

[UNOFFICIAL TRANSLATION]

CONFIDENTIAL

FRAMEWORK AGREEMENT

BETWEEN

THE STATE OF MADAGASCAR

REPRESENTED BY

OFFICE DES MINES NATIONALES ET DES INDUSTRIES STRATÉGIQUES

AND

QIT-FER ET TITANE INC.

For the exploration and mining, including the separation, enrichment and processing of the Minerals located in the Fort-Dauphin Mineral Sands deposits, and the export and marketing of Minerals extracted therefrom.

FRAMEWORK AGREEMENT

BETWEEN:

THE STATE OF MADAGASCAR herein represented by OFFICE DES MINES NATIONALES ET DES INDUSTRIES STRATÉGIQUES whose head office is located at 21, làlana Razanakombana, B.P. 1 Bis (101), Antananarivo, Madagascar, herein represented by its Director General, duly authorised for the purposes hereof;

(Hereinafter referred to as the "**State**")

OF THE FIRST PART

AND

QIT-FER ET TITANE INC. whose head office is located at 1625 Route Marie-Victorin, Tracy, Qc, Canada J3R 1M6, herein represented by Mr. Daniel F. LAMBERT, President of QIT-Madagascar Minerals Ltd & Cie, its duly authorised representative for the purposes hereof;

(Hereinafter referred to as "**QIT**")

OF THE SECOND PART

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RECITALS:

- a)** Whereas the State is the sole owner of natural resources in Madagascar, including Mineral Sands.
- b)** Whereas the State wishes to encourage and promote exploration for and mining of mineral substances in Madagascar, including their separation, enrichment, processing, export and marketing.
- c)** Whereas OMNIS is mandated by the State, pursuant to Ordinance No. 76.007 dated March 20, 1976 as amended, to carry out prospecting activities, exploration, mining, including separation, enrichment and processing, export and marketing of certain strategic mineral substances located in Madagascar, including Mineral Sands.
- d)** Whereas the Joint Venture Agreement dated March 18, 1986 as amended, was concluded between OMNIS, acting for and on behalf of the State, and QIT, a company having the necessary ability and technical know-how.
- e)** Whereas the amended Joint Venture Agreement is referred to as the "1986 Agreement".
- f)** Whereas the object of the 1986 Agreement is to carry out, in one or several stages, exploration and mining, including separation, enrichment and processing, of Minerals located in Mineral Sands deposits in Madagascar, and the export and marketing of the saleable Minerals extracted from such sands.
- g)** Whereas OMNIS holds the "Exploration Permit for Mineral Sands", bearing No. 10/86/OMNIS/TM, granted by Decree No. 86-248 dated August 13, 1986, as amended by Decree N° 88-491 dated December 15, 1988 and by Decree N° 93-346 dated December 7, 1993.
- h)** Whereas the results of the work carried out by QIT-Fer & Titane Inc. and QIT-Madagascar Minerals Ltd & Cie recorded in the report entitled "Pre-Feasibility Report", on the existence of Mineral Sands deposits in the Fort-Dauphin area in the south-eastern extremity of Madagascar, indicate that such deposits are potentially of a commercial quality and quantity.
- i)** Whereas the State has expressed its desire to create a fiscal and legal environment which is attractive for foreign investors and to promote the sound management of companies.
- j)** Whereas it is necessary to develop, on a priority basis, the Fort-Dauphin deposits.
- k)** Whereas the incorporation of a joint stock company (*société anonyme*), constituted under Malagasy law and named QIT-Madagascar Minerals S.A. (hereafter designated "QMM SA") is the best means of developing the Fort-Dauphin deposits, raising the necessary financing and generally ensuring the full effectiveness of the Project.

TITLE I

GENERAL PROVISIONS

ARTICLE 1

DEFINITIONS

The terms and expressions used herein have the following meanings, unless otherwise required by the context.

"Asset" or **"Project Asset"** means present and future property, rights, titles and interests, tangible or intangible, owned, leased or otherwise held by QMM SA or its Affiliates and on their behalf, as well as rights attached to concession contracts and/or emphyteutic leases contracted by QMM SA or its Affiliates for the purposes of the Project, including all fruits and revenues arising therefrom which are paid or due.

"Shareholders" means the State of Madagascar represented by OMNIS, and QIT as well as any physical or legal person who becomes a holder of shares of QMM SA in accordance with the provisions of the Shareholders' Agreement; and **"Shareholder"** means any one of them.

"Project Activities" means the activities necessary or useful in connection with the Project.

"Affiliate" or **"Affiliate Company"** means a company in which another company or the State directly or indirectly holds more than 50% of the share capital or which directly or indirectly holds more than 50% of the share capital of such company. It also means all companies which have the common characteristic of having more than 50% of their share capital held directly or indirectly by Rio Tinto PLC (England), Rio Tinto Ltd (Australia) or their respective successors or assigns. The provisions hereof shall apply to Affiliates solely with respect to their activities in connection with the Project.

"Authorisations" means all administrative acts or documents (other than mining permits), such as entry, exit or visitors' visas as well as import licenses, administrative registrations, etc. required to properly manage the Project Activities; and **"Authorisation"** means any one of them.

"Authority" or **"Governmental Authority"** means the State, including, in particular, all ministerial departments, territorial administrations, organisations or persons acting on behalf of the State exercising legislative, executive, administrative or judicial powers or having the mandate to exercise such powers.

"Trust Account" means the account opened at an international bank and described in Article 23.

"Ilmenite Sales Contract" means one or several contracts concluded between QMM SA and QIT for the sale of ilmenite by QMM SA to QIT.

"Agreement" means this Framework Agreement and its schedules as well as all amendments hereto. This Agreement is also sometimes referred to by the expressions **"this Agreement"**, **"herein"**, **"hereto"** or **"hereof"**.

"1986 Agreement" means the Joint Venture Agreement dated March 18, 1986 between OMNIS, acting on behalf and in the name of the State, and QIT-Fer & Titane Inc., as amended November 25, 1986 and July 7, 1988.

"By-products" means the Minerals which co-exist with ilmenite and are extracted at the same time as ilmenite such as rutile and zircon.

"Completion Date" means the date at which the completion conditions set forth in the financing agreements for the Investment Programme have been fulfilled.

"Effective Date" means the date at which all the conditions mentioned in Article 35 have been fulfilled.

"Contractual Documents" means all contracts, agreements, protocols and written agreements related directly or indirectly to the Project Activities.

"Dollar" or **"\$"** means the lawful money of the United States of America.

"Feasibility Study" means the detailed studies of the social, environmental, technical, financial, economic, legal, commercial and other aspects of the Project set forth in a report to Shareholders containing all relevant information necessary for the approval of an Investment Programme.

"FMG" means the lawful money of Madagascar.

"Public Infrastructure" means all infrastructure intended to be returned to the State at the end of the Project.

"Minerals" means (i) ilmenite and (ii) the following mineral substances when coexisting with ilmenite: monazite, rutile, zircon, anatase, garnet, hematite, kyanite, leucosene, magnetite, silimanite, staurolite and xenotime.

"Party" or **"Parties"** means the State of Madagascar represented by OMNIS, and/or QIT-Fer & Titane Inc.

"Fort-Dauphin Exploration Perimeter" means the zone which is the object of the Fort-Dauphin Exploration Permit, as described and illustrated in Annex A.

"Fort-Dauphin Mining Perimeter" means a continuous zone which is the object of the Fort-Dauphin Mining Permit and includes the three mineralised sectors of Ste-Luce, Mandena and Petriky, the configuration and the surface area of which shall be determined in accordance with the needs of the Project.

"Project Perimeter" means the zone consisting of the Fort-Dauphin Mining Perimeter as well as the land occupied by or reserved for QMM SA in connection with the Project.

"Fort-Dauphin Exploration Permit" means the exploration permit granted pursuant to Article 7.

"Fort-Dauphin Mining Permit" means the mining permit granted pursuant to Article 7.

"1986 Mining Exploration Permit" means the Mining Exploration Permit for Mineralised Sands N^o 10/86/OMNIS/TM granted by Decree N^o 86-248 dated August 13, 1986, amended by Decree N^o 88-491 dated December 15, 1988 and by Decree N^o 93-346 dated December 7, 1993, including the perimeters of Fort-Dauphin, Mananenina, Farafangana-Brickaville and Tamatave.

"Production" means the Mineral products extracted from the Mineral Sands which are placed, before any transformation, in storage zones and listed on the mining register of QMM SA.

"Investment Programme" means all programmes of QMM SA relating to (i) the construction or opening of a mine and all other major mining facilities, (ii) any moving of major mining facilities, (iii) the construction of major processing facilities, or (iv) the construction of major port facilities. The expression "Investment Programme" includes the Initial Investment Programme.

"Initial Investment Programme" means the first Investment Programme of QMM SA for the construction of mining facilities and associated infrastructure in the Fort-Dauphin Mining Perimeter as described in the Final Version of the Feasibility Report.

"Project" means the exploration for and mining of ilmenite and the By-products extracted from the deposits in the Fort-Dauphin Exploration and Mining Perimeters, including the separation, enrichment, processing, export and marketing of such Minerals as well as the rehabilitation of the mining site, the construction of Project infrastructures and all other related activities necessary for the realisation of the Project. These activities may be undertaken through an Investment Programme in one or several stages.

"QIT" means QIT-Fer et Titane Inc., a party hereto, and any Affiliate held as to more than 99% which is exclusively associated with the Project.

"Feasibility Report" means the report on the Feasibility Study carried out pursuant hereto.

"Tax Regime" means the tax regime established in accordance with the provisions of Articles 18 to 22 hereof and which forms an integral part hereof.

"Mineral Sands" means sand containing one or several Minerals.

"Contract Interest Rate" means the London Interbank Offered Rate (LIBOR) for three month deposits in US Dollars plus three percent (for example, eight percent if LIBOR is five percent).

"Taxes" means all taxes, royalties, and in general, all fiscal charges (including customs duties), or parafiscal charges in favour of the State, of all local authorities and all public or publicly owned entities.

ARTICLE 2

PURPOSE

The purpose of this Framework Agreement is:

- to set out the means for carrying out the Project for the mining and marketing of ilmenite and the By-products existing in the Mineral Sands of the Fort-Dauphin Mining Perimeter. The initial production capacity for ilmenite is currently estimated at approximately 700,000 tonnes per year. The actual capacity shall be determined in the Final Version of the Feasibility Report;
- to define exceptions to existing legislative and regulatory texts required to implement the Project;
- to set out the rights and obligations of the Parties, and in particular, in relation to the respect and protection of the environment.

TITLE II

LEGAL FRAMEWORK OF THE PROJECT

ARTICLE 3

QMM SA

Immediately after the beginning of the Evaluation Phase as defined in Article 14, and in accordance with Malagasy companies legislation and with the terms of this Framework Agreement, QIT and the State shall form a joint stock company (*société anonyme*) under Malagasy law, hereafter referred to as "QIT Madagascar Minerals SA" or "QMM SA", in which the State, represented by OMNIS shall initially hold a 20% equity interest.

3.1 ARTICLES OF INCORPORATION OF QMM SA

The articles of incorporation of QMM SA shall conform to the provisions hereof.

3.2 SHARE CAPITAL OF QMM SA

The share capital of QMM SA may be subscribed, expressed and maintained at all times in Dollars.

3.3 PRINCIPAL OBJECT OF QMM SA

The object of QMM SA will be to carry out all Project Activities.

