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**LEGGI E DECRETI**

**DECREE OF THE PRESIDENT OF THE REPUBLIC**

No. 63 of 15th March 1969.

Approval of Agreement.

**THE PRESIDENT OF THE REPUBLIC**

HAVING SEEN Article 75 of the Constitution;

HAVING SEEN Agreement dated 13 February 1969 between the Somali Government and Uranerzbergbau Gmbh. & Co. relating to prospecting exploration, development and exploitation of mineral deposits in certain areas of the Republic;

CONSIDERING appropriate to proceed with the approval said Agreement;

ON THE PROPOSAL of the Minister of Animal Husbandry, Fisheries and Mineral Resources;

HAVING HEARD the Council of Ministers;

**DECREES:**

**Article 1**

*Approval of Agreement*

Agreement dated 13 February 1969 between the Somali Government represented by H. E. Abdullahi Mohamed Ahmed (Qablan) Minister of Planning and Co-ordination and Uranerzbergbau Gmbh & Co. Kommanditgesellschaft, Germany, represented by Johann A. Derichs, Member of Managing Board of Directors, relating to the prospecting, exploration, development and exploitation of Mineral deposits in certain areas of the Republic, is hereby approved.

The said Agreement is set out in the Annex herewith.

Mogadishu, 15th March 1969.

**ABDIRASCID ALI SCERMARKE**

*The Prime Minister*  
**MOHAMED IBRAHIM EGAL**

*The Minister of Animal Husbandry,  
Fisheries and Mineral Resources*  
**ISMAIL DUALED UARSAME**

*VISTO e Registrato - Reg. n. 1, foglio n. 58.*

*Mogadiscio, li 16 Aprile 1969.*

*Il Magistrato ai Conti:*

**MOHAMUD ISSE SALWE**

## AGREEMENT

between

THE SOMALI REPUBLIC (hereinafter called the Somali State), represented by the Government of the Somali Republic (hereinafter called the Government), represented by H. E. Abdullahi Mohamed Ahmed (Qablan), Minister of Planning and Co-ordination, Mogadishu Somalia,

and

URANERZBERGBAU GmbH. & Co. Kommanditgesellschaft, Germany, with its office at Bonn Heussallee Nr. 2, Haus IX (hereinafter called URANERZ), represented by Johann A. Derichs, Member of Managing Board of Directors.

Whereas the Government desires to exploit the uranium resources and other mineral resources of the Somali Republic and to this end has invited international tenders on Exclusive Licences for prospecting, exploration, development and exploitation of mineral deposits in the areas of the Bur Region as specified in the tender documents; and

whereas URANERZ, having expressed its interest in prospecting, exploration, development and exploitation activities in the territory of the Somali Republic by its letter dated August 20th, 1968, made its formal tender offer on November 5th, 1968; and

whereas the Government by its letter dated November 16th, 1968, informed URANERZ that the offer for prospecting, exploration, development and exploitation of mineral deposits with special reference to uranium and allied deposits, in the area of the Bur Region, had been accepted in part by it and also offered to grant some un-applied-for areas, which offer URANERZ accepted by its letter of November 24th, 1968, under the special conditions mentioned therein which acceptance was confirmed by the Government in writing on November 27th, 1968; and

whereas Article 16 of the Somali Mine Ordinance Nr. 13 of August 15th, 1951, allows the Government to enter into a special Agreement establishing at one-time the terms and conditions under which mineral resources in Somalia may be explored for and exploited; It is stipulated and agreed as follows:

Article 1

The preamble of this Agreement constitutes an integral part of the Agreement.

Article 2

1. The Government grants URÄNERZ an Exclusive Prospecting Licence for prospecting, exploration and development of minerals deposits, with special reference to uranium and allied minerals deposits (hereinafter called the Exclusive Prospecting Licence) covering the following areas of the Bur Region, in the territory of Somalia, listed below and marked on Enclosure A to this Agreement (each single area is identified by 3 or 4 points):

Identification number	Point	North Latitude	East Longitude	Covered square miles
2-W	1	3 Grad 20 Min.	44 Grad 00 Min.	398,97
	2	3 Grad 20 Min.	44 Grad 15 Min.	
	3	3 Grad 00 Min.	44 Grad 15 Min.	
	4	3 Grad 00 Min.	44 Grad 00 Min.	
2-E	1	3 Grad 20 Min.	44 Grad 15 Min.	199,49
	2	3 Grad 00 Min.	44 Grad 30 Min.	
	3	3 Grad 00 Min.	44 Grad 15 Min.	
5-W	1	3 Grad 00 Min.	44 Grad 00 Min.	399,11
	2	3 Grad 00 Min.	44 Grad 15 Min.	
	3	2 Grad 40 Min.	44 Grad 15 Min.	
	4	2 Grad 40 Min.	44 Grad 00 Min.	
5-E	1	3 Grad 00 Min.	44 Grad 15 Min.	399,11
	2	3 Grad 00 Min.	44 Grad 30 Min.	
	3	2 Grad 40 Min.	44 Grad 30 Min.	
	4	2 Grad 40 Min.	44 Grad 15 Min.	
10-W	1	2 Grad 40 Min.	44 Grad 00 Min.	399,18
	2	2 Grad 40 Min.	44 Grad 15 Min.	
	3	2 Grad 20 Min.	44 Grad 15 Min.	
	4	2 Grad 20 Min.	44 Grad 00 Min.	



