by Party A. If a quorum is not present within one (1) hour of the time set for the meeting, then the meeting will be rescheduled by the Chairman. If a quorum is not present with one (1) hour of the time set for the

rescheduled meeting, those directors present (being at least two thirds of the directors) will be a valid quorum notwithstanding the absence of the director appointed by Party A. Each director is entitled to one vote on any matter put to the Board for decision. The directors may invite their advisers to be present during Board meetings, but such advisers do not have the right to participate in the deliberations of the Board nor the right to vote.

- 13.6.2 Board meetings should in principle be held at the place where the Joint Venture Company is located, and may also be held at such other places within or outside China as decided by the Board. Should any director be unable to attend a meeting of the Board, he may authorize another director or person to act as his representative by written proxy to attend such meeting on his behalf and the authorization shall be certified in writing by the Party that appointed the director. Such representative should vote in the place of such director. A director who is present at the Board meeting by telephone or audio-visual link by means of which he can hear and be heard by all those present at the meeting should be deemed to be present and should count towards the quorum. Any proxy will also count towards the quorum. The Joint Venture Company shall reimburse the reasonable travel and accommodation expenses of each director attending Board meetings with such allowance to be fixed by the Board and included in the annual budget of operational expenses.
- 13.6.3 In lieu of a meeting of the Board, a written resolution may be adopted by the Board, if such resolution is sent to all members of the Board and affirmatively signed and adopted by the number of directors necessary to make such a decision as stipulated in Article 13.4 of this Contract. If upon circulating a written resolution by mail or fax the Joint Venture Company receives no response from a director within fifteen (15) days after the confirmed receipt of such written resolution, such director should be assumed to have waived his right and vote on such issue except that such assumption should not apply with respect to the issues specified in Article 13.4.1.
- 13.6.4 Board meetings should be conducted in Chinese and English with an interpreter present to carry out interpretation, to the extent necessary. Minutes of all meetings of the Board and resolutions adopted in lieu of a meeting, in both Chinese and English, should be kept in the minute book of the Joint Venture Company at the Joint Venture Company's legal address. Other requirements in regard to Board meetings are stipulated in the Articles of Association.

13.7 First Board Meeting

13.7.1 The first Board meeting of the Joint Venture Company should be held within thirty (30) days after the issuance of the Business License. Each Party undertakes that it shall procure that at the first Board meeting of the Joint Venture Company, its appointed representatives shall vote in favor of the following resolutions:

- (a) to appoint auditors of the Joint Venture Company in accordance with the criteria set out in Article 17.3;
- (b) to approve the capital and operating budget of the Joint Venture Company;
- (c) to discuss and decide matters relating to the operation and management of the Joint Venture Company including financial management (in particular bank mandates and signature authorities), labor management, and approval of the recruitment and remuneration of senior management;
- (d) to verify the transfer of the Exploration Licenses to the Joint Venture Company by Party A and the installment of the capital contribution of Party B;
- (e) policies relating to health, safety and the environment;
- (f) procedures for future meetings and the recording of proceedings;
and
- (g) decide the authorized scope of authority of the legal representative and the General Manager.

14. OPERATION AND MANAGEMENT ORGANIZATION

14.1 Management System

The Joint Venture Company shall adopt a management system under which the general manager and deputy general manager of the Joint Venture Company (“**General Manager**” and “**Deputy General Manager**”) shall be responsible for the day-to-day management and operation of the Joint Venture Company. The General Manager should be nominated by Party B and appointed by the Board and the Deputy General Manager should be nominated by Party A and appointed by the Board. The General Manager and the Deputy General Manger shall serve for a term of three (3) years. The General Manager may serve consecutive terms upon re-appointment by the Board. In the event it becomes

necessary to replace the General Manager prior to the end of his current term of office, Party B shall nominate a new candidate to fill the position of General Manager for approval by the Board.

14.2 *Responsibilities of Executives*

The General Manager shall be directly responsible to the Board and shall be responsible for the implementation of the Exploration Work Program. He shall carry out the various resolutions of the Board and in accordance therewith, organize and direct the day-to-day operation and management work of the Joint Venture Company. The General Manager has the authority to appoint and dismiss subordinate personnel and exercise other responsibilities, powers and duties authorized by the Board. The General Manager shall cause the Joint Venture Company to comply with the policies, operating principles and guidelines governing the Joint Venture Company as adopted by the Board.

14.3 *Initial staff of the Joint Venture Company*

The Joint Venture Company sets up a chief finance officer (“CFO”) and an Assistant to CFO. The CFO should be nominated by Party B and appointed by the Board. The Assistant to CFO should be nominated by Party A and appointed by the Board. In addition, the Joint Venture Company may initially employ one manager, one office assistant and financial personnel, nominated by Party A and approved by Party B, on a secondment basis.

14.4 *Budgets and Business Reports*

14.4.1 The General Manager shall prepare and submit to the Board proposed capital and operating budgets and work program each year for the subsequent year, which the Board shall adopt with such revisions as the Board may deem appropriate.

14.4.2 In addition to the annual capital and operating budgets, the General Manager shall prepare and submit to the Board on a quarterly basis interim business reports on the activities and prospects of the Joint Venture Company, showing the performance of the Joint Venture Company.

14.5 *Neglect of Duty*

In the event of graft or serious breach or neglect of duty on the part of the General Manager or the Deputy General Manager, the Board shall have the power to dismiss him at any time. The General Manager shall have the authority to dismiss any manager or subordinate who has committed graft or has seriously breached or neglected his duty.