Within the framework and subject to the conclusions of the Feasibility Study and the approval of the Initial Investment Programme, the principal object of QMM SA shall be to develop, in one or several stages, a mining operation in the Fort-Dauphin Mining Perimeter for the mining, separation, enrichment, processing and initial marketing of ilmenite, currently estimated at approximately 700,000 tonnes per year, together with the By-products.

3.4 PERSONNEL

3.4.1 Malagasy Employees

Given similar abilities and qualifications, QMM shall give priority to employment of Malagasy workers. Malagasy workers shall be managed in accordance with the Labour Code and the Social Assistance Code in force in the region.

3.4.2 Training Programme

While taking into account operational requirements, QMM SA shall establish and implement a theoretical and practical training programme for Malagasy workers on the Project.

QMM SA also undertakes to favour the promotion of Malagasy personnel, commensurate to their abilities, to all positions, independent of their level.

3.4.3 Expatriates

Subject to the implementation of a training programme for Malagasy employees, QMM SA shall have complete freedom to determine the required expatriate staffing.

Foreign personnel shall be governed by their employment contracts, subject to requirements of public order.

3.4.4 Salaries and Working Conditions

Working conditions and opportunities shall be similar for all employees in the same category, independent of their nationality.

Expatriate employees shall, however, be subject to the specific terms of their work permits and their visitor's visas.

A work permit shall be issued individually to each member of the expatriate staff at the request of QMM SA on presentation of a complete file to the Ministry of Employment.

Work permits shall be issued within a maximum period of fifteen (15) days from the date of presentation of the complete file to the Ministry of Employment, except in cases where, for obvious reasons or for reasons of public security, it would not be appropriate to issue such a permit.

Work permits shall be valid for a renewable period of three (3) years if the work contract is for an indeterminate term and for the duration of the contract if the contract is for a fixed term. Work permits shall be renewable under the same conditions indicated in the previous paragraphs.

Expatriate employees and their family members (spouses and dependant children) shall also be issued visitor's visas to reside in Madagascar. Such visas shall be issued individually and at the request of the individual or the company and upon presentation of a complete file to the Ministry of the Interior.

Visas shall be issued within a maximum of fifteen (15) days from the date of presentation of a complete file to the Ministry of the Interior, except in cases where for obvious reasons or for reasons of public security, it would not be appropriate to issue a visa.

Visas shall be renewable in accordance with the same procedures set out in the preceding paragraphs:

- any termination of expatriate work contracts shall be reported immediately by QMM SA to the Ministry of Employment;
- permanent entry and exit visas shall be granted to expatriate employees at the request of QMM SA.

ARTICLE 4

SHAREHOLDERS' AGREEMENT

- 4.1** Details of the incorporation of QMM SA and the specific conditions that will govern its operations are set forth in an extra-statutory Shareholders' Agreement already concluded between QIT and the State, represented by OMNIS. This Shareholders' Agreement sets forth the principal administrative and management rules of QMM SA including, in particular, rules governing the relations between the Shareholders for project financing, marketing of Minerals and transfers of shares.
- 4.2** The Shareholders' Agreement provides for an initial shareholding by the State equal to 20% of the share capital of QMM SA and a series of mechanisms permitting the State to hold 20% of the share capital without participating in the financing normally required by Shareholders up to the Completion Date. After start-up of operations, and in the event that the State has not contributed to the increase in share capital required at such time, the State shall nonetheless benefit from an irrevocable option to purchase shares belonging to QIT at a price and within a period provided in the Shareholders' Agreement, so as to permit OMNIS to maintain a minimum 20% interest.
- 4.3** The Shareholders' Agreement also provides that, notwithstanding OMNIS' 20% interest in the share capital of QMM SA, if it is decided not to proceed with the Project, financial advances by QIT for the development of the Project until the time of the investment decision shall in no event give rise directly or indirectly, to claims by QIT against OMNIS.
- 4.4** In the event that the Parties decide to proceed with the Initial Investment Programme, QIT shall assign to the State, free of charge, a portion of the claims held by QIT against QMM SA such that in the event of an increase of the share capital at the date of such investment decision, the State may maintain, in all circumstances, an interest of 20% in QMM SA after giving effect to such increase in share capital. Shares attributed to the State pursuant to such assignment of claims shall exclusively have the status of preferred shares.
- 4.5** By exception to the principles set out in above, in the event that it appears necessary in the interests of the Project to issue shares of the share capital of QMM SA to one or more third parties, the ratio of shareholdings of QIT and the State shall, unless otherwise agreed between the parties, be adjusted pro rata to their respective interests as at the date when the third party or third parties become shareholders, it being understood, however, that the State shall in no circumstances be required to transfer all or any portion of the preferred shares which it holds at such date.
- 4.6** The Shareholders' Agreement and the articles of incorporation shall contain provisions permitting to the State to be effectively protected against abuses by the majority shareholders or against any decision taken by the majority shareholder by which the interests of the majority shareholder are favoured over the interests of the Company.

The Shareholders' Agreement shall provide, among other things, rights permitting the State to continuously monitor the activities of the Company and to take part in all essential Project decisions notwithstanding its minority shareholding. These additional rights are summarized below and shall ensure to the benefit the State so long as it holds all of the preferred shares:

- the right to have at least one representative of OMNIS take part in all meetings of the Board of Directors with a right to vote. The number of representatives of the State shall be increased to two if the total shareholding of the State in QMM SA (preferred shares plus common shares) is at least equal to 20%;

- the right to convene, up to twice per financial year, a special meeting of the board of directors as long as the total shareholding of the State (preferred shares plus common shares) remains greater than or equal to 10%;
- the right to verify the terms of the principal contracts concluded between QMM SA and its directors or Affiliates or between QMM SA and certain third parties;
- the right to receive confidential financial and accounting information on the Company at least once per quarter;
- in case of reasonable doubt, and with a view to having timely recourse to the services of impartial experts, the right to obtain, at any time, from the Chairman of the Board of Directors of the Company, all information relevant for reviewing any transactions carried out by QMM SA; and
- the right of the OMNIS director representing the State on the Board of Directors to take part in negotiations bearing on substantial amendments to Ilmenite Sales Contracts and Sales Agency Agreements to be entered into between QMM SA and QIT or its Affiliates.

ARTICLE 5

MINERAL SALES

QIT undertakes to conclude in good faith one or several long term Ilmenite Sales Contracts with QMM SA. The volume, the term and the price of these Ilmenite Sales Contracts between QIT and QMM SA shall be set to meet market requirements and to take into account the financing requirements of the Project. One of these contracts shall include a firm undertaking to purchase ilmenite in order to provide security for repayment of loans contracted for the Initial Investment Programme. The anticipated scale of the Initial Investment Programme shall be commensurate with real market demand for ilmenite at the time the Feasibility Report is submitted to Shareholders, and with the security requirements of Project lenders. In consideration, QIT shall have the exclusive right to acquire all ilmenite produced by QMM SA.

The base sales price for ilmenite shall be indicated in the Shareholders' Agreement. This price shall be revised on January 1 of each year by applying the US CPI up to the 1st of January following the Completion Date of the Project. From such date forward, the sale price of ilmenite shall be adjusted and may be indexed to the price of titanium slag.

The sale of Minerals other than ilmenite shall be the responsibility of QMM SA which shall have complete freedom to set the strategy which it determines most appropriate in the best interests of the Project.

ARTICLE 6

TRANSFER

At the time of the incorporation of QMM SA:

- 6.1** All rights and obligations of QIT hereunder shall be transferred to QMM SA with the exception of the rights and obligations hereunder which are specific to QIT. The State acknowledges that, from the date of its incorporation, QMM SA shall have the benefit of this Framework Agreement as if QMM SA had been an original signatory hereof.
- 6.2** The Assets and liabilities of the Joint Venture between QIT-Madagascar Minerals Ltd & Cie and OMNIS, as well as those of QIT-Madagascar Minerals Ltd & Cie used in the development of the Project, shall be transferred to QMM SA for the net book value of such assets and liabilities at the date of transfer. For greater certainty, the value of the Assets shall be equal to the amount of expenses incurred, expressed in Dollars.

ARTICLE 7
MINING PERMITS

7.1 Fort-Dauphin Exploration Permit

OMNIS shall hold the Fort-Dauphin Exploration Permit for the sole benefit of QMM SA.

7.1.1 The Fort-Dauphin Exploration Permit covers the perimeter defined in Annex "A" hereto.

The external boundaries of the Fort-Dauphin Exploration Perimeter shall be posted on the grounds and indicated on maps with a list of Laborde coordinates corresponding to these boundaries.

7.1.2 The Fort-Dauphin Exploration Permit shall be issued and renewed in accordance with the Mining Code and its validity shall be subject to QIT and QMM SA fulfilling their obligations under Articles 25 and 26 hereof.

7.1.3 QMM SA shall have the exclusive right to carry out all Project Activities under the Fort-Dauphin Exploration Permit.

7.2 Fort-Dauphin Mining Permit

Within sixty (60) days following the approval of the Initial Investment Programme by the Shareholders, the State shall issue to QMM SA a mining permit for Fort-Dauphin, based upon the Fort-Dauphin Exploration Permit.

7.2.1 The Fort Dauphin Mining Permit shall be for an initial term of thirty (30) years and shall be renewable at the request of QMM SA for periods of ten (10) years each.

7.2.2 The external boundaries of the Fort-Dauphin Mining Perimeter shall be posted on the grounds and indicated on maps with a list of Laborde coordinates corresponding to these boundaries.

7.2.3 Within the Project Perimeter, and in accordance with Article 8 hereof, QMM SA shall be the exclusive holder of occupation rights.

7.2.4 QMM SA shall pay the State a mining royalty at a rate of 2% of the FOB value of Production during the full term of the Agreement.

7.2.5 QMM SA shall carry out mining of the deposits in accordance with standard industry practice, permit conditions and the provisions hereof.

7.2.6 Subject to the provisions hereof, QMM SA shall have the freedom to determine the method of Production and the quantity, quality and method of marketing of ilmenite and other Minerals produced by QMM SA.

7.3 Pre-emptive Rights

Given the common objective of the Parties, the experience and know-how of QIT in the subject matter of this Agreement and the significant investments that QIT may make through QMM SA to achieve this common objective, the State, subject to its uncontested right to unilaterally carry out prospecting, exploration and mining of Mineral Sands and to market Minerals from such mining, hereby grants to QIT the right to obtain at any time, on demand, an exploration

permit for areas on which exploration activities were carried out under the 1986 Mining Exploration Permit, subject to compliance with the undertakings in connection with the Fort-Dauphin Permit. In its application QIT shall undertake to comply with regulations in force in Madagascar and to carry out works in accordance with the Mining Code. In addition, the State hereby grants QIT a pre-emptive right over the same perimeter in the event that another operator should be interested in such perimeter.

QIT shall have ninety (90) days from the date of notification to study any proposal and to formulate an offer competitive with third party offers. After the expiry of such period, QIT shall lose its pre-emptive right on the perimeter affected by such project except in the case where the proposed project between the State and the third party has not begun within a period of six (6) months.

7.4 Other Natural Resources

QMM SA shall advise the State of all discoveries of mineral deposits other than those covered by this Agreement and/or for all other natural resources inside the Fort-Dauphin Exploration Perimeter or the Project Perimeter.

If the deposit is located within in the Mining Perimeter and if the State subsequently wishes to mine or concede development of such deposit and/or the other above-mentioned natural resources, the State shall offer QMM SA the opportunity to mine such deposits under terms and conditions to be agreed upon.