Identi- fication number	Point	North Latitude	East Longitude	Covered square miles
10-E	1	2 Grad 40 Min.	44 Grad 15 Min.	199,59
	2	2 Grad 40 Min.	44 Grad 30 Min.	
	3	2 Grad 20 Min.	44 Grad 15 Min.	
7-W	1	2 Grad 40 Min.	42 Grad 45 Min.	199,59
	2	2 Grad 20 Min.	42 Grad 45 Min.	
	3	2 Grad 20 Min.	42 Grad 30 Min.	
7-E	1	2 Grad 40 Min.	42 Grad 45 Min.	399,18
	2	2 Grad 40 Min.	43 Grad 00 Min.	
	3	2 Grad 20 Min.	43 Grad 00 Min.	
	4	2 Grad 20 Min.	42 Grad 45 Min.	
12-W	1	2 Grad 20 Min.	42 Grad 30 Min.	199,63
	2	2 Grad 20 Min.	42 Grad 45 Min.	
	3	2 Grad 00 Min.	42 Grad 45 Min.	
12-E	1	2 Grad 20 Min.	42 Grad 45 Min.	399,26
	2	2 Grad 20 Min.	43 Grad 00 Min.	
	3	2 Grad 00 Min.	43 Grad 00 Min.	
	3	2 Grad 00 Min.	42 Grad 45 Min.	
16-E	1	2 Grad 00 Min.	42 Grad 45 Min.	199,66
	2	2 Grad 00 Min.	43 Grad 00 Min.	
	3	1 Grad 40 Min.	43 Grad 00 Min.	
17-W	1	2 Grad 00 Min.	43 Grad 00 Min.	399,33
	2	2 Grad 00 Min.	43 Grad 15 Min.	
	3	1 Grad 40 Min.	43 Grad 15 Min.	
	4	1 Grad 40 Min.	43 Grad 00 Min.	

2. The Exclusive Prospecting Licence shall be granted for a duration of 5 (five) years starting from the effective date of this Agreement according to Article 34 of this Agreement; this period may be extended according to the provisions of Article 11 of this Agreement.

### Article 3

1. In order to carry on the prospecting, exploration development and exploitation of mineral deposits and furthermore to extract, mill, render suitable for trade, carry away, export, sell and otherwise to dispose of all its minerals in the Somali Republic and abroad URANERZ shall cause to be incorporated not later than 60 (sixty) days from the effective date of this Agreement according to Article 34 of this Agreement a Company limited by shares and having its own juridic personality and shall register or qualify it to do business in the Somali Republic with offices in Mogadishu, Somalia, (hereinafter called the Company).

2. URANERZ shall be entitled to associate itself in the Company, from the date of its incorporation or at a later date, with one or more URANERZ subsidiaries or the URANGESELLSCHAFT mbH & Co. KG Frankfurt, Germany, or, subject to obtaining the approval of the Government, which approval shall not be unreasonably withheld, with other bodies or companies.

3. The Company shall undertake to fulfil all commitments and obligations set out in this Agreement.

4. The Government shall be entitled to an equity interest in the Company in accordance with Article 14 hereunder.

### Article 4

For the purposes set out in the first paragraph of Article 3 of this Agreement, URANERZ shall transfer to the Company, immediately after its incorporation without any monetary consideration the Exclusive Prospecting Licence mentioned in Article 2, paragraph 1, of this Agreement and by such transfer the Company shall be substituted for URANERZ, in all the rights and obligations laid down in this Agreement, except for the right and obligations of URANERZ laid down in Article 22 of this Agreement.

### Article 5

1. In the event that the Government and/or third parties shall be associated with URANERZ in the Company, as foreseen in Article 3 of this Agreement, the following classes of shares shall be provided for with the sole purpose of identifying of associates and not to establish any special right in favour of any one of them except those rights set out in this Agreement.

Class A — which indicates shares which may be held by the Government and/or bodies or companies controlled by the State of Somalia;

Class B — which indicates the shares which may be held by URANERZ and/or its subsidiaries or Urangesellschaft mbH & Co. KG Frankfurt;

Class C — which indicates the shares which may be held by the other parties not belonging to class A or B.

2. The shares of the Company shall be registered shares; and shall be transferable on the following terms:

- a) — The shares of each class of shares may be transferred freely among the bodies and companies of the same group;
- b) — In the event that any shareholder (the selling shareholder) receives a bona-fide and acceptable offer for the purchase of some or all of its shares from any person, body or company outside of its group, such shareholder shall immediately give written notice of the terms and conditions of such offer to all the other shareholders. Such notice shall constitute an offer to sell such shares on the terms therein set forth to the other shareholders in proportion to their respective shareholdings. The other shareholders to whom such notice is given shall have 30 days within which to accept such offer by giving written notice of such acceptance to the selling shareholder. The notice of acceptance may include a purchase call on all or any part of the offered shares not accepted by other shareholders. As to any shares offered by the selling shareholder to the other shareholders, but not accepted by them, the selling shareholder shall be free to sell the same to the third party at a price and under condition not more favourable to the purchaser than those set forth in the notice and offer previously given to the other shareholders.
- c) — The above transfer of shares to third parties shall be in accordance with the provisions of Article 3, paragraph 2 of this Agreement and shall have to be authorized, at the Company's own discretion, by its Board of Directors, provided that the transferees have undertaken to comply with all the obligations of the transferors in this Agreement; or any modification thereof up to actual date of transfer.

#### Article 6

1. The number of members of the Board of Directors shall be established by the Company's Statutes. Each class of shareholders as described in Article 5 of this Agreement shall have the right to designate a number of members of this Board of Directors proportionate to its shares in the Company.

2. The Chairman of the Board of Directors and the Managing Director shall be nominated from amongst the members designated by the shareholders of Class B.

3. The Board of Auditors shall be composed of three members. Each class of shareholders, as described in Article 5 of this Agreement shall have the right to designate one member. The Chairman of the Board of Auditors shall be the member designated by the shareholders of Class B. In the event that the Company is established with only two classes of shareholders, two members of the Board of Auditors, one of whom shall be the Chairman, will be designated by the shareholders of Class B.

#### Article 7

1. The Company, holder of the Exclusive Prospecting Licence to be transferred to it by URANERZ, shall have from the date of transfer the exclusive right to prospect, explore and develop and exploit any mineral deposit with special reference to uranium and allied minerals, in the areas covered by the said licence, subject to the terms and conditions of this Agreement.