15. LABOR MANAGEMENT

15.1 The Joint Venture Company shall form its labor management rules in accordance with the relevant Chinese laws and regulations, based on the operating policies of the Joint Venture Company. The employment, dismissal, resignation, remuneration, welfare benefits, rewards, discipline, punishments and labor insurance of its workers and staff should be based on the relevant Chinese laws and regulations, implemented by the Joint Venture Company according to policies set forth by the Board of Directors.

15.2 The employees of the Joint Venture Company should be recruited by the Joint Venture Company directly or seconded from Party A and/or Party B or their Affiliates. The numbers of employees recruited shall be commensurate with the operational needs of the Joint Venture Company as determined by the General Manager by reference to international standards for similar exploration and mining operations. They should be selected after examination and interviews, based on their relevant professional and technical qualifications and the Joint Venture Company's standards for the selection of qualified personnel. The Joint Venture Company shall sign labor contracts with successful applicants. The General Manager has the right to employ and dismiss any staff members and workers in accordance with relevant laws and regulations as well as the labor management rules of the Joint Venture Company.

15.3 *Labor Contracts*

Provisions relating to the employment, dismissal, resignation, remuneration, welfare benefits, rewards, discipline, punishments and labor insurance of the staff and workers of the Joint Venture Company will be specified in labor contracts to be entered into by and between the Joint Venture Company and each individual staff member and worker of the Joint Venture Company.

15.4 *Trade Union*

The workers of the Joint Venture Company have the right to establish a trade union organization in accordance with relevant Chinese laws and regulations. At such time as the trade union is established, the Joint Venture Company shall allocate two percent (2%) of the actual wages earned each month by the Chinese staff and workers to the trade union fund (or such other percentage as required by law) for such trade union use in accordance with the applicable Chinese laws on trade unions.

16. TAXATION

16.1 *Taxes*

- 16.1.1 The Joint Venture Company shall pay taxes in accordance with the stipulations of relevant Chinese laws and regulations taking into consideration the various preferential tax treatments given by the state to joint venture companies. In the event that new laws or regulations permit more favorable tax treatment for joint venture companies at a later date, the Joint Venture Company should be entitled to apply for the benefit of the relevant new tax laws or regulations, and Party A shall assist the Joint Venture Company in such application and in obtaining the more favorable tax treatment.
- 16.1.2 In recognition of the special circumstances of mining exploration and development companies, in conjunction with preparation of feasibility studies, the Parties shall prepare a Taxation Memorandum which will set out the desired tax treatment of the Joint Venture Company (for example, carry forward of exploration losses) with a view to obtaining the agreement of the relevant tax authorities to optimum tax treatment of the Joint Venture Company.

16.2 *Duties and Taxes on Imports*

The Joint Venture Company shall use its best endeavors to obtain the maximum preferential customs and tax treatment in respect of imported equipment, goods and materials as permitted by the relevant regulations. Party A shall assist the Joint Venture Company in obtaining such preferential treatment.

16.3 *Individual Income Tax*

The staff members and workers of the Joint Venture Company shall pay individual income tax according to the Individual Income Tax Law of the People's Republic of China or other Chinese law and regulations as applicable.

17. FINANCE, AUDIT AND DISTRIBUTION OF PROFIT

17.1 *Accounting System*

- 17.1.1 The General Manager shall be responsible for the financial management of the Joint Venture Company. The Joint Venture Company shall adopt the internationally practiced accrual basis of accounting and the debit and credit method for book keeping, and shall prepare complete, accurate and appropriate financial and accounting books and records satisfactory to all Parties and the Board and in accordance with relevant Chinese laws and regulations. The cost of preparing all financial statements should be borne by the Joint Venture Company.

17.1.2 The General Manager shall prepare financial statements for the Joint Venture Company on a quarterly basis pursuant to Article 17.1.1, including a balance sheet and a profit and loss statement. Immediately upon their issuance, the General Manager shall provide copies of the said financial statements and restated financial statements to the Parties and the Board.

17.1.3 Renminbi should be used as the unit of account by the Joint Venture Company in its financial accounting. Cash, bank deposits, foreign currency loans as well as creditors' rights, debts, income and expenses, etc., which are denominated in currencies different from the unit of account, shall be recorded in the currency of actual receipt and payment.

Treatment of exchange gains and losses arising from exchange rate differences should accord with the relevant regulations announced by the Ministry of Finance of China.

17.1.4 The accounting system and procedures to be adopted by the Joint Venture Company should be prepared by the General Manager and submitted to the Board for approval. Subject to approval by the relevant finance and authorities the Joint Venture Company's accounting system should be electronically based. The accounting system should be as far as possible consistent with Party B's reporting and management requirements including Party B's monthly management reporting system. Once approved by the Board, the accounting system and procedures shall be filed with the local department of finance and the tax authorities for the record.

17.1.5 The fiscal year of the Joint Venture Company should begin on 1 January and end on 31 December of each year. All accounting records, vouchers, books, financial statements and reports of the Joint Venture Company should be made and kept in the Chinese and English languages and their copies should be provided in a timely fashion to each Party and the Board. All important financial and accounting records and statements shall require the approval and signature of the General Manager.

17.1.6 Tax returns for the Joint Venture Company should be prepared in accordance with the applicable Chinese laws and regulations and signed by the General Manager.

17.2 Bank Accounts

After its Business License has been issued, the Joint Venture Company shall separately open its foreign exchange account(s) and Renminbi account(s) at a

bank authorized to accept Renminbi or foreign exchange deposits in China. If it deems it necessary, with the approval of the Board, the Joint Venture Company may also, in pursuance of its operational needs and in accordance with relevant regulations, open foreign exchange accounts with financial institutions outside China after obtaining approval from SAFE.