Notwithstanding the foregoing, if the mining of such deposits and/or natural resources could interfere with the Project Activities under this Agreement, such mining shall only be carried out if it is done so in a way which does not interfere with the Project Activities.

QMM SA shall not, however, unreasonably refuse to allow such mining in zones which have already been mined for Mineral Sands by QMM SA. In such cases, QMM SA agrees to cooperate with the State in fixing a schedule for releasing the area in which such discovery has been made.

ARTICLE 8

LAND AND INFRASTRUCTURE

8.1 Public Lands

Except as otherwise provided by law or this Agreement, land necessary for the Project which is part of the public domain may be reclassified.

8.2 Port Facilities

The land and water areas to be used for the port shall be made available to QMM SA or an Affiliate for a period at least equal to the term of the Fort-Dauphin Mining Permit. QMM SA or its Affiliate shall undertake to construct of a port adapted to the needs of the Project on public lands made available to it within the framework of an occupancy agreement approved by decree by the Minister in charge of ports following a notice of the Minister in charge of public lands. Such agreement shall provide, among other things, that the construction of the port, its financing and its operation shall be carried out at the expense, risk and peril of QMM SA or its Affiliate, which shall enjoy priority use of the equipment and facilities necessary for the Project during the full term of the Fort-Dauphin Mining Permit. Third parties may use such equipment and facilities outside of peak periods on the condition that they do not interfere with Project Activities and subject to payment of a user fee to QMM SA or its Affiliate based on a tariff for public use. The occupancy agreement shall also provide that ownership of the port equipment and facilities shall revert, free of charge to the State at the end of the period of use provided in the mining permits. In consideration for such obligations and for the use of such land and water areas QMM SA or its Affiliate shall pay the State a royalty which may not exceed the maximum royalty fixed for a similar area under any concession for a public port in Madagascar at the date of signature hereof.

Such occupancy agreement shall also provide that the State may request that QMM SA or an Affiliate construct improvements and facilities in addition to those required for the Project. Provided that such installations or facilities do not interfere with the proper operation of the Project and subject to the State first agreeing to finance their construction, QMM SA or the Affiliate shall take the necessary measures to allow the construction of such requested installations and facilities and shall operate such extension under the terms of an amendment to the occupation agreement with the State.

In the context of the Feasibility Study for the Initial Investment Programme, QMM SA or its Affiliate shall, at the request of the State, include the general outlines of such additional facilities together with a preliminary evaluation thereof, in the final engineering plans for the port infrastructure.

8.3 State Owned Land

State-owned land necessary for the Project and all constructions, works or other improvements to such land shall be made available to QMM SA, including for infrastructure and construction purposes, for a minimum period corresponding to the term of the Fort-Dauphin Mining Permit, under conditions granting QMM SA all the rights of ownership, subject to the terms and conditions of agreements and emphyteutic leases, if any, affecting such land, and in consideration of payment of the following annual fixed royalties:

- Roads and electrical lines 0;
- Fixed constructions \$60/HA/year;
- Mining \$20/HA/year;
- Land under reserve \$2/HA/year.

The mechanism for review of these royalties shall be set out in the agreements and emphyteutic leases to be concluded between the State and QMM SA according to the regulations in force; i.e. the five-year review. In the event that more than 36 months passes between the Effective Date hereof and the effective date of such agreements and leases, the review of the above royalties shall begin in all cases starting from the end of such 36 month period.

Royalties shall be payable under the same conditions with respect to all occupation of public land other than pursuant to Article 8.2 above.

8.4 Private Land

QMM SA may, at its expense, negotiate with owner-occupiers of private land necessary or useful for carrying out the Project and the pursuit of Project Activities in accordance herewith, the mining permits and Authorisations. At the request of QMM SA, private land required for the Project shall be declared necessary for public utility works, shall be expropriated by the State in accordance with procedures then in effect, and shall be made available to QMM SA.

QMM SA shall assume the costs of expropriation and indemnification in accordance with terms to be agreed upon between QMM SA and the State.

8.5 Conservation Measures

Within the Fort-Dauphin Exploration Perimeter, the State shall take the precaution of establishing "reserved zones" on the areas outlined by QMM SA in agreement with the competent Authorities. From the Effective Date hereof up to the date of the issuance of the Operating Permit, all new occupation or acquisition of land by third parties shall be prohibited in such reserved zones.

8.6 Return of Land to the State

QMM SA may, at any time, voluntarily return all or part of the land and other land rights held pursuant hereto, by notifying the competent Authorities in writing of its decision. Before any return of land, QMM SA shall comply with the requirements of the rehabilitation programme with respect to such land, in accordance with Article 9 below.

8.7 Project Infrastructure

The infrastructures constructed and operated for the specific requirements of the Project, as set forth in Article 15.1 below, shall form an integral part of the Project.

The port facilities constructed and operated by QMM SA or an Affiliate, or on their behalf pursuant to an occupation agreement as mentioned in Article 8.2 above, shall be recorded as Assets on the balance sheet of QMM SA or its Affiliate for fiscal and accounting purposes.

Project infrastructure, with the exception of public roads and fixed port infrastructures, may be owned by QMM SA or its Affiliate. The conditions under which such infrastructures will be held by QMM SA or its Affiliate shall be set forth in the relevant emphyteutic leases and agreements.

ARTICLE 9

ENVIRONMENT

9.1 Environmental Impact Studies

For all Investment programmes, QMM SA shall carry out studies of the impact on the natural and social environment in general in accordance with applicable Malagasy legislation, including Law No. 90-033 of December 21, 1990 entitled Environmental Charter and Decree No. 95-377 dated May 23, 1995 relating to the Evaluation of Investments and the Environment (MECIE). These study reports shall include recommendations for measures to minimise the adverse impacts of the Project on the affected areas, including a rehabilitation programme for land in the mining zones or compensation measures and an environmental monitoring programme.

The State may, in connection with its international responsibilities, be required to take protective measures in the event that the activities of QMM SA should have environmental repercussions which extend beyond the boundaries of Madagascar.

In addition, QMM SA may be invited to participate, if necessary, in the environmental review and evaluation process established by the State.

9.2 State Guidelines and Requirements

In view of the interest in Madagascar by the international community in connection with environmental issues and the impact of a large scale mining project on Madagascar, the State shall take measures to ensure that the guidelines and requirements for environmental impact assessment studies are published and made accessible to QMM SA.

The State shall establish an environmental evaluation mechanism as provided in the MECIE decree, which shall conform to generally recognised international practices.

9.3 Environmental Authorisation

After approval by the State of the final version of the environmental impact study and the rehabilitation and restoration programme for sites to be used, including the environmental management plan for the Project, the State shall issue to QMM SA the required approvals for such programmes, without which commercial operations could not begin. These authorisations shall deal with the various aspects of all proposed environmental and rehabilitation programmes and shall set out conditions which QMM SA shall be required to respect, with appropriate guarantees, before returning the land to the State or, where applicable, to the owners of restored land.

TITLE III

STATE AUTHORISATIONS AND GUARANTEES

ARTICLE 10

OWNERSHIP OF PROJECT ASSETS

10.1 Ownership of Mining Permits and Authorisations

Mining permits and/or all Authorisations, except those granted to individuals, shall be issued and maintained in the name and at the expense of QMM SA with the exception of the Fort-Dauphin Exploration Permit contemplated in Article 7.1 above.

QMM SA shall enjoy, free of charge, the use of the Fort-Dauphin Exploration Permit and the benefit of all advantages and rights attached thereto, and shall be subject to all the obligations attached thereto as if QMM SA were the exclusive holder of such permit.

10.2 Ownership of Product

QMM SA shall own all Mineral concentrates and residues from concentration processes on the condition that they be registered in the mining records of QMM SA in accordance with applicable mining legislation.

10.3 Intellectual, Industrial and Commercial Property

QMM SA shall own all patents, trademarks and rights to industrial and commercial property developed or acquired in the context of the Project, as recognised under applicable regulations, agreements and international accords. At the request of QMM SA, QIT shall authorise the use by QMM SA of the name and symbol "QIT" without any royalty as long as QIT and its Affiliates remain Shareholders of QMM SA and hold (together where applicable) at least fifty-one percent (51%) of the common shares of QMM SA.

10.4 Security Interests

All the Assets of the Project including rights of use, rights attached to leases and occupation rights to public land through unilateral or contractual Authorisations may be made subject to hypothecs, liens, pledges, rights of substitution, stipulation for others or any other security interest or guarantee mechanism required for the financing of the Project.

ARTICLE 11

PROTECTION OF PROPERTY, RIGHTS, TITLES AND INTERESTS

- 11.1** Subject to this Agreement, QMM SA, its Affiliates and Shareholders shall have the right and full freedom to own, manage, maintain, use, enjoy and dispose of all their property, rights, titles and interests.
- 11.2** The State undertakes to not expropriate or nationalise all or any part of the property, rights, titles and interests of QMM SA, its Affiliates or Shareholders unless such expropriation or nationalisation measure:
- i) is required in the national interest and is carried out in compliance with the legislation and procedures then in force;
 - ii) is not discriminatory; and
 - iii) provides a payment of an indemnity to QMM SA, its Affiliates or Shareholders equal to the fair market value of the interests concerned. The fair market value shall be determined on the basis of the value that would be agreed upon between a consenting buyer and seller in the absence of expropriation or nationalisation measures and shall be calculated according to evaluation methods appropriate for a company as a going concern at such time.

At the request of QMM SA, its Affiliates or Shareholders, such indemnity shall be paid in Dollars or any other freely convertible currency acceptable to the beneficiary, without any set-off or deduction other than sums which may be due to the State by the beneficiary pursuant to a decision by an arbitration tribunal rendered in accordance with Article 30 below. The indemnity shall bear interest from the date of expropriation or nationalisation at the Contract Interest Rate.

- 11.3** The State undertakes to not limit the full enjoyment, by QMM SA, Affiliates or Shareholders, of their legitimate rights to their property, rights, titles and interests.

If the State limits such enjoyment, including through requisition or any other measures or series of measures which could directly or indirectly have the effect of limiting QMM SA's, its Affiliates' or its Shareholders' control of or economic benefit from their property, rights, titles or interests, such parties shall agree upon a fair indemnity evaluated in accordance with the fair value of the impact on Project Activities of such limitation.

- 11.4** Where there is disagreement on the amount of the indemnity to be paid pursuant to this article, the amount of the indemnity shall be fixed by an international audit firm intervening as conciliator in accordance with the provisions of Article 30 below and, where applicable, the provisions of such article shall apply.

ARTICLE 12

STABILITY

During the term of this Agreement and subject to Articles 18 to 22 below, no legislative or regulatory measure taking effect on a date after August 1, 1996, may, with respect to QMM SA, its Affiliates and Shareholders and employees, result in the replacement or limitation of the privileged regime from which such persons benefit under this Agreement or pursuant to fundamental principles of Malagasy law applicable at such date. This principle shall guarantee the stability of the clauses hereof to QMM SA, its Affiliates, Shareholders and employees.

In case of unforeseen changes to circumstances which upset the economic balance of the Project to the detriment of QMM SA, its Affiliates or Shareholders, not attributable to one of such persons and not related to the value of ilmenite on the international market, the State shall take appropriate measures to re-establish the economic balance so upset. However, if such economic upset results directly from force majeure, the provisions of Article 29 below shall be the only ones applicable.