2. To this end the Company shall have the following rights and obligations in the areas covered by the Exclusive Prospecting Licence and if necessary for its activities in all parts of the territories of the Somali Republic:

- a) to import and use raw materials, supplies machinery, equipment and goods of any kind, to build, to own, to operate and maintain all works and installation and facilities necessary for carrying out this Agreement; should the construction and operation of these works disturb or damage cemeteries, religious buildings and public utility installations, the company shall have obtain previous authority from the Government and undertake to pay compensation for any damage thereof. Furthermore the Company shall submit to the Government the plans related to the works to be carried out, detailing location, extension and nature of the works;
- b) to construct, own, operate and maintain communications, including railways, pipelines, roads, bridges ferries, aerodromes, landing strips for aircrafts and the necessary conveyance, telecommunications radio and telegraph systems, power stations and networks with connection to existing network for power-transfers, depots, working sites, dwelling houses, installations or any other works necessary to its activities; in the event that the equipment employed, the work done or the installations established should damage third parties, the Company shall have to pay a fair compensation.

- c) to enter and prospect on any piece of land covered by the Exclusive Prospecting Licence without payment of any compensation in the case of State land and/or Public Property, or, with payment of a fair compensation in the case of land belonging to private persons, in the event no agreement with the private owners is reached, the privately owned land will be condemned by the Government in favour of the Company as having been required for works of public utility and if the Company requests the Government will acquire at Company's expense according to the law such land at a price to be agreed upon with the Company prior to the purchase.
- d) to use and remove any local disposable materials, such as surface, soil, timber, clay, gravel, gypsum, stones and similar material, to the extent that these materials are reasonably necessary to the Company's activities; in the event that such materials are the property of the State the Company shall have the right to collect and use them free of charge with the exception of green trees, for which the prior authorization of the Government is required and, if requested, a fair compensation not higher than the current market price in the particular area of the territory of the Somali Republic shall have to be paid; in the event that these materials belong to private persons, the Company shall pay to the owners a fair compensation not higher than the current market price in that particular area of the territory of the Somali Republic;
- e) to use, subject to the provisions of the Water Law in force, all the water necessary to its activities with the sole limitation of neither hindering nor damaging the existing distribution and irrigation installations nor limiting the necessity of water of the population and the livestock;
- f) to dig and drill trenches and wells, on condition that such digging and drilling shall be fenced and made safe in order to prevent any damage to persons, livestock or properties;
- g) to employ for its activities any number of agents and workers and to use any means of transport and communications for their movements.

3. The Government undertakes to grant to the Company all possible facilities, in accordance with the existing legislation, for the most rational and economical carrying out of the Company's activities, including the use of the public services at the cheapest tariffs.

Article 8

1. The Company, as result of the transfer of the exclusive prospecting licence as laid down in Article 3 of this Agreement, shall, within a period of 30 (thirty) days from the date of the transfer and thereafter on.

The anniversary date of the first payment, pay to the Government fees for the Exclusive. Prospecting Licence as listed below:

- a) in map areas 7 E and 5 E  
First and folowing years — 200 Sh. So. per sq mile
- b) in map areas 12 E, 2 W, 2 E  
First and second year — 100 Sh. So. per sq mile  
third year — 150 Sh. So. per sq mile  
following years — 200 Sh. So. per sq mile
- c) in map areas 7 W, 12 W, 16 E, 17 W, 5 W, 10 W, 10 E  
First and second year — 50 Sh. So. per sq mile  
third year — 100 Sh. So. per sq mile  
following years — 200 Sh. So. per sq mile

Provided that in respect of letters (b) and (c) above, the fees for the Exclusive Prospecting Licence shall be raised to Sh. So. 200 per sq mile from the date of discovery of any uranium or allied mineral deposits in the said map areas during the first, second or third year.

2. At the same time the Company also shall make e single and final payment of the following amounts to the Government as a charge for all data related to the prior air survey:

- a) in map areas 7 E and 5 E  
140 Sh. So. per sq mile
- b) in map areas 12 E, 2 W, 2 E  
70 Sh. So. per sq mile
- c) in map areas 7 W, 12 W, 16 E, 17 W, 5 W, 10 W, 10 E  
35 Sh. So. per sq mile

Article 9

1. Subject to the provisions of Article 12 of this Agreement the Company for a period of 12 (twelve) months from the date of the first payment of fees as provided for in Article 9 of this Agreement



and for each one of the following periods of the same duration, will obligate itself to expend for prospecting operations, exploration and development of mineral deposits with special reference to uranium and allied mineral deposits related to the areas actually covered by the Exclusive Prospecting Licence. The following annual minimum amounts:

- a) map areas 7 E and 5 E
- |                 |                            |
|-----------------|----------------------------|
| first year      | — 700 Sh. So. per sq mile  |
| second year     | — 1000 Sh. So. per sq mile |
| third year      | — 1250 Sh. So. per sq mile |
| following years | — 1250 Sh. So. per sq mile |
- b) map areas 12 E, 2 W, 2 E
- |                 |                            |
|-----------------|----------------------------|
| first year      | — 500 Sh. So. per sq mile  |
| second year     | — 700 Sh. So. per sq mile  |
| third year      | — 1000 Sh. So. per sq mile |
| following years | — 1250 Sh. So. per sq mile |
- c) map areas 7 W, 12 W, 16 E, 17 W, 5 W, 10 W, 10 E
- |                 |                            |
|-----------------|----------------------------|
| first year      | — 300 Sh. So. per sq mile  |
| second year     | — 500 Sh. So. per sq mile  |
| third year      | — 700 Sh. So. per sq mile  |
| following years | — 1250 Sh. So. per sq mile |

The minimum average expenditure per square mile for one year will include all the direct and indirect expenses in any way connected with the activities carried out either by the Company or any other body or company operating on behalf of the Company itself inside and outside the areas covered by the Exclusive Prospecting Licence, in Somalia or abroad.

2. In order to satisfy the obligation of the minimum average annual expenditure the Company will submit to the Government a Bank guaranty subject to the relevant terms of this Agreement in an amount equivalent to the total expenditure to be incurred during the following 12 (twelve) months; and this has to be submitted on the same date as the annual payment of the fee for the Exclusive Prospecting Licence.