17.3 *Auditing*

17.3.1 The Joint Venture Company shall engage a major international accounting firm registered in China capable of performing accounting work meeting both international standards and Chinese accounting standards for foreign-invested enterprises to be its auditor and to examine and verify the financial accounting of the Joint Venture Company. The results of the auditor's examination should be reported to the Board and the General Manager. The Joint Venture Company shall submit to the Parties and to each director the audited annual accounts within sixty (60) days after the end of the fiscal year, together with the audit report of the independent auditor.

17.3.2 Each Party has the right to request a special audit of the Joint Venture Company, the costs of which should be borne by the Joint Venture Company subject to the approval of the Board. In the event that the Board does not approve the special audit, the Party proposing such audit may proceed with the audit at its own expense and in such case should have the right to appoint an auditor of its choice. The Joint Venture Company shall cooperate fully with any audit carried out pursuant to this Article 17.3.2.

17.4 *Contributions to the Three Funds*

The Joint Venture Company shall allocate a certain amount of money from its after tax profits each year for the reserve fund, the enterprise development fund and the bonus and welfare fund for staff and workers (collectively, the "**Funds**") in accordance with the discretion of the Board and relevant Chinese laws and regulations. The amount to be allocated annually for these Funds should be discussed and decided by the Board according to the business situation of the Joint Venture Company. When the cumulative aggregate of the funds in the Reserve Fund equals fifty percent (50%) of the registered capital of the Joint Venture Company, the Joint Venture Company need not make further allocations to this fund.

17.5 *Distribution of Profits*

Dividends should be distributed having regard to outstanding Joint Venture Company debt, service obligations and Joint Venture Company operational

requirements in proportion to interest of the Parties in the Joint Venture Company as set out in Article 5.1.

18. FOREIGN EXCHANGE

18.1 *General Provisions*

18.1.1 All foreign exchange matters of the Joint Venture Company should be handled in accordance with relevant Chinese foreign exchange regulations.

18.1.2 In accordance with relevant Chinese laws and regulations, Party B should have the right to remit outside of China all payments made to it by the Joint Venture Company, including the amounts paid to it upon dissolution of the Joint Venture Company. Unless otherwise specified in this Contract or in contracts entered into by the Joint Venture Company, all expenses, loan repayments, labor compensation and other charges of the Joint Venture Company paid to Chinese enterprises or nationals should be paid in Renminbi.

18.2 *Applicable Foreign Exchange Rate*

The foreign exchange rate applicable to the conversion of Renminbi to foreign currency or vice versa for bookkeeping purposes is the foreign exchange rate announced by the People's Bank of China on the date the operation occurs; the actual foreign exchange rate applicable to the conversion of Renminbi to foreign currency should be the foreign exchange buying and selling rate announced by the People's Bank of China on the date of the conversion.

19. INSURANCE

The Joint Venture Company shall, at its own cost and expense, at all times during the operation of the Joint Venture Company, purchase and maintain full and adequate insurance of the Joint Venture Company and its assets against loss or damage by such risks as are customarily insured against by businesses whose operations are comparable to those of the Joint Venture Company. The types, amounts and currencies of insurance coverage should be determined by the General Manager. All items of insurance of the Joint Venture Company should be taken out with an insurance company registered in China or (to the extent permitted under Chinese law) overseas.

20. DURATION OF THE JOINT VENTURE

20.1 *Term of the Joint Venture Company and this Contract*

The duration of the Joint Venture Company (the "**Joint Venture Company Term**") is fifty (50) years starting from the date on which the Business License of the Joint Venture Company is issued by the GAIC. The effective term of this Contract begins when it is executed by the Parties, and approved by the Approval Authority, and will end when the Joint Venture Company Term ends, or upon dissolution of the Joint Venture Company (in case of early termination of this Contract). Articles 11 and 24, however, should survive the termination of this Contract.

20.2 *Extension of the Joint Venture Company Term*

At least two (2) years prior to the expiration of the Joint Venture Company Term, the Parties shall hold consultations to discuss the extension of the Joint Venture Company Term. If the Parties agree to extend the Joint Venture Company Term, an application for such extension should be submitted to the Approval Authority for approval six (6) months prior to the expiration of the Joint Venture Company Term. Any extension of the term as approved should be registered with GAIC.

21. TERMINATION AND LIQUIDATION

21.1 *Reasons for Termination*

This Contract should terminate upon the expiration of the Joint Venture Company Term, unless extended pursuant to Article 20.2. Party B may issue a notice to Party A terminating this Contract with thirty (30) days notice pursuant to Article 7.3.6. In addition, either Party (but under the circumstances in 21.1.3 and 21.1.4, a non-breaching Party) has the right to give written notice, explaining its reasons, to the other Party of its desire to terminate this Contract under each of the following circumstances:

21.1.1 if there is a confiscation and requisition of all or a material part of the assets or revenues of the Joint Venture Company;

21.1.2 inability of the Joint Venture Company to obtain, or revocation of, any approval, consent or license necessary for the Joint Venture Company to be able to carry on its activities as envisaged in this Contract;

21.1.3 pursuant to Article 5.6;

- 21.1.4 the other Party materially breaches this Contract or the Articles of Association, and such breach is not cured within thirty (30) days of written notice to the breaching Party;
- 21.1.5 if the Joint Venture Company is unable to obtain adequate finance on reasonable terms to commence or continue any of its activities; or
- 21.1.6 if the Parties consent, in writing, to the termination of this Contract.