ARTICLE 13

INSURANCE

QMM SA shall bear the direct consequences of civil liability resulting from all losses or damage of any nature caused to third parties or to its personnel as a result of Project Activities, by its personnel or the materials or equipment of which it is the owner or of which it has custody.

In this regard, QMM SA shall subscribe for necessary insurance coverage against such risks and ensure that its subcontractors are suitably insured.

Subject to an equivalent level of coverage, price and to a commitment to settle claims in foreign currency at least in relation to damage to property paid for in foreign currency, QMM SA shall give priority to subscription of insurance from local insurance companies on the condition that these policies are subsequently re-insured by international re-insurance companies acceptable to QMM SA.

TITLE IV

INVESTMENT PROGRAMME

ARTICLE 14

IMPLEMENTATION PHASE OF THE INITIAL INVESTMENT PROGRAMME

The implementation of the Initial Investment Programme of the Project shall be carried out in two distinct phases, namely;

- i) the evaluation phase;
- ii) the operating phase.

14.1 Evaluation Phase

The evaluation phase shall include all activities necessary for the preparation of a Feasibility Report with a view to the approval of the Initial Investment Programme by the Shareholders.

The evaluation phase of the Initial Investment Programme shall be made up of three periods in the following order:

- i) establishment of the legal framework for the Project;
- ii) preparation of a Feasibility Report; and
- iii) decision making.

The evaluation phase of the Initial Investment Programme shall begin on the Effective Date hereof and shall terminate on the date of approval of the Initial Investment Programme by the Shareholders.

14.1.1 Period 1 - Establishment of the Legal Framework for the Project

The establishment of the legal framework for the Project shall include, notably:

- a) the issuance of the Fort-Dauphin Exploration Permit in accordance with Article 7;
- b) all necessary actions to incorporate QMM SA in accordance with Article 3 above and to allow QMM SA to benefit from the transfer of rights as provided for in Article 6 above;
- c) agreement on the principal provisions of the agreements relating to Project infrastructures in accordance with Article 8 above;
- d) agreement on surface and water rights protocols;
- e) obtaining of environmental Authorisations in accordance with Article 9 above;
- f) agreement on detailed rules for the tax and financial regimes (method and tax rates), and the accounting principles as indicated in Articles 19, 20, 21, 23 and 24 below;
- g) agreement on the principal provisions of the Ilmenite Sales Contracts and the Sales Agency Agreements;
- h) agreement on the principal provisions of financing agreements and related security packages.

The establishment of the legal framework of the Project shall begin on the Effective Date hereof and terminate when the terms and conditions of all the protocols have

been finalised and the environmental Authorisations and the Fort-Dauphin Exploration Permit have been issued.

14.1.2 Period II - Preparation of a Feasibility Report

This includes all the activities necessary for the completion of a Feasibility Study, including the arrangement of Project financing.

The Feasibility Study must be sufficiently complete to:

- a) be used with a view to obtaining Project financing from Project lenders;
- b) serve as a basis for the Shareholders of QMM SA to come to an investment decision.

Period II: Preparation of a Feasibility Report, shall begin as soon as the establishment of the legal framework for the Project has been completed and shall terminate upon the delivery of the Final Version of the Feasibility Report to the Shareholders and to the Government of Madagascar.

14.1.2.1 Purpose and Content of the Feasibility Study

The Feasibility Study for the Initial Investment Programme shall consist of an evaluation of a mining operation for Minerals extracted from the deposits in the Fort-Dauphin Exploration and Mining Perimeters, including separation, enrichment, processing, export and marketing, as well as the rehabilitation of the mining site and the construction, operation and maintenance of the Project infrastructures and all other related activities necessary for the implementation of the Project.

Among other things, this Study shall analyse the feasibility of a programme based on an initial ilmenite production capacity currently estimated at approximately 700,000 tonnes per year. The actual capacity shall be determined in the final version of the Feasibility Report.

The Feasibility Report for the Initial Investment Programme shall include:

- i) market studies for ilmenite and the By-products;
- ii) a plan for project implementation, operation and marketing, including a detailed description of all the facilities for the Initial Investment Programme, and the principal terms of long term Ilmenite Sales Contracts and the sales agency agreements for the By-products;
- iii) an employment and training programme for Malagasy citizens who will work on the Project;
- iv) an evaluation of the construction and operations costs within a margin of error of 10% as well as a construction schedule, the construction conditions, equipment procurement and commissioning;
- v) a study of the financial and economic profitability of the Initial Investment Programme;
- vi) an environmental action plan for the Project in accordance with the Authorisations issued;
- vii) a detailed financing plan for the Initial Investment Programme;
- viii) a summary of the agreements entered into between the Parties pursuant to Article 14.1.1 above.

14.1.2.2 Other Documents Required for the Decision

For the purposes of the decision to be taken by the Shareholders, the following items shall also be provided:

- i) acceptance by the Project Lenders of the implementation, operation and marketing plan, including the terms of Ilmenite Sales Contracts and Sales Agency Contracts;
- ii) all the contractual documents necessary for the implementation of the Initial Investment Programme, including the protocols with Project lenders, that refer to the financing acceptance and conditions for the Project.

14.1.3 Period III - Decision-Making

Period III - Decision-Making - includes the activities required for approval of the Initial Investment Programme by the Shareholders.

This period begins immediately after the delivery of the Feasibility Report and ends ninety (90) days after approval of the Initial Investment Programme by the Shareholders.

14.2 Operations Phase

The operations phase begins at the end of Period III - Decision-Making of the evaluation phase. It includes all activities related to the construction of production facilities and Project infrastructures. During the operations phase, the Project Activities shall be carried out by QMM SA and its Affiliates in accordance with the mining permit issued by the State and other Authorisations and Contractual Documents provided for herein.

ARTICLE 15

INVESTMENTS

Investments for the implementation of the Initial Investment Programme shall include, among other things:

15.1 Project Infrastructure, notably:

- integrated port facilities capable of receiving sea-going vessels with a capacity of up to 35,000 tonnes;
- a fuel oil terminal and distribution system;
- a thermal electric plant with sufficient capacity for Project operation requirements;
- high tension electrical transformer stations;
- electrical distribution lines;
- a water pumping station and distribution system;
- an inventory storage area;
- service roads;
- public roads;
- bridges;
- social facilities.

15.2 Mining Material and Equipment, including:

- a dredge;
- a concentrator;
- a separator;
- auxiliary mine facilities;
- handling and transportation facilities.

as more fully set forth in the Feasibility Report.

ARTICLE 16

SUBSEQUENT INVESTMENT PROGRAMMES

16.1 Subsequent Investment Programmes

Once the Initial Investment Programme has been approved by the Shareholders, QMM SA may undertake additional feasibility studies for subsequent Investment Programmes within the Fort-Dauphin Mining Perimeter.

The Parties agree to take the necessary measures to facilitate the progress of such Investment Programmes.

16.2 All Investment Programmes after the Initial Investment Programme shall follow the normal stages in the evolution of a project, including:

- a) preliminary studies sufficiently detailed to allow the Board of Directors of QMM SA to evaluate the interest and soundness of the project;
- b) a Feasibility Study and preparation of a complete feasibility report to be submitted to the Board of Directors of QMM SA;
- c) the decision;
- d) implementation of the Investment Programme; and
- e) respect of environmental undertakings and obligations in accordance with the provisions of Articles 9 and 27 hereof.

ARTICLE 17
PROJECT FINANCING

17.1 Type of Financing

The financing of each Investment Programme shall be based on the following principles:

17.1.1 The financing of construction costs and working capital necessary for the implementation of the Investment Programme may be provided by:

- Shareholder subscriptions for the share capital of QMM SA;
- Shareholder loans to QMM SA;
- financing granted by donors composed of limited recourse funding loans to QMM SA;
- all other appropriate financing sources.

17.1.2 All funding made available to QMM SA shall be in Dollars or other freely convertible foreign currency. However, the State's contribution to the share capital of QMM SA may, after the approval of the Initial Investment Programme, be made in local currency (FMG) at the exchange rate prevailing at the date of such equity investment, to the extent that QMM SA has requirements for local currency.

17.1.3 Other than properly justified exceptions and only to the extent strictly necessary, the obligations of Shareholders to lenders shall be limited to guarantees which shall expire at the latest, at the Completion Date of the Initial Investment Programme.

17.1.4 Loans shall only be secured by QMM SA's property, rights, titles and other interests and, if necessary, by the pledge of the Shareholders' shares in QMM SA.

17.1.5 As a result and subject to exception, the lenders shall thereafter only have recourse to QMM SA's income for repayment of their loans.

17.2 Amendments to Financing Agreements

A financing agreement entered into in connection with all or part of the Project may not be amended or terminated without the Parties hereto first having been notified.

17.3 Shareholders Capital Contributions Prior to the Approval of Initial Investment Programme

All expenses financed by the Shareholders for Project Activities up to the investment decision date, shall constitute the Shareholders' contributions prior to the approval of the Initial Investment Programme. These include:

- expenses incurred within the framework of the 1986 Joint Venture Agreement up to the Effective Date of such Agreement;
- expenses incurred from the Effective Date hereof in relation to the agreed studies and work carried out during the evaluation phase of the Initial Investment Programme.

17.4 Transfer of Investment from QIT to the State

At the time when the Initial Investment Programme is approved, in order to allow the State to participate in the increase in share capital of QMM SA and to maintain at least a 20% shareholding until the Completion Date of the Initial Investment Programme, QIT shall assign to OMNIS, for one Dollar, a portion of the claims on current account held by QIT over QMM SA corresponding to the expenses QIT shall have financed for Project Activities at such date.

17.5 Project Financing Plan

QMM SA shall provide a financing plan for each Investment Programme during the Feasibility Study phase related to that Investment Programme.

17.6 Financing of Additional Investments

For all additional Investment Programmes, QMM SA shall favour the use of limited recourse project financing as described herein and shall attempt to obtain financing conditions favourable to the Project.

TITLE V

TAX AND CUSTOMS REGIME

ARTICLE 18

GENERAL PROVISIONS

- 18.1** Malagasy tax and customs legislation shall apply to the Project. However, in view of the particular features of the Project which require investments of an exceptional magnitude, in particular, heavy infrastructures which will be beneficial to the national economy and which would normally be the responsibility of the State, Articles 19, 20 and 21 below, as well as the Tax and Accounting Schedule, set forth a special regime which is granted subject to ratification by the National Assembly. This regime will come into force on the Effective Date and remain in force for a period of twenty-five (25) years.
- 18.2** Within the limits of their involvement in the Project, companies which participate directly in the implementation of the Project shall not be subject to any tax, duty, charge, royalty or levy in Madagascar, except for those taxes, duties, charges, royalties and levies expressly mentioned herein and which shall be assessed according to the terms and provisions set out herein and its Schedules or, if need be, according to common law.
- 18.3** Before the investment decision, the Tax and Accounting Schedule shall be finalised and shall form an integral part hereof as if it were part of the original Agreement. The purpose of this Schedule is to clarify the way in which the provisions of the Fiscal Regime are to be applied. Its content shall be finalized by the unanimous agreement of the Parties and in accordance with the principles set out herein.
- 18.4** If QMM SA or the tax authorities identify the need to specify more precisely the scope or method of calculation of a Tax, the Parties shall, taking into account the principles underlying this Agreement, establish detailed rules governing the scope, meaning, construction and application of the particular provision which requires clarification.

ARTICLE 19
TAX PROVISIONS

19.1 Corporate Income Taxes (IBS)

QMM SA shall be exempt from corporate income tax during the first five years of active operation.