## Article 10

1. In order to allow the Company to carry on its work obligation in a rational and organized way in all the areas or portions thereof covered by the Exclusive Prospecting Licence, all areas and portions thereof will be considered as a unit. The total amount of expenditure to be effected in each period of 12 (twelve) months in the above-mentioned unit may be allocated upon the sole decision of the Company, either on one or several areas covered by the Exclusive Prospecting Licence or on one or several portions of them.

2. If in the course of each period of 12 (twelve) months the Company should carry out prospecting operations, exploration and development in the areas or portions of them covered by the Exclusive Prospecting Licence or operations in any way related thereto for an amount exceeding the total minimum average of expenditure for this period it may in its discretion carry forward the excess balance as a credit against the total amount of minimum expenditure relating to the following period or periods of 12 (twelve) months, and consequently will be included in this total amount of expenditure.

3. If in the course of each period of 12 (twelve) months the Company should carry out prospecting operations, exploration and development in the areas or portions of them covered by the Exclusive Prospecting Licence and operations in any way related thereto for an amount lower than the minimum expenditure provided for this period, the difference will be brought forward and debited to the following periods of 12 (twelve) months. The Company shall have to make good this difference within the last expiration date of the Exclusive Prospecting Licence.

## Article 11

At the expiration of the period of 5 (five) years of validity, the Exclusive Prospecting Licence may be extended for two consecutive periods of 12 (twelve) months each, on condition that the Company submits to the Government the proper application for extension not later than 2 (two) months before the expiration date of the period of 5 (five) years of validity of the Exclusive Prospecting Licence and thereafter before the expiration of the first extension period thereof. The Company also pays the Government the annual fee for the Exclusive Prospecting Licence in the same amount as established by Article 8 of this Agreement and at the same time submits a Bank guaranty subject to the relevant terms of this Agreement to the Government covering the average minimum amount of expenditure per square mile, equal to those fixed by Article 9 and according to the terms and conditions set out in Article 9 and 10 of this Agreement for carrying out the prospecting, exploration and

development operations on the areas or portions of them actually covered by the said Exclusive Prospecting Licence, or any operations in any way related to the above operations.

#### Article 12

1. At the expiration of each period of 12 (twelve) months of the validity of the Exclusive Prospecting Licence and at the anniversary date of the same period of any extension thereof, the Company may surrender any areas or portions thereof covered by the Exclusive Prospecting Licence of its choice or a share of its interest therein and consequently in the said surrendered areas or portions thereof all payments due or fees and expenditures for work obligations as prescribed in Articles 8, 9, 10 of this Agreement shall be terminated and the Company shall remain liable only for the fees and work obligations attaching to the area or areas or portions thereof retained.

2. The Company may, with the consent of the Government, which consent shall not be unreasonably withheld, transfer any area or portions thereof covered by the Exclusive Prospecting Licence or any of its interest therein provided that any such transfer shall not affect any liability of the Company before such transfer takes place. The transferee shall, starting from the date of the transfer, assume all rights and obligations under this Agreement in regard to the area transferred.

#### Article 13

1. If a deposit of uranium and/or allied minerals is found in any one of the areas or portions of them actually covered by the Exclusive Prospecting Licence which the Company deems, at its own exclusive discretion, to be of such a size as to justify its development, the preparation of a mine and subsequent production operations, the Company shall immediately after the said discovery give detailed notification to the Government.

2. From the date of said notification, the Company shall have the right to obtain from the Government the conversion of the portion of the block in which the said deposit has been found, into a mining concession area to be covered by a mining lease on the date the Company submits the proper application to the Government, i.e. at the end of the period required for the development of the mineral deposit, the preparation of the mine and the installation of the plant necessary for treating the ore, the capacity of such plant being in proportion to the amount of products which can reasonably be sold on the market, and of the related ancillary works, for the purpose of starting the commercial production.

Article 14

1. After the first discovery of a uranium or allied mineral deposit in the areas covered by the Exclusive Prospecting Licence, in accordance with the provisions of Article 13 paragraph 1 of this Agreement the Government shall have the right to acquire, without consideration the transfer of a number of shares equal to 10% (ten per cent) of the total outstanding shares of the Company at such time.

2. In the event of any subsequent increase of capital, the Government, as any other shareholders shall have an option to purchase newly issued shares in proportion to the number of shares already owned, provided however that the Government's option or options hereunder shall in every case extend for a minimum period of one year, irrespective of any shorter option period imposed upon shareholders other than the Government. In the event of any additional increases in capital, during a period while the Government holds outstanding options, and solely for the purpose of determining the Government's proportion of shares outstanding, all of the shares subject to such outstanding options shall be counted as shares already owned by the Government. The Company and URANERZ will use their best efforts to aid the Government in obtaining funds and making appropriate financial arrangements for the purchase of such shares.

Article 15

1. At the time of completion of the operations necessary for the development of the mineral deposit, for the preparation of the mine and for the installation of the plants necessary for treating the ore and of the related ancillary works, for the purpose of starting the commercial production, the Government, in accordance with the right already acquired by the Company pursuant to the provision of Article 13 of this Agreement an upon Company's application, shall grant to the Company a mining lease for the exploitation of the mineral deposit found (hereinafter called the «mining lease») on the area that shall have been delimited in the above application.

2. The mining lease shall have a validity of 21 (twenty one) years from the date on which it has been granted to the Company. Such duration may be extended for 2 (two) consecutive periods of 10 (ten) years each, upon application to the Government filed by the Company not later than 6 (six) months before each expiration date.

3. The granting of a mining lease or any extension thereof shall be subject to the payment of the prescribed fee by the Company.

Article 16

1. The Company, with the consent of the Government, which shall not to be unreasonably withheld, may surrender the whole or a portion of the area covered by the Mining Lease at any time, provided that the Company informs the Government of its intention to surrender it not later than 6 (six) months before the date of actual surrender. Consequently in the said surrendered areas or portions thereof all payments due of fees, surface rents and Mineral Lease taxes or other similar taxes as prescribed in Article 17 of this Agreement shall be terminated and the Company shall remain liable only for such financial obligations attaching to the area or areas or portions thereof retained.