21.2 Notification Procedure

- 21.2.1 In the event that both Parties agree to terminate this Contract pursuant to Article 21.1.5 above, the Parties shall within a sixty (60) day period after the date of the written consent, or such other period of time as agreed by the Parties, notify the Approval Authority and terminate this Contract.
- 21.2.2 In the event that a Party gives notice pursuant to Articles 21.1.1 to 21.1.4 of its desire to terminate this Contract, the Parties shall within a sixty (60) days period after such notice is given, or such other period of time as agreed by the Parties, conduct negotiations and endeavor to find suitable solutions to avoid termination of this Contract. In the event that the matter is not resolved to the satisfaction of the Parties within sixty (60) days after commencement of negotiations or the non-notifying Party refuses to or cannot commence negotiations within the period stated above, each Party shall procure that each of the directors appointed by it shall vote in favor of a Board resolution to approve the termination of this Contract. Upon approval of the Board and of the Approval Authority, the notifying Party may terminate this Contract. In the event that no Board resolution is passed to approve the termination of this Contract in accordance with this Article 21.2.2, then the provisions of Article 24 should apply.

21.3 Liabilities of Breach

Any Party shall be liable to the non-breaching Party for its direct damages incurred as a result of its breach. Termination of this Contract may not relieve either Party from the liabilities and compensation for the damages accrued to the date of such termination. Waiver by either Party of a single default or a succession of defaults may not deprive such Party of any right to terminate this Contract and right to request compensation should any subsequent default occur.

21.4 *Liquidation*

- 21.4.1 Upon the expiration of the Joint Venture Company Term or in the event that this Contract is terminated in accordance with Article 21.1, the Board shall appoint a liquidation committee (“**Liquidation Committee**”) which should have the power to represent the Joint Venture Company in all legal matters. The Liquidation Committee shall value and liquidate the Joint Venture Company's assets in accordance with applicable Chinese laws and regulations and the principles set out herein.
- 21.4.2 The Liquidation Committee will be made up of four (4) members, of which three (3) members will be nominated by Party B, and two (2) member by Party A. Decisions of the Liquidation Committee should be based on negotiations and adopted by an affirmative vote of a simple majority. Members of the Liquidation Committee may, but need not, be Board directors or senior employees of the Joint Venture Company. Subject to the approval of the Board, any Party may also appoint professional advisors to be members of or to assist the Liquidation Committee. The Board shall report the formation and membership of the Liquidation Committee to the department in charge of the Joint Venture Company.
- 21.4.3 The Liquidation Committee shall conduct a thorough examination of the Joint Venture Company's assets and liabilities, work out the statement of assets and liabilities and the list of property, and develop a liquidation plan which, if approved by the Board and notified to the Approval Authority, should be executed under the Liquidation Committee's supervision.
- 21.4.4 In developing and executing the liquidation plan, the Liquidation Committee shall use every effort to obtain the best possible price for the Joint Venture Company's assets.
- 21.4.5 Any rights or licenses held by the Joint Venture Company relating to exploration or mining including the processing and sale of products shall to the extent permitted under Chinese law be considered as assets of the Joint Venture Company.
- 21.4.6 The liquidation expenses, including remuneration to members and advisors to the liquidation committee, should be paid out of the Joint Venture Company's assets in priority over the claims of other creditors.
- 21.4.7 The remaining assets of the Joint Venture Company after the settlement of all of its outstanding debts should be paid over to the Parties in

proportion to their interests in the Joint Venture Company as determined under Article 5.1, except in the case of any cash component of the remaining assets in which case each party should have a priority right to funds contributed by them.

21.4.8 On completion of all liquidation procedures, the Liquidation Committee shall submit a final report approved by the Approval Authority, hand in the Joint Venture Company's Business License to the GAIC and complete all other formalities for canceling the Joint Venture Company's registration.

21.4.9 In accordance with the relevant foreign exchange regulations of China the proceeds of the liquidation due to Party B should be converted to foreign currency for remittance outside China.

22. FORCE MAJEURE

22.1 *Definition*

For the purpose of this Contract, the term “**Force Majeure Events**” means earthquake, typhoon, flood, fire, war or other unforeseeable events, the occurrence and consequences of which cannot be prevented or avoided, and which materially affect the performance of this Contract by the Parties or the operation of the Joint Venture Company during the Joint Venture Company Term.

22.2 *Notice*

The Party affected by a Force Majeure Event shall immediately (or in the case of communication break, upon the restoring of communications) notify the other Party and the Board in writing and shall furnish within fifteen (15) days thereafter sufficient evidence of the occurrence, anticipated duration and effect of the Force Majeure Event. The Party affected by a Force Majeure Event shall also use all reasonable endeavours to minimise the effect of the Force Majeure Event.

22.3 If a Force Majeure Event occurs, the obligations of the Party under this Contract affected by the Force Majeure Event (excluding the payment obligations already accrued and owing under this Contract) may be released to the extent affected by, and during the period of, the Force Majeure Event.

23. APPLICABLE LAW

23.1 *Applicable Law*

This Contract is governed by and construed in accordance with the published Chinese laws.

24. SETTLEMENT OF DISPUTES

24.1 Any dispute arising out of or in connection with this Contract should be settled through friendly consultations between the Parties. In the event that no agreement can be reached through consultations within ninety (90) days after the date of the giving of a written notice of such dispute by one Party to the other, served in accordance with the arbitration rules of the Arbitration Institute of the Stockholm Chamber of Commerce (“**Stockholm Arbitration Institute**”) in Sweden, then such disputes should be submitted to arbitration for settlement.

24.2 Unless otherwise agreed between the Parties, the arbitration should take place in Stockholm, Sweden, before the Stockholm Arbitration Institute, applying the arbitration rules then in force. Unless the Parties mutually agree otherwise, three arbitrators will be appointed by Stockholm Arbitration Institute. The language to be used in any arbitral proceeding will be English and Chinese.