Active operation means commercial operation. It is understood, however, that the commissioning and training period preceding commercial operation shall not exceed twelve (12) months.

If active operations commence during a year, the first year of the corporate income tax exemption shall run from the actual date of commencement of active operations up to December 31 of the following year, in other words an exceptional period exceeding twelve (12) months.

- QMM SA shall be subject to corporate income tax at a rate of 10% from the 6th to the 10th year of active operations inclusive.
- QMM SA shall be subject to a corporate income tax rate of 15% from the 10th year of active operations until the end of the special Fiscal Regime provided for herein.

QMM SA shall be subject to a minimum corporate income tax up to a limit to 5/1000ths of its gross income after the exemption period provided for by this article. The amount of this minimum tax shall be assessed on the amount of corporate income tax due on taxable income.

Non-resident companies which carry out the work for the Project are subject to corporate income tax according to the simplified provisions that appear in the Tax and Accounting Schedule.

19.1.1 Reduction of Corporate Income Taxes

After the exemption period set out in the first paragraph of Article 19.2, the investments made by QMM SA during operations shall be eligible for income tax credits ("RI"). Such credits shall equal an amount of tax corresponding to 75% of the sums invested and shall be calculated according to the following formula:

$$RI = 75\% \times INV \times \text{Corporate Income Tax Rate}$$

where:

INV: means the cost in Dollars of the assets acquired during the year and qualifying as investments within the meaning of the Investment Code;

Corporate Income Tax Rate: means the rate of corporate income tax applicable to the year in question.

Any unused credits may be used to reduce taxes otherwise payable in subsequent years, but the carry-forward period may not exceed five (5) consecutive years.

19.1.2 Depreciation

All tangible or intangible assets owned by QMM SA and depreciable for tax purposes in accordance with General Tax Code of Madagascar or made available to it under the public land occupation agreement shall be eligible for depreciation. The amount of tax

depreciation shall be calculated according to the depreciation regime applicable at the time under Malagasy legislation and/or in accordance with the depreciation regime as adapted for the purposes of the Project and in accordance with the provisions of the Tax and Accounting Schedule.

19.1.3 Loss Carry-Forward

Losses may be carried forward five years following the year in which the loss was incurred. However, any tax depreciation deemed to be deferred in a year of loss, including depreciation claims made during the exemption period, may be accumulated and carried forward to subsequent years, without time limit, up to the limit of taxable income. If necessary, adjustments shall be made to take account of exchange rate fluctuations.

19.1.4 Calculation of Taxable Income

Except as otherwise provided herein, including the Tax and Accounting Schedule, taxable income shall be calculated in accordance with the rules of the General Tax Code in force on the Effective Date hereof and in accordance with the detailed rules set forth in Article 18.4.

19.1.5 Deductions from Taxable Income

Mining royalties provided for under in Article 7.2.4 and all interest, fees and other costs payable by QMM SA pursuant to its loans and advances shall qualify as eligible deductions against taxable income.

19.1.6 Value of Products Mined

The sale price of ilmenite as defined in the contract concluded between QMM SA and QIT shall always be deemed to be the price that QMM SA would have obtained from a sale to an independent third party under a contract concluded under conditions of full competition. The same principle shall apply to all other contracts concluded between QMM SA and QIT for the sale of other Minerals.

19.2 Taxes on Income from Capital (IRCM) (Impôt sur les Revenus de Capitaux Mobiliers)

Interest on loans by foreign lenders taken out to finance the Project shall be exempt from IRCM.

QMM SA shall deduct at source a 10% withholding tax on dividends distributed to foreign Shareholders and on interest paid by QMM SA to such Shareholders on current account advances. Such Shareholders shall be exempt from any other tax which may be payable in Madagascar as a result of their interest in the Project.

19.3 Personal Income Tax

QMM SA shall deduct personal income tax at source on the salaries paid to its Malagasy and expatriate employees according to the rules of the General Tax Code.

However, for foreign personnel employed in Madagascar in connection with the Project, the total amount of deductions and of tax to be paid shall be limited to 35% of taxable income established according to the General Tax Code, including salary supplements, but excluding any salary or company contributions paid in Madagascar or abroad, for pensions and social insurance (health insurance, life insurance, ...).

19.4 Sales Taxes

19.4.1 Procurement of Goods and Services

The rate of VAT, of TST or all equivalent taxes applicable to purchases of goods and services (including the work of the company) by QMM SA in the context of the Project, including delivery to itself but excluding goods for personal use, shall be set at 0%. The rate of 0% shall also apply to all imports by QMM SA or on its behalf intended exclusively for the Project.

To benefit from this 0% rate, QMM SA shall remit to the customs authorities or to suppliers or contractors, as appropriate, a certificate confirming that such goods and services or work performed were acquired or used for the sole benefit of the Project.

19.4.2 Suppliers and companies used by QMM SA for the Project shall be authorised to acquire all goods and services directly and solely required for the completion of contracts with QMM SA subject to VAT, TST or other equivalent tax rates equal to zero.

The competent tax authorities shall provide the aforementioned businesses applying for the zero rate, with the relevant certificates to be remitted to their own suppliers, service providers and sub-contractors or to the customs authorities.

19.4.3 Sale of Goods and Services in Madagascar

The sale of goods and services by QMM SA on the local market shall be governed by regulations currently in force.

19.4.4 Mineral Exports

Export sales of Minerals shall be exempt from all Taxes.

19.4.5 Expenses and Interests

VAT, TST and other sales taxes shall not be levied on interest or other fees paid to lending organisations in relation to their loans or to Shareholders in relation to their current account advances.

19.5 Transfer Tax (TFT) (Taxe forfaitaire sur les transferts)

19.5.1 Non-residents who are not subject to corporate income tax and who provide services to QMM SA in Madagascar for the Project, other than financial and insurance services, shall be subject to a transfer tax of 35% levied on the deemed profit earned as a result of the amounts received by such non-residents. This tax shall be in lieu of all other taxes, duties and profit taxes otherwise payable in Madagascar by these non-residents. Profits shall be deemed to be equal to 45% of the amount paid by QMM SA for such services.

19.5.2 Except pursuant to this Article 19.5, no Tax shall be levied on amounts paid by QMM SA for services and works supplied by non-residents.

19.6 Professional Tax (TP)

QMM SA shall be subject to a professional tax under the following conditions:

- a fixed rate calculated according to local law
- an ad valorem rate equal to:
 - a) at 1/15th of the rental value of facilities used as administrative offices and display rooms;

- b) at 1/30th of the rental value of infrastructures (other than Public Infrastructures), buildings, materials and equipment permanently fixed to the ground as contemplated in Article 525 of the *Civil Code*.

The following amounts shall also be payable:

- a special surtax equal to 15% of the total of fixed and ad valorem duties, payable to the local Chamber of Commerce;
- a special surtax equal to 15% of the total of fixed and ad valorem duties, payable to the local authority concerned.

For immoveables and facilities rented by QMM SA, the rental value shall be the actual rent. For other facilities, the rental value shall be calculated according to the acquisition and construction cost shown on the balance sheet, reduced for wear-and-tear and special use at a rate varying between 5 and 10%.

The reduction for wear-and-tear is calculated according to the age of the immoveables and installations. The reduction for specialised use shall be not less than 40%, but not greater than 60% of the Asset cost after reduction for wear and tear.

The other conditions of calculation of rental value are described more fully in the Tax and Accounting Schedule.

The payment of professional tax is in lieu of all other taxes otherwise payable to local authorities with the exception of taxes set out in Articles 19.7, 19.9 and 19.11 below.

19.7 Tax on Real Estate Improvements ("impôt foncier sur les propriétés bâties" or "IFBP")

QMM SA shall be subject to IFBP calculated at the rate of 3% levied on the same tax basis (rental value) as that used for the calculation of the ad valorem rate of professional tax.

However, QMM SA is exempt from IFBP during the ten (10) year period following completion of new buildings, redevelopments and building extensions.

No reduction for specialised use shall be allowed for any construction undertaken for the mining complex or for administrative buildings.

When IFBP is payable, QMM SA shall also pay the IFBP accessory tax ("TAFBP") collected for the benefit of local authorities. This tax shall be in an amount equal to 2% of IFBP (two additional surtaxes).

19.8 Registration and Conveyance Fees

The only fees payable by QMM SA regarding the registration of documents and conveyances for all Project operations are set out exhaustively below:

19.8.1 registration fees at a rate reduced by 50% on emphyteutic leases, long-term leases and concession rights calculated, as appropriate, on the rental amount or the fee payable;

19.8.2 stamp duty of one per cent (1%) on the issue by QMM SA of its shares.

19.9 Taxes Payable to Local Authorities

19.9.1 Water and Electricity Tax

QMM SA shall be subject to taxes payable under common law on purchases of drinking water and electricity, but no Tax is applicable to water and electricity produced for Project purposes by a Project Asset or deemed Project Asset.

19.9.2 Road Tax

QMM SA shall be subject to all applicable road taxes, except within the perimeter of communities where QMM SA has contributed to financing of the construction or repair of roads.

19.10 Tax on Insurance Contracts

QMM SA shall be subject to a tax on insurance contracts at a rate of 4% of the amount of the premium paid in relation to coverage of risks of loss on Malagasy territory.

19.11 Indirect Taxation

QMM SA shall be subject to indirect taxes and levies on the same basis as any other business in Madagascar payable as a result of the issuance of Authorisations or in return for the supply of various services by administrative authorities which businesses are free to use or request.

ARTICLE 20
CUSTOMS PROVISIONS

20.1 Definitive Admission

- Initial Investment Period

During the initial investment period, all goods imported for use in the Project by QMM SA and its suppliers and contractors, except for goods for personal use, shall be admitted free of duty, import tax, VAT and all other equivalent taxes, with the exception of the TUPP¹, (hereinafter "Customs Duties"). For the purposes of these provisions, the date of the end of the investment period shall be the day when, after completion of the Initial Investment Programme, the monthly production of extracted Minerals has reached 65% of the capacity of the processing unit.

- Operating Period

From the completion date of the initial investment period, all equipment, machinery and materials imported for use by companies working on the Project shall be subject to Customs Duties in accordance with the simplified Schedule of Customs Duties and shall be levied at the rates set out in the table in Annex C and as set out in the Tax and Accounting Annex.

For plant machinery, the payment of Customs Duties shall be spread evenly and without interest over each of the years of the useful technical life of such plant and machinery.

20.2 Temporary Admission

The rules providing for the suspension of all Customs Duties for items temporarily imported shall apply to all materials, equipment and tools to be used temporarily for the Project and intended to be re-exported.

20.3 Confirmation of End-Use

In order to benefit from the above customs provisions, suppliers, service providers and contractors working on the Project shall be required to obtain a certificate from QMM SA attesting to the requirement for such goods for the exclusive use of the Project.

1 TUPP: "Taxe Unique sur les Produits Pétroliers": an all-inclusive tax on petroleum products

ARTICLE 21

OTHER PROVISIONS

21.1 Initial Establishment Cost

The Joint Venture assets and liabilities will constitute a partial contribution of assets to QMM SA on the terms of Article 6 hereof and as set forth in more detail in the Shareholders' Agreement. These assets shall be capitalised in the accounts of QMM SA and depreciated according to the terms and conditions hereof.