2. The Company may, with the consent of the Government, which shall not be unreasonably withheld transfer the Mining Lease granted to it or any interest therein, provided that any such transfer shall not affect any liability of the Company before such transfer takes place. The transferee shall, starting from the date of transfer, assume all rights and obligations under this Agreement in regard to the area transferred.

Article 17

On the granting of the Mining Lease the Company shall pay to the Somali State:

- a) the amount of So. Sh. 1,000 (one thousand Somali Shillings) per square mile of area covered by the Mining Lease, as fee for granting or extending the Mining Lease, on the date of the filing of the applications respectively for granting of the Mining Lease and for extension therefor;
- b) the amount of So. Shs. 7,000 (seven thousand Somali Shillings) per square mile of the above said area, as mineral lease rent, and a like amount annually thereafter on or before each anniversary date of the granting of the Mining Lease, for each succeeding year of validity of the Mining Lease;
- c) the amount of So. Shs. 14,000 (fourteen thousand Somali Shilling) per square mile of the said area as surface rent, and a like amount annually thereafter on or before each anniversary date of the granting of the Mining Lease, for each succeeding year of validity of the Mining Lease;
- d) a royalty of 1% (one per cent) on the total value of the production sold in each year, assessed on the price FOB Somalia at the export point, having deducted the cost of transport and loading from the harbour depots into the

means of transport used for exporting the products available for marketing, from the Somali export points;

- e) any other levies, taxes or dues, payable by the Company for any reason whatsoever to the Somali State and/or to Somali municipal or local administrations, in connection with its activities carried on within the Somali Republic in respect of production of uranium or allied minerals, processing and transporting and selling of products.

#### Article 18

1. In the first financial year of commercial production, the Company shall pay to the Somali State only the dues related to the prospecting licence fee, the mining lease fee, the mineral lease rent, the surface rent and the royalty. No other levies, taxes or dues, for any reason whatsoever, shall be payable by the Company to the Somali State and/or to Somali municipal or local administrations in connection with its activities for prospecting, exploration, development, exploitation, production, milling and processing of uranium and allied minerals, and for transporting and selling of products, in the Somali territory.

2. For the four financial years following the one in which commercial production started, the Company shall pay to the Government, as a special tax on income 10% of all income remaining after deduction of all operating costs related to exploration, development, production, and marketing, and of all fees, rents and royalty paid to the Government, and the remaining 90% of such income shall be used to amortize pre-production expenses, prospecting and exploration costs and expenditures, without exception, and the cost and expenditure on developing and preparing the mine and for the installation of the plants necessary for treating the ore and of the related ancillary works and facilities up to the date of starting commercial production.

3. If in any financial year beginning with the fifth financial year following the one in which the commercial production started, should the total payments by the Company to the Somali State and/or to the municipal or local administrations, as laid down in Article 17 of this Agreement (including the payment of the prospecting licence fee), in connection with the activities related to prospecting, exploration, development, production of uranium and allied minerals, processing and transporting and selling of products, in the Somali territory, increased by the tax due by the shareholders on the dividends distributed to them by the Company, be lower than 50 (fifty) per cent of the profit arising from the said activities, after deduction of all amortization as laid down by Article 19 of this Agreement, the difference shall be paid to the Somali State as a special tax on income.

4. If in any financial year beginning with the fifth financial year following the one in which the production started, should the total payment by the Company to the Somali State and/or to the municipal or local administrations, as laid down in Article 17 of this Agreement (including the payment of the prospecting licence fee) in connection with the activities related to the prospecting, exploration, development, production of uranium and allied minerals, processing and transporting and selling of products, in the Somali territory, increased by the tax due by the shareholders on the dividends distributed to them by the Company, be in excess 50% (fifty per cent) of the profits due to the annual balance and as provided for in Article 19 § 3 of this Agreement, the excess balance will be carried forward and credited against any fiscal obligation including fees, rents and royalty pertaining to the following financial years.

#### Article 19

1. All prospecting and exploration costs without exception and all costs and expenditure on developing and preparing the mine and for the installation of the plants necessary for treating the ore and of the related ancillary works up to the date of starting commercial production, incurred in the areas covered by the Exclusive Prospecting Licence and Mining Lease, or in any other points in Somalia, may be either charged to the financial year in which they were incurred, or capitalized and thus amortized in the Company's option.

2. If after deduction of all operating costs and expenditure, and of all fees, rents, royalty and the special tax on income paid to the Government according Article 18 § 2 of this Agreement dues paid to the Somali State and/or municipal or local administrations, there is a credit balance in the financial year during which commercial production began, or in the four succeeding financial years, such balance shall be used to amortize all other prospecting and exploration costs and expenditures, without exception, and the cost and expenditure on developing and preparing the mine and for the installation of the plants necessary for treating the ore and of the related ancillary works up to date of starting commercial production.

3. Without prejudice to the provisions of the preceding paragraph 2, with regard to the first five financial years commencing with the financial year during which commercial production began; the expression «profit» means, for subsequent years, the annual proceeds from mining operations in Somalia, after deducting:

- a) all expenditure and any losses (excluding fees, rents, royalty, taxes and any other dues paid to the Somali State and/or municipal or local administrations), wheresoever incurred, provided they are connected with the aforesaid



mining operations in Somalia, including expenditure incurred in Somalia or abroad by any body or company which has acted on behalf of the Company, provided this activity is connected with the aforesaid mining operations in Somalia;

- b) an amount for amortization of all costs and expenditure capitalized;
  - at a rate to be decided yearly by the Company between a minimum of 10% (ten per cent) and a maximum of 20% (twenty per cent) for all expenditure wheresoever incurred before the start of commercial production, after deduction of amortization in accordance with the provision previously laid down by the preceding paragraph 2;
  - at a yearly rate of 15% (fifteen per cent) for all expenditure capitalized, incurred after the start of the commercial production;
  - at a yearly rate of 20% (twenty per cent) for all expenditure connected with movable physical assets procured after the start of commercial production;
- c) all losses in previous financial years, and all deferred amortizations;
- d) the unamortized balance of the cost of physical assets abandoned, which shall be deducted in the financial year of the abandonment.