24.3 The arbitration award should be in writing and should give reasons for its conclusions; it should include determinations as to payment of costs, expenses, and arbitration fees and the allocation of such costs, expenses and fees between the parties. The arbitration award should be final and binding on both Parties and is be enforceable by any court with jurisdiction over the Party against whom the award has been rendered. The Parties agree to be bound by the terms of the award and to act in accordance with the award.

24.4 During the course of arbitration, this Contract should continue to be performed by both Parties except as to those matters which are in dispute.

25. LANGUAGE

This Contract is written in both Chinese and English. Both language versions are equally binding.

26. EFFECTIVENESS OF THE CONTRACT, AMENDMENT, AND MISCELLANEOUS

26.1 *Entire Contract*

This Contract constitutes the entire contract between the Parties with respect to the subject matter of this Contract and supersedes all previous oral and written agreements, contracts, understandings and communications of the Parties in respect of the subject matter of this Contract. The headings to Articles are for ease of reference only and may have no legal effect.

26.2 *Effectiveness*

This Contract should be submitted for approval to the Approval Authority and will come into force beginning from the date on which the Approval Authority issues its certificate of approval.

26.3 *Amendment*

Any amendment of this Contract, including any non-concurrence expressed and amendments suggested or required by the Approval Authority during the approval process, may come into force only after a written agreement is signed by all the Parties and approved by the Approval Authority.

26.4 *Severability*

The invalidity of any provision of this Contract may not affect the validity of any other provision of this Contract.

26.5 *Waiver*

A Party's failure to exercise any right, power or privilege under this Contract may not operate as a waiver of it, and any single or partial exercise of any right, power or privilege may not preclude exercise of any other right, power or privilege.

26.6 *Notices*

26.6.1 All notices between the Parties shall be written in Chinese and in English and may be delivered either by messenger, registered airmail, telex, fax, or telegram. The following addresses should be used:

Address of Party A: 123 Hongxing Lane
Lanzhou City,
Gansu Province,
China
Post Code: 730000

Attention: Luo Jianmin
Fax: (86-931) 863-9118

Address of Party B: 632 Crescent Boulevard S.W.
Calgary, Alberta
Canada
T2S 1L2

Attention: Randal J. Matkaluk
Fax: (1-403) 287-7263

26.6.2 Notices to Party B will only be valid if sent to the address in Canada. Notices will be deemed delivered on the following dates:

- (a) By messenger, on the date of delivery;
- (b) By registered airmail, seven (7) days after the postage payment of the registered airmail (i.e. seven (7) days after the postmark);
- (c) By fax on the first working day after the date of properly transmitting as confirmed by the facsimile transmission report. Any faxed notice will, unless the Parties agree otherwise, also be posted to the other Party. During the term of this Contract, any of the Parties, shall have the right to change its address for receiving notices at any time, provided that the other Party is given notice of such change pursuant to this Article.

26.7 *Public Communications*

No Party may make any declarations, announcements, or disclosures to the public with respect to this Contract, the relationship between the Parties or the business of the Joint Venture Company without first obtaining the written consent of the other Party.

26.8 *Counterparts*

This Contract is executed in 10 originals in Chinese and 10 originals in English.

IN WITNESS WHEREOF each of the Parties hereto has caused this Contract to be executed by its duly authorized representative on the date first set forth above.

**GANSU QINQI MINERALS
COMPANY LIMITED**

PARGAS ENTERPRISES LTD.

By: _____

By: _____

Name: Sun Kuangsheng

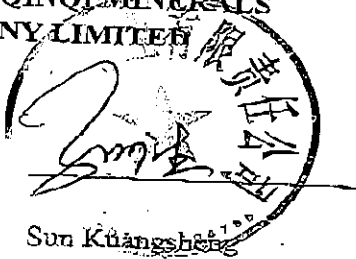
Name: Lawrence Zhang

IN WITNESS WHEREOF each of the Parties hereto has caused this Contract to be executed by its duly authorized representative on the date first set forth above.

GANSU QINQI MINERALS
COMPANY LIMITED

PARGAS ENTERPRISES LTD.

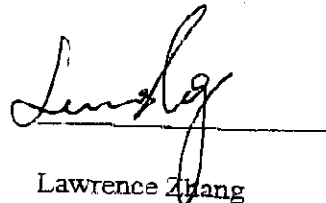
By:



Name:

Sun Kuangsheng

By:



Name:

Lawrence Zhang

- (b) 经航空挂号邮递发送，则付邮资后七(7)日即为交付日（即盖上邮戳后七(7)日）；
- (c) 如经传真传送，则经传真发送报告确认的正当发送日后的第一个工作日即为交付日。除非双方同意，任何传真通知应同样邮寄给另一方。在合作公司期限内，任何一方均有权在任何时候更改其接收通知的地址，但必须根据本条规定将该更改通知另一方。

20.6 公告

未经另一方事先书面同意，任何一方均不得向公众宣告、宣布、或披露本章程、双方之间的关系或合作公司的业务。

20.7 文本

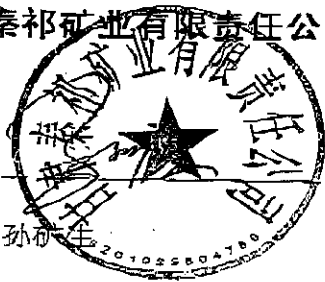
本章程签署十(10)份中文和十(10)份英文正本。

有鉴于此，本章程各方已责成其正式授权代表在本章程文首所载明的日期签署本章程。

甘肃秦祁矿业有限责任公司

签字:

姓名: 孙砾生



帕格斯实业有限公司

签字:

姓名: Lawrence Zhang

APPENDIX 1

EXPLORATION LICENSES

	Name of Project	Number of License	Coordinates of Inflection Points	Size (km²)	Term of License
1	Gansu Luqu County Laerma Gold Exploration	6200000310349	102° 41' 00" , 34° 13' 30" ; 102° 42' 30" , 34° 13' 30" ; 102° 42' 30" , 34° 13' 00" ; 102° 42' 00" , 34° 13' 00" ; 102° 42' 00" , 34° 12' 45" ; 103° 41' 45" , 34° 12' 45" ; 103° 41' 45" , 34° 12' 30" ; 102° 41' 00" , 34° 13' 30" ;	3.37	August 18, 2003— August 17, 2004
2	Gansu Luqu County Xinqu Gold Exploration	6200000320202	102° 07' 30" , 34° 06' 30" ; 102° 10' 30" , 34° 06' 30" ; 102° 10' 30" , 34° 05' 00" ; 102° 16' 00" , 34° 05' 00" ; 102° 16' 00" , 34° 03' 00" ; 102° 19' 00" , 34° 03' 00" ; 102° 19' 00" , 34° 00' 30" ; 102° 15' 00" , 34° 00' 30" ; 102° 15' 00" , 34° 04' 00" ; 102° 10' 30" , 34° 04' 00" ; 102° 10' 30" , 34° 03' 00" ; 102° 07' 30" , 34° 03' 00" .	76.83	February 13, 2003— February 12, 2005
3	Gansu Maqu County Dashui Gold Exploration	6200000330197	102° 10' 30" , 34° 04' 00" ; 102° 15' 00" , 34° 04' 00" ; 102° 15' 00" , 34° 01' 00" ; 102° 12' 30" , 34° 01' 00" ; 102° 12' 30" , 34° 01' 30" ; 102° 10' 30" , 34° 01' 30" ;	28.82	February 13, 2003— February 12, 2005
4	Gansu Xiahe County huaerliang Gold Exploration	6200000320193	102° 34' 15" , 35° 04' 30" ; 102° 37' 30" , 35° 04' 30" ; 102° 37' 30" , 35° 02' 15" ; 102° 34' 15" , 35° 02' 15" ;	20.56	February 13, 2003— February 12, 2005
5	Gansu Xiahe County Sangduoge Gold Exploration	6200000320181	102° 32' 00" , 35° 04' 30" ; 102° 34' 00" , 35° 04' 30" ; 102° 34' 00" , 35° 02' 15" ; 102° 32' 00" , 35° 02' 15" ;	12.65	February 13, 2003— February 12, 2005
6	Gansu Xiahe County Jiamu Longgou Gold Exploration	6200000320192	102° 36' 00" , 34° 58' 15" ; 102° 39' 30" , 34° 58' 15" ; 102° 39' 30" , 34° 55' 30" ; 102° 36' 00" , 34° 55' 30" ;	27.1	February 13, 2003— February 12, 2005

7	Gansu Xiahe County Zaqla Lebu Gold Exploration	6200000110259	102° 32' 00" , 35° 07' 00" ; 102° 35' 00" , 35° 07' 00" ; 102° 35' 00" , 35° 05' 00" ; 102° 32' 00" , 35° 05' 00" ;	16.9	December 29, 2001— December 29, 2003
8	Gansu Xiahe County Longwa Nuhuchou Gold Exploration	6200000320191	102° 31' 00" , 35° 02' 15" ; 102° 35' 00" , 35° 02' 15" ; 102° 35' 00" , 34° 59' 45" ; 102° 31' 00" , 34° 59' 45" ;	28.13	February 13, 2003— February 12, 2005
9	Gansu Luqu County Likaru Gold Exploration	6200000310418	102° 05' 00" - 102° 09' 30" ; 34° 15' 00" - 34° 18' 10" ;	32.4	November 22, 2003— November 22, 2006