21.2 Calculation of Taxes and Charges

All Taxes shall be calculated on the basis of accounting records in Dollars and shall be translated into FMG according to the following principles:

- for Taxes using a 12-month period of assessment (such as corporate income tax, professional tax, mining royalties, etc.) the applicable exchange rate shall be the average rate as published by the Central Bank of Madagascar for such reference period;
- for all other Taxes, the applicable exchange rate shall be the Central Bank of Madagascar rate prevailing on the date the tax is due.

The exchange rates defined above shall also apply to subsequent adjustments, interest and any penalties, as well as the refunding of any excess tax paid.

21.3 Sales, Mergers, Spin-Offs and Partial Asset Contributions

No Tax shall be applicable to sales, mergers, spin-offs or partial asset contributions or on transactions between QIT, QMM SA or an Affiliate, which has as its purpose or results in the transfer between them of all or part of the assets of the Project or which has as its purpose or results in the reorganisation of the legal structures of the Project participants.

21.4 Common Law Option

In the event that applicable common law tax or customs duties provisions are amended, QMM SA may elect to be subject to common law and waive all provisions of the Tax Regime, provided that the election made by QMM SA shall be irrevocable and shall take effect at the time of official notification thereof.

21.5 Most Favourable Provisions

Provided that it waives all the tax and customs provisions included in the Tax Regime, QMM SA may elect to be governed by the tax and customs provisions granted to a competitor which engages in identical or similar activities.

21.6 Stability

The stability of the Tax Regime is guaranteed to the businesses contemplated in Article 18 with respect to the provisions in force on August 1, 1996 and under the conditions provided herein and, in particular, in the Tax and Accounting Schedule with respect to scope, rates, collection methods and audits. Expatriate personnel shall benefit from this guarantee of stability with respect to any social charges to which they may be subject in Madagascar.

Businesses contemplated in Article 18 shall not be liable for any Taxes created after the above date or which arise from any amendment effective after such date.

21.7 Amendments to the Fiscal Regime

The Fiscal Regime defined herein may not be amended except by mutual agreement between the State and QMM SA and subject to legislative approval.

21.8 Renewal and Extension of the Fiscal and Customs Regime

- At least twenty-four (24) months before the expiration of the preferential Tax and Customs Regime, QMM SA and the Ministry of Finance or all other Ministries authorised by the State to this effect shall undertake to discuss and develop a new Tax and Customs Regime applicable to QMM SA.
- The duration of the preferential Tax and Customs Regime shall automatically be extended by a period equal to any abnormal delays to which QMM SA is subjected and which are not attributable to QMM SA, including with respect to obtaining government authorisations or environmental problems.

ARTICLE 22

GOODS AND SERVICES SUPPLIED TO THE PROJECT

For its operating requirements, QMM SA shall have the right to use suppliers of goods and services and contractors and sub-contractors, both local and foreign, completely at its own responsibility, and shall ensure that they have the appropriate professional qualifications and experience.

In cases where quality, terms and other criteria are substantially similar, QMM SA shall give priority to procurement of goods and services available in Madagascar.

ARTICLE 23

TRUST ACCOUNT

23.1 Operation

QMM SA is authorised to open a foreign currency account for product sales revenues and other foreign currency holdings with only one internationally recognized foreign bank which shall be a correspondent bank of the Central Bank of Madagascar. QMM SA shall not be required to repatriate any foreign currency from this trust account to Madagascar, except for sums required to meet expenses of any kind of QMM SA and its Affiliates which are incurred in FMG in Madagascar for the purposes of the Project. A three-party agreement between QMM SA, the foreign bank and a primary intermediary Malagasy bank approved by Malagasy financial authorities, shall set forth the terms and conditions under which required foreign currency shall be repatriated to meet expenditures incurred in Madagascar, within the time frames required under applicable foreign exchange regulations. This agreement shall be in accordance with the other provisions of this article set forth below and shall also provide that the primary intermediary Malagasy bank shall be responsible for ensuring that all the procedures required under the banking domicile rules of Malagasy exchange regulations will be observed. For the purposes of such procedures, all sums received from the sale of product and credited to the foreign currency account opened with the foreign bank in the name of QMM SA shall be deemed to be repatriated.

QMM SA undertakes to apply such foreign currency accounts first, for the payment of current expenditures of QMM SA and its Affiliates, including royalties, taxes, duties and levies, provided that the latter (Eligible Current Expenses) are incurred in accordance with the annual operating budget.

23.2 Guarantee of Use

QMM SA shall delegate the management of the foreign currency trust account, irrevocably, exclusively and without restriction, to an internationally recognised trustee duly approved by the Malagasy financial authorities, in order to guarantee to Project lenders and the Malagasy State that the account will be operated according to the principles set out in Article 23.1 above. In stead and in place of QMM SA, and in close cooperation with the approved primary intermediary Malagasy bank, the trustee shall perform all the audit, transfer and commitment procedures which QMM SA is required to comply with under Article 23.1 above in respect of the foreign currency trust account.

The trustee shall, among other things, be responsible for:

- i) verifying the validity of documents presented by QMM SA for the payment of sums to be debited from the foreign currency trust Account each month (Certified Expenses);
- ii) signing all financial documents, transfer orders, payment orders and other documents permitting the settlement of Certified Expenses out of this account on behalf of and in place of QMM SA. QMM SA shall have no signing authority over this foreign currency account while the delegation of authority to the trustee remains in force.

ARTICLE 24

ACCOUNTING PRINCIPLES

In view of the specific characteristics of the Project, QMM SA is authorised to maintain its books of account in Dollars, but in accordance with the provisions of the General Accounting Plan of 1987.

24.1 Annual Financial Statements

In order to comply with applicable tax and accounting legislative requirements in Madagascar, the financial statements of QMM SA required by legislation in force (balance sheet, income statement, management performance ratios, cash flow statement) shall be converted into and presented in Malagasy Francs (FMG) in the manner set out herein and in the Tax and Accounting Schedule.

24.2 Interim Reports

For information purposes, immediately at the end of each quarter, QMM SA shall submit interim financial statements together with necessary supporting documents to explain operations undertaken during such quarter to the appropriate Malagasy Authorities (Minister of Finance and Central Bank).

TITLE VI
OBLIGATIONS OF THE PARTIES
ARTICLE 25
GENERAL OBLIGATIONS

25.1 Period I - Establishment of the Legal Framework for the Initial Investment Programme

25.1.1 Obligations of the Parties

During this period, the Parties shall:

- i) establish the terms and conditions for all Contractual Documents and Authorisations necessary to carry out Project Activities in the Project Perimeter;
- ii) initial these agreements in the form of protocols.

These protocols shall remain in force and shall bind the Parties until the issuance of the Authorisations and the signature of Contractual Documents, or until the termination hereof, as the case may be.

The protocols shall set forth, in particular:

- a) the conditions for their coming into force;
- b) the rights and obligations of the Parties.

25.1.2 Obligations of QIT

During this Period QIT shall and shall cause QMM SA to take all the necessary actions:

- i) to prepare and file, within a maximum period of twelve (12) months, for approval by the competent authorities, the terms of reference for complementary and socio-economic environmental studies;
- ii) to carry out environmental studies with a view to producing a final report on the environmental impact, to enable the competent authorities to issue the environmental authorisations;
- iii) to file a final environmental impact report not later than twenty-four (24) months after the date of approval of the terms of reference by the competent authorities;
- iv) to carry out the necessary studies and provide all documents required by the competent Governmental Authorities for preparation of the protocols described in paragraph 25.1;
- v) to supply QMM SA or to QIT Madagascar Minerals Ltd & Cie with the necessary funds to cover all expenses for carrying out these works.

25.1.3 Obligations of the State

During this period the State shall:

- i) rule, within a maximum period of three (3) months after their filing, on the terms of reference set out in Article 25.1.2 i) above;
- ii) rule, within a maximum period of six (6) months after its filing, on the Final Environmental Impact Study on the environment set out in Article 25.1.2 iii) above;

- iii) take all actions so that the necessary Authorisations are issued within a period of sixty (60) days following Shareholder approval of the Initial Investment Programme, subject to fulfilment of the agreed conditions in the protocol;
- iv) not grant any mining permits in the zones affected by the Project.

25.2 Period II - Preparation of the Feasibility Report for the Initial Investment Programme

25.2.1 Obligations of the Parties

During this Period, the Parties shall take all necessary measures to carry out the Feasibility Study in accordance with the conditions set forth in Article 14.1.2.1 and, in particular, establishing the principal terms and conditions of Project financing agreements which involve the Government of Madagascar, including those with respect to the Trust Account and all agreements in connection with Development Credits granted to the Project.

25.2.2 Obligations of QIT

During this period, QIT shall and shall cause QMM SA to:

- i) carry out the Project Feasibility Study and provide the State with all the documents allowing it to follow the progress of the Feasibility Study for information purposes;
- ii) provide the necessary funds to cover all expenses to carry out the works;
- iii) make its investment in the Project;
- iv) complete and file a Feasibility Report to the Parties no later than twelve (12) months after the issuance of the environmental authorisations.

25.2.3 Obligations of the State

During this Period, the State shall take all necessary measures to complete OMNIS' equity investment in the Project.

25.3 Period III - Investment Decision

25.3.1 Non-Approval of Investment Programme

If the Feasibility Report filed by QMM SA does not meet the requirements of Article 14.1.2.2 or if the Shareholders cannot approve the Initial Investment Programme, the following provisions shall apply:

25.3.1.1 Obligations of QMM SA

The Shareholders shall advise QMM SA of the problems preventing approval of the Initial Investment Programme and QMM SA shall develop a plan for resolving such problems.

25.3.1.2 Obligations of QIT

Every six (6) months QIT shall cause QMM SA to complete and present to the Government and to OMNIS a report on the solutions proposed during the last six (6) months for resolving the above-noted problems, subject to the provisions relating to the termination of the Agreement.

25.3.2 Approval of Investment Programme

If the Initial Investment Programme is approved, the following provisions shall apply:

25.3.2.1 Obligations of the Parties

Within ninety (90) days following the approval of the Initial Investment Programme, the Parties hereto shall conclude all the other agreements relating to the Project including the Ilmenite Sales Contracts, the sales agency agreements and the financing agreements.

25.3.2.2 Obligations of QIT

Within the ninety (90) days of the approval of the Initial Investment Programme, QIT shall begin making its advances on current account to QMM SA in proportion to its equity interest in the Project and in accordance with the financing plan contained in the Final Version of the Feasibility Report.

In the event that the State is not able to fund its share of the equity within the prescribed deadlines, QIT shall obtain the funds necessary for QMM SA to implement the Programme.

The State may make up its participation in the financing as the Initial Investment Programme advances, and this up until the Completion Date of such Programme.

25.3.2.3 Obligations of the State

Within sixty (60) days of the approval of the Initial Investment Programme, the Government of Madagascar shall grant the Mining Permit as well as any necessary or useful Authorisations for implementation of the Initial Investment Programme.

25.4 Operations Phase

25.4.1 Obligations of QMM SA

The operations phase shall begin at the end of the evaluation phase. It includes all activities related to the construction of the production facilities and infrastructure of the Project.

During the operations phase, the Project Activities shall be carried out by QMM SA in accordance with the conditions of the Mining Permit granted by the State and the other Authorisations and Contractual Documents contemplated herein.

25.4.2 Information Obligations of QMM SA

In addition to the production of documents and reports required by applicable law and regulations, QMM SA shall provide the State and other departments mandated by it with all reports and documents necessary to monitor the implementation of the programme and to ensure the respect by QMM SA of its general obligations hereunder.