#### Article 20

At the end of each seven years period of validity of the Mining Lease, a revision of the mineral lease rent and the surface rent for the area covered by the Mining Lease may be effected. Such revision shall be pro-rata to variations in the general index of prices in Somalia during the previous seven years.

#### Article 21

1. The Company shall carry out its activities in the area covered by the Mining Lease with due diligence and in accordance with modern techniques of the mining industry. The Company shall keep the Government informed, every 6 (six) months, unless otherwise prescribed, on the progress of its activities related to the exploration and exploitation, with special reference to geological and stratigraphical data in connection with boring operations. This information and data shall be considered as strictly confidential for the duration of this Agreement.



2. In so far as it may be necessary for its mining operations the Company shall have the following right:

- a) to enter upon the area of the Mining Lease, mine therein and remove and dispose of minerals therefrom on payment of the prescribed royalty;
- b) to make all necessary mining excavations and to stack or dump any of the products of mining upon surface areas of the Mining Lease rented as surface land;
- c) to erect and maintain houses and buildings for its use and for the use of its agents and servants upon surface areas of the Mining Lease rented as surface land;
- d) to erect and maintain such engines, machinery, buildings, workshops and other erections upon surface areas of the Mining Lease rented as surface land as may be necessary or convenient;
- e) to construct and maintain necessary passageways upon surface areas of the Mining Lease rented as surface land.

3. Subject to the provisions of any law in force in the Somali Republic the Company, in the area covered by the Mining Lease, shall have the exclusive right of boring, drilling, digging, extracting, producing, processing, transforming into marketable products the minerals extracted, transporting, exporting, selling, or otherwise dispose of the products obtained and proceeds of sale thereof, it being understood that all minerals covered under the Mining Lease upon extraction shall become the property of the Company. In addition all rights granted to the Company under Article 7 of this Agreement will remain in force during the validity of the Mining Lease.

4. Within 6 (six) months of the expiration of the Mining Lease or any extensions thereof the Company shall have the right to remove its property from the Mining Lease area, except for all permanent structures. Unless otherwise agreed, all property of the Company remaining on the Mining Lease area after said six months shall automatically become the property of the Government.

#### Article 22

If mineral deposits other than uranium or allied minerals are found, without prejudice to the right of the Company to obtain the Mining Lease in the area covered by the Exclusive Prospecting Licence, connected with these discoveries together with all relevant right as laid down in this Agreement, the Government and URANERZ shall execute supplementary agreements.

Article 23

The Company shall pay to the Somali State, as a bonus, the amount of U.S. \$ 10,- (ten United States dollars) immediately after starting production for each metric ton of U<sub>3</sub>O<sub>8</sub> (yellow cake) contained in any deposit or part thereof, in which the Company has decided to engage in mining operations. Should the production from the deposit or parts thereof be higher than that used for the basis in determining the bonus-payment to the Somali State, then the Company shall pay to the Somali State an amount equal to the difference between the payment made and that which should have been made, had the Company been in the position to calculate the exact U<sub>3</sub>O<sub>8</sub> tonnage at the commencement of commercial production period.

Article 24

1. In order to allow the Company to carry out its activities in Somalia, the Company shall have the right to:

- a) obtain loans from credit institutions in Somalia in local currency, and abroad in foreign currency;
- b) utilize the foreign currency loans and the proceeds from selling products for purchase of goods and payment of services abroad; to this end the Company is authorized to open, and to maintain external accounts in foreign currency;
- c) transfer in Somalia foreign loans in foreign currency, and to convert them into Somali currency in Somalia, at the rate of exchange referred to in Article 30 of this Agreement, to this end the Company is authorized to open and maintain in Somalia accounts in Somali currency;
- d) obtain from the authorized credit institutions in Somalia the convertibility into foreign currency and the transferability free of any tax and duty, of such amounts as are necessary:
  - for payments abroad of goods and services purchased abroad;
  - for repayment of foreign loans including interest and any bank commissions;
  - for transferring a proportion not less than 50% (fifty per cent) of the remunerations of expatriate personnel, the whole of terminal benefits due to such personnel on leaving and savings of such personnel on leaving, and the total amount (subject to submission of documents proving that such amount has been paid and credited into the proper accounts), of the social welfare contributions payable abroad by the Company in favour of the said personnel.

- e) freely import all funds necessary for carrying out its operations, to export from the Somali Republic, free of taxation or restriction, any funds, capital or profits in any currency held by it, and to retain outside the Somali Republic and to freely transfer the funds received by it outside the Somali Republic, including the proceeds of sales of mineral ores or concentrates produced in the Somali Republic;
- f) keep its official records, documentation and correspondence in the English or German language and its books of account in terms of U. S. Dollars or West German Mark;
- g) The Company may employ and contract companies or public bodies, whether of Somalia nationality or otherwise to carry out the work assigned to it and to charge such work to its costs.

2. The Company's shareholders residing abroad shall have the right to obtain from the authorized credit institution in Somali the convertibility into foreign currency and the transferability free of any tax and duty of:

- the proceeds of the sale of the Company's shares;
- the annual dividends payable to them by the Company;
- the proceeds of disinvestment, total or partial.

#### Article 25

1. The Company shall, in accordance with the provisions of the Law No. 26 of the 10th November, 1961, and with the provisions of Article 29 of this Agreement, have the right to import and use, free of customs duty and other tax and impost, except such imposts as may be payable for services rendered all materials, i. e. raw materials, machinery, equipment and supplies of all sorts including household and personal effects of, and supplies for, its expatriate personnel, which it may require to carry out its operations in fulfilment of the obligations which are the subject of this Agreement, on condition that none of the said materials be produced and available for purchase in Somalia or that the said materials obtainable in Somalia be of a type and quality which is not comparable with those imported, or type and quality being equal, can only be purchased at a price which is higher than that of imported materials, taking account of the cost of transport and export duty imposed on such imported materials by the government of the producer countries.