APPENDIX 2

AREA OF INTEREST

1. Chart and Co-ordinates of the Initial Bulk of Blocks under the Application of Exploration Licenses

	Name of Block	Coordinates of Bounding Points	Coordinates of Inflection Points	No. of Block	No. of 1/4 Block	No. of Sub-Block	Size (km ²)
1	Gansu luqu County-Sichuan Nuoergai County—No. 1 initial survey gold exploration project	Longitude 102° 24' 00" — 102° 33' 00" ; Latitude 34° 14' 30" — 34° 22' 30"	1,102°24'30",34°22'30"; 2,102°29'30",34°22'30" ; 3,102°29'30",34°21'30"; 4,102°33'00",34°21'30" ; 5,102°33'00",34°14'30"; 6,102°30'00",34°14'30" ; 7,102°30'00",34°19'00"; 8,102°24'30",34°19'00".	32	31	0	111.3
2	Gansu luqu County-Sichuan Nuoergai County—No. 2 initial survey gold exploration project	Longitude 102° 33' 00" — 102° 40' 00" ; Latitude 34° 14' 30" — 34° 21' 30"	1,102°33'00",34°21'30"; 2,102°35'30",34°21'30" ; 3,102°35'30",34°20'30"; 4,102°38'30",34°20'30" ; 5,102°38'30",34°19'30"; 6,102°40'00",34°19'30" ; 7,102°40'00",34°18'30"; 8,102°38'00",34°18'30" ; 9,102°38'00",34°17'30"; 10,102°40'00",34°17'30" ; 11,102°40'00",34°15'30"; 12,102°36'00",34°15'30" ; 13,102°36'00",34°14'30"; 14,102°33'00",34°14'30".	27	40	0	103.6
3	Gansu luqu County-Sichuan Nuoergai County—No. 3 initial survey gold exploration project	Longitude 102° 40' 00" — 102° 47' 00" ; Latitude 34° 14' 30" — 34° 19' 00"	1,102°40'00",34°19'00"; 2,102°47'00",34°19'00" ; 3,102°47'00",34°18'00"; 4,102°45'00",34°18'00" ; 5,102°45'00",34°17'00"; 6,102°43'00",34°17'00" ; 7,102°43'00",34°14'30"; 8,102°41'00",34°14'30" ; 9,102°41'00",34°15'30"; 10,102°40'00",34°15'30" ; 11,102°40'00",34°17'30"; 12,102°40'30",34°17'30" ; 13,102°40'30",34°18'30"; 14,102°40'00",34°18'30".	15	12	0	50.4
4	Gansu luqu County-Sichuan Nuoergai County—No. 4 initial survey gold exploration project	Longitude 102° 41' 00" — 102° 53' 30" ; Latitude 34° 13' 00" — 34° 18' 00"	1,102°45'00",34°18'00"; 2,102°47'00",34°18'00" 3,102°47'00",34°17'30"; 4,102°48'00",34°17'30" 5,102°48'00",34°16'00"; 6,102°53'30",34°16'00" 7,102°53'30",34°14'00"; 8,102°52'00",34°14'00" 9,102°52'00",34°13'00"; 10,102°44'00",34°13'00" 11,102°44'00",34°13'30"; 12,102°41'00",34°13'30" 13,102°41'00",34°14'30"; 14,102°43'00",34°14'30" 15,102°43'00",34°17'00"; 16,102°45'00",34°17'00".	35	16	0	109.2

5	Gansu luqu County-Sichuan Nuoergai County—No. 5 initial survey gold exploration project	Longitude 102° 43' 00" — 102° 54' 00" ; Latitude 34° 07' 00" — 35° 14' 00"	1,102°42'45",34°13'30" ; 2,102°44'00",34°13'30" ; 3,102°44'00",34°13'00" ; 4,102°52'00",34°13'00" ; 5,102°52'00",34°14'00" ; 6,102°54'00",34°14'00" ; 7,102°54'00",34°12'00" ; 8,102°53'00",34°12'00" ; 9,102°53'00",34°07'00" ; 10,102°50'00",34°07'00" ; 11,102°50'00",34°11'00" ; 12,102°41'00",34°11'00" ; 13,102°41'00",34°12'30" ; 14,102°41'30",34°12'30" ; 15,102°41'30",34°12'45" ; 16,102°42'00",34°12'45" ; 17,102°42'00",34°13'00" ; 18,102°42'45",34°13'00".	38	4	4	109.9
6	Gansu luqu County-Sichuan Nuoergai County—No. 6 initial survey gold exploration project	Longitude 102° 53' 00" — 103° 00' 00" ; Latitude 34° 08' 00" — 34° 14' 00"	1,102°54'00",34°14'00" ; 2,103°00'00",34°14'00" ; 3,103°00'00",34°08'00" ; 4,102°53'00",34°08'00" ; 5,102°53'00",34°12'00" ; 6,102°54'00",34°12'00" .	40	0	0	112
7	Gansu Xiahe - Hezuo area - No.1 initial survey gold exploration project	Longitude 102° 29' 00" — 102° 41' 00" ; Latitude 35° 02' 15" — 35° 09' 00"	1,102°29'00",35°09'00" ; 2,102°41'00",35°09'00" ; 3,102°41'00",35°08'00" ; 4,102°38'00",35°08'00" ; 5,102°38'00",35°04'45" ; 6,102°34'15",35°04'45" ; 7,102°34'15",35°02'15" ; 8,102°34'00",35°02'15" ; 9,102°34'00",35°05'00" ; 10,102°32'00",35°05'00" ; 11,102°32'00",35°07'00" ; 12,102°29'00",35°07'00"	33	0	26	97.3
8	Gansu Xiahe - Hezuo area - No.2 initial survey gold exploration project	Longitude 102° 38' 00" — 102° 48' 00" ; Latitude 35° 04' 00" — 35° 09' 00"	1,102°41'00",35°09'00" ; 2,102°48'00",35°09'00" ; 3,102°48'00",35°05'00" ; 4,102°41'00",35°05'00" ; 5,102°41'00",35°04'00" ; 6,102°38'00",35°04'00" ; 7,102°38'00",35°08'00" ; 8,102°41'00",35°08'00" ;	40	0	0	112.4
9	Gansu Xiahe - Hezuo area - No.3 initial survey gold exploration project	Longitude 102° 29' 00" — 102° 38' 00" ; Latitude 34° 59' 30" — 35° 07' 00"	1,102°29'00",35°07'00" ; 2,102°32'00",35°07'00" ; 3,102°32'00",35°05'00" ; 4,102°34'00",35°05'00" ; 5,102°34'00",35°02'15" ; 6,102°34'15",35°02'15" ; 7,102°34'15",35°04'45" ; 8,102°38'00",35°04'45" ; 9,102°38'00",35°04'00" ; 10,102°35'00",35°04'00" ; 11,102°35'00",34°59'30" ; 12,102°31'00",34°59'30" ; 13,102°31'00",35°00'00" ; 14,102°29'00",35°00'00" ;	33	19	26	110.64
10	Gansu Xiahe - Hezuo area - No.4 initial survey gold exploration project	Longitude 102° 35' 00" — 102° 45' 30" ; Latitude 35° 00' 00" — 34° 05' 00"	1,102°41'00",35°05'00" ; 2,102°44'00",35°05'00" ; 3,102°44'00",35°03'00" ; 4,102°45'00",35°03'00" ; 5,102°45'00",35°01'30" ; 6,102°43'00",35°01'30" ; 7,102°43'00",35°00'00" ; 8,102°35'00",35°00'00" ; 9,102°35'00",35°04'00" ; 10,102°41'00",35°04'00"	38	4	0	106.78