ARTICLE 26

FINANCIAL OBLIGATIONS

26.1 Financial Obligations of the State

The State agrees, within its means, to fund its equity investment necessary to fulfil its obligations in connection with the Project in a timely manner and to lend assistance in obtaining Project financing by taking the necessary steps required by Project lenders.

26.2 Financial Obligations of QIT

QIT agrees to incur minimum expenditures of four million Dollars (\$4,000,000) for the establishment of the legal framework of the Project and preparation of the Feasibility Report.

In the event that the Shareholders are unable to approve the Initial Investment Programme, QIT agrees to supply QMM SA with at least two hundred thousand Dollars (\$200,000) every six (6) months to allow the implementation of the plan for resolving the problems identified up to the approval of the Initial Investment Programme.

As long as it holds, directly or through its Affiliates, at least 51% of the share capital of QMM SA, QIT shall:

26.2.1 assist the State in its discussions with the Government of Canada or with other countries involved in the Project, with a view to signing agreements to avoid double taxation;

26.2.2 assist the State in its financing of exploration related to the Project, including the financing of the initial contribution;

26.2.3 cause QMM SA to seek out the limited recourse loans required to finance the Project; and

26.2.4 assist with the procurement of Project financing by negotiating one or several long-term ilmenite purchase contracts with QMM SA in accordance with Article 5 hereof.

26.3 OMNIS

As long as OMNIS or its successors and/or assigns are Shareholders of QMM SA, OMNIS shall:

26.3.1 hold the Fort-Dauphin Exploration Permit to be issued in accordance with the provisions hereof, for the benefit of QMM SA;

26.3.2 hold all required Authorisations for the Project which must legally be issued in the name of OMNIS, if any, for the benefit of QMM SA;

26.3.3 cooperate with QMM SA in the steps which will be taken with the various ministries and governmental Authorities with a view to obtaining the required Project Authorisations.

ARTICLE 27

ENVIRONMENTAL COMMITMENTS OF QMM SA

27.1 QMM SA

QMM SA agrees to carry out its various activities while respecting the environment and the health, safety and well-being of its employees and the community.

QMM SA shall comply with national environmental legislation and regulations and shall conform to national guidelines and/or international mining operational and environmental practices, particularly with respect to limiting the negative impacts. In this regard, QMM SA shall take appropriate measures in planning and managing its activities, including the rehabilitation of land affected by the works within the Project Perimeter.

27.2 Monitoring and Follow-Up

During the operations phase, QMM SA shall respect the recommendations made under applicable environmental regulations and guidelines as set forth under Article 9.3 above and shall facilitate effective monitoring by specialised government agencies, particularly in case of claims by waterside residents.

TITLE VII
PREROGATIVES OF THE STATE
ARTICLE 28
PREROGATIVES OF THE STATE

28.1 Breach of Obligations Under the Agreement

In the event of breach of all or part of the obligations under this Framework Agreement, by QIT, QMM SA or their Affiliates, the State shall put the defaulting Party on notice to take the necessary actions to cure the breach.

If a breach has been established and if measures to cure it have not begun within sixty (60) days from the service of the notice, the Agreement may be suspended or terminated without prejudice to the legal recourses of the State and the provisions of Article 32 below shall apply.

28.2 Inspection

To facilitate monitoring of QMM SA and its Affiliates' compliance with applicable law and this Agreement, the duly authorised by representatives of the State shall have, at any reasonable time, the right to monitor activities and to inspect the materials, equipment, and Project facilities, including the registers and other property related to the conduct of the operations.

QMM SA and its Affiliates shall facilitate access by such representative to the head office and operations sites for such inspections. For purposes of this article, the duly authorised representatives may include independent inspectors or others engaged by the State to act on its behalf.

28.3 Monitoring of Minerals for Export

The measurement equipment installed, maintained and operated by QMM SA or its Affiliates for evaluating the quality and quantity of Minerals for Export in accordance with generally accepted mining industry practices, shall be subject to inspection by agents appointed for this purpose by the State.

In the case of detection of error, the appropriate corrections shall be made retroactively to the date the error occurred. If it is impossible to determine the exact date of occurrence of the error, the date shall be fixed as the middle of the period between the date of the last test of the equipment and the date of detection of the error.

28.4 Ownership of Infrastructure

In the event of definitive termination of Project Activities, public infrastructures shall be returned to the State subject, where applicable, to the provisions of Article 32 below and the provisions of the financing agreements.

TITLE VIII

VARIA

ARTICLE 29

FORCE MAJEURE

The Parties hereto as well as QMM SA and its Affiliates shall not be liable for the non-performance of their obligations resulting from the occurrence of an event of force majeure. For the duration of an event of force majeure, the obligations affected by such event shall be suspended.

For purposes hereof, force majeure means any act or event which is unforeseen, irresistible and beyond the control of the Party invoking force majeure, such as natural catastrophes, fires, explosions, war, insurrection, mobilisation, strikes, earthquakes, acts of government, etc.

As a result, for purposes hereof, force majeure does not include acts or events which are foreseeable and the adverse consequences of which may be avoided by reasonable diligence. Furthermore, force majeure does not include an act or event which only makes the performance of an obligation more difficult or more onerous to for the debtor.

The Party invoking force majeure shall, as soon as possible after observing or becoming aware of force majeure, and within a maximum period of seven (7) days, advise the other Party by registered letter with acknowledgement of receipt, setting out the main elements of the force majeure and its probable consequences regarding the application of the Agreement.

In all cases, the Party concerned should take all necessary measures to minimise the impact of the force majeure on the performance of its obligations and to ensure, as soon as possible, the resumption of normal performance of the obligations affected by the force majeure.

If the suspension of obligations resulting from a force majeure exceeds one (1) month, the Parties shall meet as soon as possible to examine the impact of the events on the performance of the Agreement and, in particular, on the financial obligations of QMM SA or its Affiliates. The Parties shall consider all solutions permitting adaptation of the initial Project to the new situation taking into account, in particular, all measures which would permit QMM SA and its Affiliates to re-establish a balanced economic situation and to continue with the Project.

If agreement on the appropriate measures is not reached within three (3) months of the occurrence of the event of force majeure, conciliation procedures may be immediately initiated at the request of either Party and the provisions of Article 30 below shall apply.

In the event that the force majeure lasts more than three (3) years and where the Parties have agreed that, or where an arbitral tribunal has decided that it is impossible under the circumstances to adapt the Project by rebalancing the economic situation of QMM SA and its Affiliates, either Party may request early termination hereof and the provisions of Article 32 below shall apply.

ARTICLE 30

DISPUTE RESOLUTION

30.1 Conciliation

30.1.1 All disputes with respect to the validity, scope, meaning, interpretation, performance and termination hereof shall, to the extent possible, be resolved by negotiation between the Parties concerned. In the event that a disagreement remains unresolved for more than one month, the dispute shall be submitted, before all other means of recourse, to a conciliation procedure to be conducted as follows.

30.1.2 Conciliation shall be initiated by the first Party to advise the other Party of a request for conciliation by registered letter with acknowledgement of receipt.

The request shall include details of the issues in dispute, the reasons for the request and the position of the requesting Party together with supporting documents.

30.1.2.1 Within thirty (30) days of the date of receipt of the above-mentioned request, each Party shall appoint a conciliator and advise the other Party of such appointment by registered letter with acknowledgement of receipt.

Within fifteen (15) days of the date of appointment of the second conciliator, the two conciliators shall appoint, by mutual agreement, a third conciliator who will preside over the conciliation commission. The third conciliator shall not be of common nationality with either of the Parties and shall be a person recognised for his experience in the fields of mining and project financing.

If the defendant has not appointed a conciliator or if there is no agreement between the conciliators for the appointment of a third conciliator within the above indicated period, either may ask the Secretary General of the International Court of Arbitration of the ICC (Paris), to appoint a conciliator instead of the defaulting party and/or the conciliators.

If the complainant does not advise the other Party of his choice of conciliator within the time period and according to the procedures fixed above, he shall be deemed to have waived conciliation. Thereafter, conciliation shall not be possible.

30.1.2.2 In the event that a dispute relates to an evaluation to be carried out hereunder based on accounting or other similar documents, or in the event that it requires an interpretation of the fiscal and customs regime, the conciliation shall be conducted by a major international accounting firm (hereafter called the Conciliator) to be chosen by mutual agreement between the parties or, in the case of no agreement, to be appointed by the Secretary General of the ICC (Paris).

30.1.3 The conciliation shall take place in Antananarivo or at any other location that the conciliators or the Conciliator considers most appropriate in view of the circumstances.

30.1.4 The chairman of the conciliation commission or the Conciliator may make any procedural orders, order the Parties to produce documents, hear witnesses, consult experts, establish their terms of reference and fix deadlines for the filing of all reports or documents.

Unless agreed between the Parties, or by a unanimous decision of the conciliation commission, the conciliation recommendation shall be made within a period of one hundred and twenty (120) days from the date of the appointment of the chairman of the conciliation commission or the Conciliator.

30.1.5 The recommendation of the conciliation commission shall be made by the majority of the three conciliators. The commission shall give the reasons for its recommendations.

30.1.6 The chairman of the conciliation commission or the Conciliator shall notify each of the Parties of the recommendation and each of the Parties shall then have a period of thirty (30) days within which to notify the other Party of its agreement or disagreement. In the latter case, the points on which there continues to be disagreement must be indicated precisely. A copy of this notice shall be addressed to the conciliators.

If the conciliators' recommendation is accepted, the conciliation commission or the Conciliator shall prepare minutes which shall be signed by each Party. These minutes shall be executory and constitute the definitive settlement of the dispute.

If the conciliators' recommendation is not accepted, the conciliation commission or the Conciliator shall also prepare minutes which may be used by either Party in the case of arbitration.

The conciliation shall be deemed to have failed if thirty (30) days after notification of the recommendation to the Parties, each one of them has not notified the other Party of its acceptance of the recommendation.

The conciliation shall also be deemed to have failed if the conciliation commission has not been constituted or the Conciliator has not been appointed within the above mentioned period. In such case, either party may introduce evidence of such termination of conciliation in its request for arbitration.

30.1.7 The cost and fees of conciliation fixed by the commission shall be borne equally by the Parties.

30.2 Arbitration

All disputes resulting from this Agreement which have not previously been resolved by conciliation in accordance with the conciliation procedure above shall be finally settled under the arbitration rules of the International Chamber of Commerce by one or more arbitrators appointed in accordance with said rules.

The arbitration shall take place in Paris and the language of arbitration shall be French.

30.3 Applicable Law

The applicable to the dispute shall be Malagasy law. In the case of silence of Malagasy texts, the arbitration tribunal shall refer in priority to Malagasy jurisprudence or, failing that, to French jurisprudence generally applicable in the subject area, in particular in matters of administrative law, or failing that, to general principles of law, internationally recognised practice and jurisprudence on the subject.

30.4 Execution

Notwithstanding these dispute settlement procedures, the Parties shall respect their respective obligations, subject to final adjustment in accordance with the minutes of the conciliation or the decision rendered by the arbitral tribunal constituted in accordance herewith.

30.5 Payment

The minutes of the conciliation or the arbitral decision rendered in accordance herewith shall be binding on the Parties and shall be immediately executory; the amounts indicated shall be paid by one Party to the other and shall be payable in Dollars, exempt from taxes and other deductions or charges of either a fiscal or parafiscal nature.

30.6 Interest

Amounts awarded by minutes of conciliation or arbitral decisions pursuant hereto shall include interest calculated from the date of the event resulting in the dispute until the date of full payment. Interest shall be calculated at the Contract Interest Rate.