2. The Company shall also be entitled to export free of customs duty and any other impost on exports payable under present or future Somali legislation, all products obtainable for sale from the processing of uranium and allied minerals.

3. The benefit of such exemption shall also be extended to all companies and public bodies, whether of Somali nationality or otherwise which the Company may employ under contract to carry out the work assigned to it.

#### Article 26

1. The Company shall employ to carry out its operations in Somalia, Somali nationals at all levels to the extent that they are available and qualified to do the work to be assigned to them.

2. The Company shall recommend scholarships at German educational institutions to Somali nationals so as to make them qualify and specialize for the work to be assigned to them, by all suitable means including attendance at training courses.

3. At such time as the production of minerals reaches adequate quantities, the Company will agree with the Government regarding the establishment of a program for the occupational training of Somali nationals and for the sending of a certain number of Somali nationals to Germany or other countries for education and training.

#### Article 27

1. The Government undertakes to cooperate at any time with the Company, on the terms of this Agreement and shall give to the Company's agents and employees any reasonable protection and all possible assistance.

2. The Government undertakes to grant entry visas and working permits for the whole duration of their employment to all expatriate personnel of the Company and to the personnel employed by bodies or companies with which the Company might execute contracts for executing its activities.

#### Article 28

URANERZ hereby undertakes, also on behalf of the Company, that if uranium minerals are found, the products obtained from them in the areas covered by the Mining Lease granted to the Company shall be exported for use exclusively for peaceful purposes and is therefore ready to agree with the Government in setting up of suitable controls, similar to those contained in existing international agreements and conventions.

### Article 29

1. The provisions of this Agreement shall not be modified by future legislation, unless by provisions more favourable to the Company.

2. The Government undertakes to assure to the Company all the benefits and facilities provided by the existing or future Somali legislation in favour of the foreign investments in Somalia.

### Article 30

The rate of exchange applicable to all transfers and to all financial and commercial transactions provided for by this Agreement, will be the rate officially applied by the International Monetary Fund. Failing this, the rate of exchange shall be the more favourable one applied to the generality of foreign investors in Somalia by Somali credit institutions approved by the Government.

### Article 31

1. No failure or omission of either of the parties to this Agreement to carry out or to perform in whole or in part any of the terms or conditions or obligations of this Agreement shall give the other party any claim against such party or be deemed a breach of this Agreement, if and to the extent that such failure or omission arises from force majeure or any other event beyond the control of the affected party.

2. If by reason of force majeure or any other event beyond the control of the affected party the fulfilment of an obligation of the exercise of a right within a time limit laid down by this Agreement is rendered not possible or shall be delayed, the obligation, in so far as possible, must be fulfilled, and the right may be exercised, within a period equal to the same time limit or portion thereof. Such time limit shall start from the moment at which the situation occasioned by the said force majeure or any other event beyond the control of the affected party has ceased, without considering whether force majeure or any other event beyond the control of the affected party occurred in Somalia or abroad, provided that it is connected with the fulfilment of an obligation or the exercise of a right under this Agreement.

### Article 32

None of the parties may initiate any legal action to terminate this Agreement or to obtain the fulfilment of obligation without giving previous written notice to the other party detailing the fact of the non-performance. Within 90 (ninety) days from the date of re-

ceipt of such notice, or, if the non-performance has been referred to arbitration, as laid down by Article 33 of this Agreement, within 90 (ninety) days from the arbitration award confirming the non-performance, the non-performing party shall have to undertake, in writing, to make good the non-performance, taking all the necessary steps, within a period compatible with the nature of the performance due and the possibility of performing it with due diligence.

### Article 33

1. If any dispute shall arise between the parties to this Agreement concerning the interpretation or performance of this Agreement (even if it concerns the validity of this arbitration Article), it shall, failing any agreement to settle the dispute amicably, be referred to three arbitrators,

2. Such arbitrators shall be appointed as follows: each party shall appoint its own arbitrator and the third arbitrator, which shall act as President, shall be designated by the arbitrators appointed by the parties; the third arbitrator shall not be a national of the countries to which any of the parties belong and shall have no link with interests of any of the parties. The party referring to arbitration shall notify the other party of the questions which it intends to refer to arbitration, the name and address of the arbitrator appointed by it and the acceptance of the latter. The other party shall within thirty days from such notification, notify to the party referring to arbitration the name and address of the arbitrator appointed by it, the acceptance of this arbitrator and the questions it intends, in its turn, to refer to arbitration. In the event that the second arbitrator is not designated within the prescribed time limit, and/or in the event that the two arbitrators fail to agree, within thirty days from the designation of the second arbitrator, on the designation of a third arbitrator, the party referring to arbitration or the most diligent party, as the case may be, shall cause the President of the Supreme Court, Mogadishu, to appoint within 60 (sixty) days from the request of the second or the third arbitrator, as the case may be, from amongst the panel of the Permanent Court of Arbitration at the Hague. In case the President of the Supreme Court, Mogadishu, appoints the third arbitrator, this arbitrator shall be designated in conformance with the above mentioned principles. In case the President of the Supreme Court, Mogadishu, appoints the second arbitrator, this arbitrator shall not be a national of the country to which the party referring to arbitration belongs and shall have no link with interests of this party.

3. The procedure applicable to the arbitration will be the one adopted by the Permanent Court of Arbitration at the Hague in as much as it complies with the above provisions. The arbitrators will decide according to law. The law of this Agreement is the Somali law.



4. If the power conferred by the arbitration clause on the President of the Supreme Court, Mogadishu, is not exercised by him within the above said term of 60 (sixty) days from the date of the request lodged by the party, referring to arbitration or by the most diligent party, as the case may be, it will be vested in the President of the Permanent Court of Arbitration at the Hague.