11	Gansu Xiahe - Hezuo area - No.5 initial survey gold exploration project	Longitude 102° 42' 00" — 102° 48' 00" ; Latitude 34° 57' 00" — 35° 05' 00"	1,102°44'00",35°05'00"; 2,102°48'00",35°05'00"; 3,102°48'00",34°57'00"; 4,102°42'00",34°57'00"; 5,102°42'00",34°58'00"; 6,102°43'00",34°58'00"; 7,102°43'00",35°01'30"; 8,102°45'00",35°01'30"; 9,102°45'00",35°03'00"; 10,102°44'00",35°03'00"	35	4	0	101.16
12	Gansu Xiahe - Hezuo area - No.6 initial survey gold exploration project	Longitude 102° 29' 00" — 102° 39' 00" ; Latitude 34° 56' 00" — 35° 00' 00"	1,102°29'00",35°00'00"; 2,102°31'00",35°00'00"; 3,102°31'00",34°59'30"; 4,102°35'00",34°59'30"; 5,102°35'00",35°00'00"; 6,102°39'00",35°00'00"; 7,102°39'00",34°56'00"; 8,102°3'00"0,34°56'00"; 9,102°3'00"0,34°57'00"; 10,102°29'00",34°57'00"。	35	8	0	103.97
13	Gansu Xiahe - Hezuo area - No.7 initial survey gold exploration project	Longitude 102° 32' 00" — 102° 43' 00" ; Latitude 34° 53' 00" — 34° 56' 00"	1,102°32'00",34°56'00"; 2,102°43'00",34°56'00"; 3,102°43'00",34°53'00"; 4,102°35'00",34°53'00"; 5,102°35'00",34°54'00"; 6,102°33'00",34°54'00"; 7,102°33'00",34°55'00"; 8,102°32'00",34°55'00"。	29	0	0	81.49
14	Gansu Xiahe - Hezuo area - No.8 initial survey gold exploration project	Longitude 102° 39' 00" — 102° 48' 00" ; Latitude 34° 53' 00" — 35° 00' 00"	1,102°39'00",35°00'00"; 2,102°43'00",35°00'00"; 3,102°43'00",34°58'00"; 4,102°42'00",34°58'00"; 5,102°42'00",34°57'00"; 6,102°48'00",34°57'00"; 7,102°48'00",34°53'00"; 8,102°43'00",34°53'00"; 9,102°43'00",34°56'00"; 10,102°39'00",34°56'00"。	35	0	0	98.35

2. The Exploration Licenses Obtained Within the Initial Bulk of Area of Interest

	Name of Project	License Number	Coordinates of Inflection Points	Size (km ²)	Term of the License
1	Xiahe County Lamu Taka initial survey gold exploration	620000032077	102°39'30", 35°05'45"; 102°41'00", 35°05'45"; 102°41'00", 35°04'45"; 102°39'30", 35°04'45";	4.22	June 16, 2003—June 15, 2005
2	Xiahe County Sangkenan initial survey gold exploration	6200000330204	102°30'00", 35°02'00"; 102°31'00", 35°02'00"; 102°31'00", 35°00'00"; 102°30'00", 35°00'00";	5.63	February 13, 2003 — February 12, 2005

3	Xiahe County Jiangqi Naliang initial survey gold exploration	6200000330201	102°30'00", 35°03'00"; 102°31'00", 35°03'00"; 102°31'00", 35°02'00"; 102°30'00", 35°02'00";	2.81	February 13, 2003 February 12, 2005
4	Xiahe County Jiangkeer initial survey gold exploration	6200000320203	102°42'00", 34°58'00"; 102°43'00", 34°58'00"; 102°43'00", 34°57'00"; 102°42'00", 34°57'00";	2.81	February 13, 2003 February 12, 2005
5	Xiahe County Kurinao initial survey gold exploration	6200000320198	102°39'00", 35°00'00"; 102°40'00", 35°00'00"; 102°40'00", 34°59'00"; 102°39'00", 34°59'00";	2.81	February 13, 2003 February 12, 2005
6	Luqu County Laerma initial survey gold exploration	6200000210101	102°38'00", 34°18'30"; 102°40'30", 34°18'30"; 102°40'30", 34°17'30"; 102°38'00", 34°17'30";	7.09	July 29, 2002—July 29, 2004

APPENDIX 3

SCHEDULE OF PARTY B CONTRIBUTIONS TO THE REGISTERED CAPITAL

1. Initial contribution

Party B shall contribute US\$2,000,000 in cash to the registered capital to the Joint Venture Company no later than the times set out below:

Time from date of issue of Business License	Contribution to Initial Registered Capital (USD)
90 days	300,000
24 months	1,700,000
Total	2,000,000

2. Further contributions

Subject to the satisfactory results of exploration activities already completed, Party B shall make further contributions to the registered capital in accordance with the indicative figures below which are based on spending commitments attached to exploration licences issued to the Joint Venture Company and best estimates of the actual future exploration funding requirements.

	Expected Timing	Description of Funded Activity	Estimated Further Contribution (USD)
Follow-up exploration and evaluation	Year 3	(1) Intensive drilling target areas (2) Preliminary metallurgical testing	3,000,000 (actual amount and schedule of contribution to be determined by the Board)