ARTICLE 31
INDEMNIFICATION

31.1 Principle

In the event of breach hereof, the Party in breach shall make good any damages it caused to the other Party. Such other Party may take any available measures to compel performance and shall, in any event, be fully indemnified for damages suffered.

The indemnification shall cover all damages, which term shall include all direct, real and certain damages, including all costs, expenses, interest and legal fees, experts' fees and other disbursements by the Party having suffered damages.

31.2 Payment

Indemnification shall be paid within sixty (60) days of the date of occurrence of the damage resulting from the breach hereof. The indemnification shall be evaluated at this same date.

In all cases, the amount shall bear interest from the date of the damage up to the effective payment date of the indemnity. Such interest shall be calculated at the Contract Interest Rate.

31.3 Currency of Indemnification

Unless previously agreed between the Parties, indemnification shall be paid only in Dollars.

ARTICLE 32

EARLY TERMINATION

32.1 Unless otherwise agreed by the Parties, early termination hereof may occur at the option of any Party in the following cases:

32.1.1 if the Parties agree to terminate;

32.1.2 if the decision of the Shareholders, following the receipt of the Final Version of the Feasibility Report, is to not approve the Initial Investment Programme and as a result to not undertake operations as set forth in Article 14;

32.1.3 if the Shareholders have not approved the Initial Investment Programme six (6) years after the effective date hereof.

However, this Agreement shall remain in effect for one (1) additional year if obtaining financing is the only outstanding condition for approval of the Initial Investment Programme or for any other valid reason.

In addition, the above noted time periods shall be suspended for a period equal to any abnormal delays experienced by but not attributable to QMM SA, including in connection with obtaining State Authorisations or with environmental problems.

32.1.4 In the case of definitive cessation of the activities of or early dissolution of QMM SA, or if all the mining permits and authorisations issued to QMM SA prematurely expire and/or the Mining Perimeter is no longer commercially mineable.

32.1.5 In the event of force majeure affecting an essential obligation of QMM SA or its Affiliates lasting for more than three (3) years and in view of which it is impossible to adapt the Project.

32.1.6 In the event of serious breach by QMM SA or its Affiliates of obligations under this Agreement. In this case, termination shall only take effect if such breach has not been cured within sixty (60) days of receipt by the breaching Party of a notice of intention to terminate. However, in the event that the State has the right to terminate under this Article 32.1.6, it may decide not to terminate but to suspend certain benefits granted to QMM SA or its Affiliates hereunder, notably fiscal or customs duty concessions.

32.2 In the case of early termination hereof, the following provisions shall apply:

32.2.1 Termination Under Article 32.1.1.

Parties shall jointly agree upon the terms of indemnification.

32.2.2 Termination Under Articles 32.1.2 and 32.1.3

QMM SA and its Affiliates shall not be entitled to any indemnification if no mining development is subsequently carried out on the perimeter.

The State undertakes not to grant any permit for mineral sands on the mining Perimeter covered by the 1986 Mining Exploration Permit without first offering them to QMM SA and its Affiliates under conditions equal to those which the State proposes to offer to other parties.

32.2.3 Termination Under Articles 32.1.4 and 32.1.5

QMM SA and its Affiliates shall be entitled to indemnification at least equal to the non-depreciated value of Public Infrastructure financed by QMM SA and its Affiliates which was to have been returned to the State immediately upon payment of such indemnification.

In the event of termination under Article 32.1.5 only, an additional fair and equitable indemnification shall be paid to QMM SA and its Affiliates on the basis of the value of QMM SA on the date of the event which gave rise to the termination, if such event had not occurred.

In the event that there is a change in the future to conditions which were the reason for early termination hereof and such change in conditions could permit the resumption of mining activities in the Project perimeter, and the State wishes to resume mining operations, the State shall grant all former shareholders of QMM SA a right of first refusal with respect to participating in the resumption of mining operations.

32.2.4 Termination Under Article 32.1.6

QMM SA and its Affiliates shall have the right to indemnification equal to the non-depreciated value of public infrastructure financed by QMM SA and its Affiliates. The State shall have right to be indemnified for direct, real and certain damages which it has suffered in such an event.

32.2.5 In the case of disagreement between the parties on the calculation of the indemnity under Article 32.2, the provisions of Article 30 shall apply.

- 32.3** The indemnity due by the State to QMM SA under this Article 32 shall be paid in Dollars to an account of the beneficiary located in a bank and location of its choice.
- 32.4** The provisions of this article relative to indemnification shall apply only in the absence of other specific provisions herein.

ARTICLE 33

NOTICES

33.1 Form of Notices

All notices given in connection herewith shall be in writing and shall be delivered to the recipient by registered mail with acknowledgement of receipt or by courier or by certified telex, and may be preceded by a telecopy to the address as below:

- If to The Republic of Madagascar represented by Office des Mines Nationales et Industries Stratégiques:

21, Iàlana RAZANAKOMBANA
B.P. no 1 bis
Antananarivo 101 - Madagascar

For the attention of: Director General
Fax: 261.2.229.85

- If to QIT-FER & TITANE Inc.

1625 Route Marie-Victorin
Tracy, Quebec
Canada J3R 1M6

For the attention of President
Fax: 1.514.746.1101

33.2 Deemed Receipt

A notice shall be deemed to have been validly given:

- the day of its remittance to its recipient either by hand or by special messenger;
- the eighth business day following its mailing for correspondence sent by mail, provided that correspondence by mail shall be confirmed by telecopy within forty-eight (48) hours of its mailing.

33.3 Other Means of Notification

In the case of failure of the previous means of transmission, the Parties shall use any other means of transmission to ensure delivery of a notice to the other Party as soon as possible.

33.4 Change of Address

All changes of address by one Party shall be notified to the other Party as soon as possible.

33.5 Documents

Any document which may or must be transmitted to a Party shall be sent to the address indicated herein.

ARTICLE 34

VARIA

34.1 Investment and Transfer Authorisation

The ratification of this Agreement shall constitute authorisation for foreign direct investment in Madagascar.

All overseas transfers to be made by QMM SA and its Affiliates or by QIT and its Affiliates in connection with the Project for current and capital transactions which would otherwise be limited by exchange regulations are generally authorized, subject to compliance with payment and reporting obligations to the primary intermediary Malagasy bank appointed in compliance with applicable regulations and Article 23, above.

34.2 Precedence

In case of incompatibility between this Agreement and the laws of Madagascar, the terms of this Agreement shall take precedence.

In case of incompatibility between this Agreement and other contractual documents relative to the Project, the terms of this Agreement take precedence.

34.3 Good Faith

Each Party agrees to provide to the other Party the legal instruments necessary to give effect hereto. In addition, each Party agrees to conduct itself in a manner to give full effect to the provisions hereof in the best interests of the Project.

34.4 National Treatment

QMM SA, its Shareholders and employees shall have the right to a treatment no less advantageous than that accorded to Malagasy citizens or to other companies working in Madagascar.

34.5 OMNIS

If the functions of OMNIS are transferred to another mandatary of the State, the State shall ensure that such mandatary has the powers and capacity to assume all the obligations of OMNIS hereunder and that such mandatary intervenes herein to confirm its assumption of the obligations of OMNIS hereunder.

34.6 Status of the State as Shareholder

In its capacity as Shareholder of QMM SA, the State shall be subject to the same obligations and shall benefit from the same rights as those which would apply to a Malagasy private company: therefore, provisions of Malagasy law relative to State corporations or para-statal corporations shall not be applicable to the State's participation in QMM SA.

34.7 Liability of the State

In the event of breach of its obligations hereunder or any other agreement in connection with the Project, the State acknowledges that its liability may be engaged.

34.8 Successors

This Agreement shall bind the Parties and their respective successors.

34.9 Exclusivity

During the validity hereof, each Party agrees that it will not solicit other proposals in connection with mineral sands within the Project Perimeter.

34.10 Limited Waiver

The waiver, implied or otherwise, of rights under one provision hereof shall not be construed as a waiver of rights under other provisions (whether similar or not) hereof and such a waiver shall not be deemed to be permanent except as provided in a contrary provision of a written statement signed by the waiving Party.

34.11 Confidentiality

The State shall not disclose the industrial, financial, commercial, scientific, technical or personal information supplied by QMM SA and its Affiliates or obtained by the State in connection with the Project to third parties or to use such information for the benefit of third parties, unless such information is public knowledge and is and ordinarily treated by QMM SA and its Affiliates in a non-confidential manner, without the express agreement of QMM SA or its Affiliates.

34.12 Language of the Agreement

Only the French version of this Agreement shall be binding.

34.13 Term

This Agreement shall expire on the date of expiry of the last of the mineral permits granted pursuant hereto.

34.14 Survival

When the context requires, the rights and obligations of QMM SA and its Affiliates and the State shall survive the early termination or expiry hereof: the same shall be true with respect to provisions relating to dispute resolution, confidentiality and rights of first refusal granted to QMM SA or to its Shareholders.

34.15 Abrogation

The 1986 Agreement shall expire automatically on the Effective Date hereof.

ARTICLE 35
EFFECTIVE DATE

35.1 Effective Date

Once duly approved by the competent authorities of the Parties, including the board of directors of QIT, and initialed by the Parties, this Agreement shall become effective on the date of promulgation by the President of the Republic of the law authorizing the ratification of this Agreement, independently of its publication in the official gazette of the Republic of Madagascar.

The Parties agree to use their best efforts so that the Effective Date hereof occurs as soon as possible.

MAP

Annex A
(MAP)

Annex B
ACCOUNTING AND FISCAL ANNEX

In accordance with the provisions outlined in Article 18.3 of this Agreement, and from mutual agreement between the Parties on the date of its signature, the terms of the Accounting and Fiscal Annex will be settled definitely in due course, before the investment decision.

Annex C
CUSTOM DUTIES TARIFF STRUCTURE

Designation	I.T.	C.D.	VAT	D.A.
<p>The Project Public Infrastructure (according to the definition of the Agreement)</p> <p>Goods and supplies (including spare parts) to be used for construction, operation and the maintenance of the project public infrastructure.</p>	EX.	EX.	EX.	EX.
<p>The Plant Equipment (dredge, concentrator, mineral separation plant, maintenance workshops)</p> <p>Goods and supplies (including the tools and maintenance equipment, spare parts, conveyors and the building housing the plant equipment) to be used for construction and the maintenance of the plant equipment.</p>	EX.	5%	EX.	EX.
<p>Administrative Buildings</p> <p>Cement Iron, steel and other claddings</p>	15% 15%	5% 5%	EX. EX.	EX. EX.
<p>Auxiliary Services</p> <p>Lab equipment and furniture Fire protection equipment Furniture and stationary Service trucks Passengers cars Computer equipment and supplies</p>	15% 10% 20% 10% 10% EX.	5% 10% 10% 10% 20% 10%	EX. EX. EX. 20% 20% EX.	EX. EX. EX. EX. 15% EX.

The temporary all import taxes exemption procedures apply to project operation and transport vehicles such as heavy trucks, loaders, compacters, bulldozers, tractors, drills, fork-lift trucks, cranes, etc. (excluding service trucks and passengers cars), to be renewed every three years if necessary.

The payment of the customs duties for the plant equipment is evenly distributed without interest on a yearly basis during the technical life of the equipment. The payment of the custom duties for trucks and passengers cars is distributed evenly over a 3-year period.

Reminder: In all cases, the tax on petroleum products will be payable according to the legislation in effect.