5. The place of arbitration shall be such as may be agreed by the arbitrators or, failing such agreement, shall be Mogadishu.

6. Each one of the parties shall bear the expenses of its own arbitrator. The expense of the third arbitrator and any other expenses assessed by the President of the Supreme Court, Mogadishu, shall be divided and borne equally by the parties.

7. The arbitration award shall be final, conclusive and binding upon both parties.

#### Article 34

This Agreement shall obligate the parties from the date of its execution, however for all purposes of this Agreement excepting other provisions agreed in special articles of this Agreement, the effective date of this Agreement shall be the date of the publication of the Decree of Approval in the Official Bulletin of the Somali Republic.

#### Article 35

All the dates and periods of time mentioned in this Agreement will be computed in accordance with the Gregorian Calendar.

#### Article 36

This Agreement is signed in 2 (two) originals in the English language which shall be regarded as the authoritative and official text.

#### Article 37

Any communication to the SOMALI REPUBLIC, as party to this Agreement, shall be validly addressed to the Ministry of Animal Husbandry, Fisheries and Mineral Resources, Mogadishu, Somalia, any communication to URANERZ, as party of this Agreement, shall be validly addressed to its office at Bonn, Heussallee Nr. 2, Haus IX or to such other address as URANERZ may specify by notice to the SOMALI REPUBLIC.



any communication to the Company shall be validly addressed to its registered office at Mogadishu, Somalia.

Signed at Mogadishu, Somali Republic, this thirteenth day of February 1969, in two original copies.

Witnesses:

For the Somali Republic

*Ibrahim Ali Liban*

*H.E. Abdillahi Mohamed Ahmed (Qablan)*

General Director of Ministry for Mineral Resources

Minister of Planning and Co-ordination

Witnesses:

For Uranerzbergbau GmbH. u. Co. KG

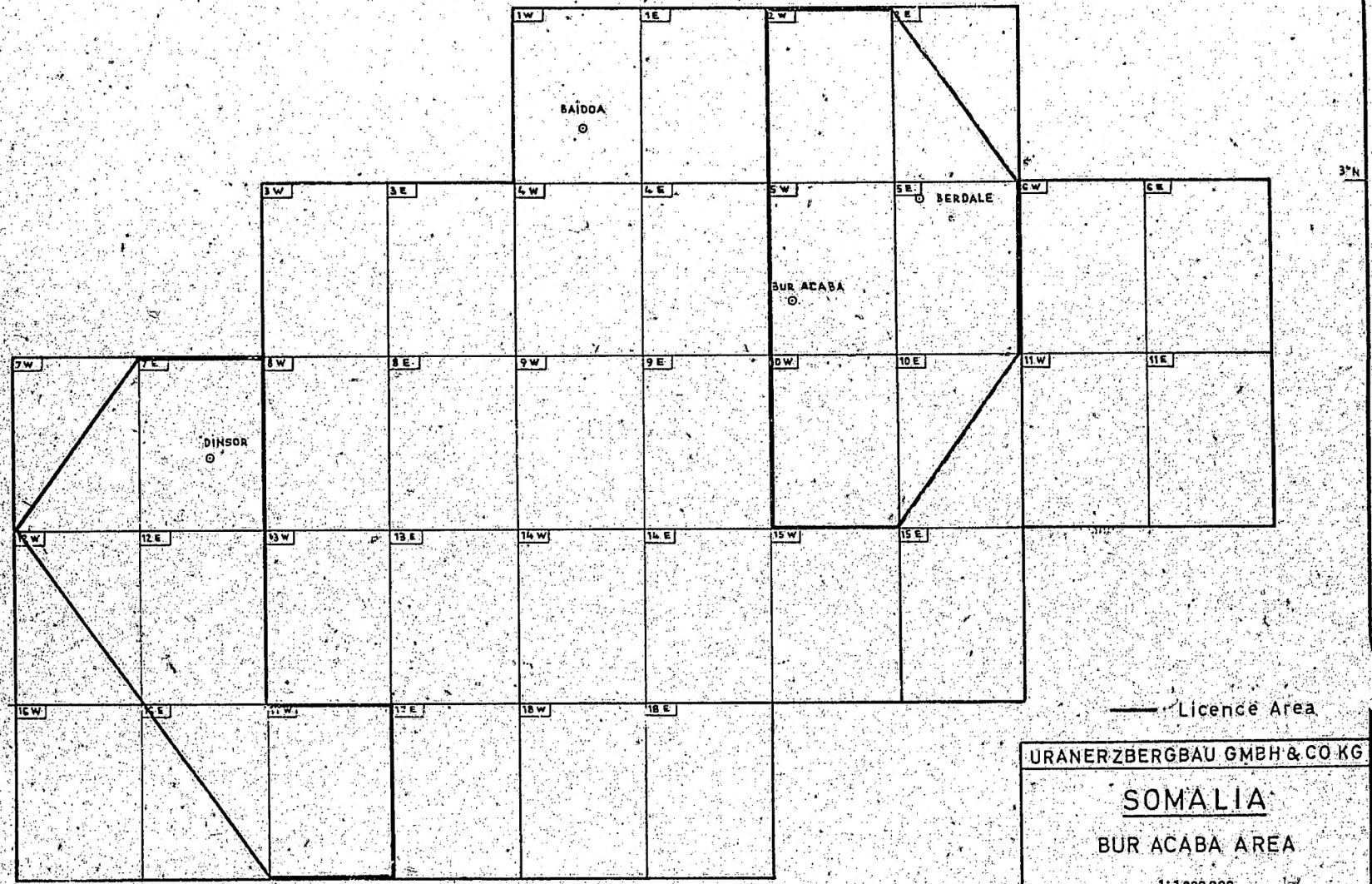
*V. Eichborn*

*Johann A. Derichs*

Ambassador of the Federal Republic of Germany

Member of Managing Board of Directors

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— Licence Area

URANERZBERGBAU GMBH & CO KG

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