

# **JOINT VENTURE AGREEMENT COPPER PROSPECTS**

## **PARTIES**

### **SIMOKA TRADING AND PROJECTS (PTY) Ltd**

A South African of 153 Jan Frederik nina Pretoria, 0156.

## **AND**

### **CANNAN OIL EXPLORATION MINING LIMITED,**

A Zambian Company of Findeco House, 13 R 7, Cairo Road, Box 34926,  
Lusaka 70677

## **AGREEMENT**

This Joint Venture Agreement (hereinafter referred to as "Agreement") made and entered into at Kitwe ,Zambia this 10th day of September 2013.

BY AND AMONG

**SIMOKA TRADING AND PROJECTS (STP) Ltd** a South African Company of 153 Jan Frederik nina Pretoria, 0156 registered in South Africa.

AND

**CANNAN OIL EXPLORATION MINING LIMITED (COE)**, a company duly existing and organized under the laws of 'The Republic of Zambia', having its principal office at Findeco House, 13 R 7, Cairo Road, Lusaka.

COE is the owner of the three Copper Prospects with Licences No. 16236-HQ-SPP, 16235-HQ-SPP and 16234-HQ-SPP in Mwinilunga District, Zambia.

Under this agreement, STP will have 49% equity ownership of the three aforementioned Copper prospects and will bring capital and expertise to enable the exploration, and exploitation of the lease areas for the purpose of commercially mining Copper. It is also recognized by both parties that COE retains 51% equity ownership in the three prospects.

The Parties wish to act together to effect the further development of the Copper Prospects through the exploration, planning, and extraction of possible ore which may be found there.

The Parties have agreed to enter into this Joint Venture Agreement for the purposes of the project more fully described herein subject to the exercise of the Option Agreement to enter into this Joint Venture by STP.

This Joint Venture Agreement will be deemed to have immediately come into effect upon execution and all parties agree to the registration of the Joint Venture Agreement.

## **DEFINITIONS**

**Mine** – any mining development undertaken on any mining license or plot defined in this Joint Venture Agreement, or any subsequent mining license or plot that is added within the Area of Mutual Interest during the term of this Joint Venture Agreement.

### **1. Interpretation**

(a) This Joint Venture Agreement is governed by the laws of Zambia and the parties submit to the non-exclusive jurisdiction of the courts of that state.

(b) In the interpretation of this Joint Venture Agreement

(i) References to legislation or provisions of legislation include changes or re-enactments of the legislation and statutory instruments and regulations issued under, the legislation;

(ii) Words denoting the singular include the plural and vice versa; words denoting individuals or persons include bodies corporate and vice versa; references to documents or agreements also mean those documents or agreement as changed, or replaced, and words denoting one gender include all genders;

(iii) Grammatical forms of defined words or phrases have corresponding meanings;

(iv) Parties must perform their obligations on the dates and times fixed by reference to Zambia;

(v) Reference to an amount of money is a reference to the amount in Zambian kwacha (as exchanged at current United States dollar rate);

(vi) If the day on or by which anything is to be done is a Saturday, a Sunday or a public holiday in the place in which it is to be done, then it must be done on the next business day;

(vii) References to a party are intended to bind their executors, administrators and permitted transferees.

(viii) Obligations under this Joint Venture Agreement affecting more than one party bind them jointly and each of them severally.

(ix) Confidential information means: information, plans, exploration results, specifications, and data concerning the planning, financing, cost, operations of the joint venture project; designs-registered or not, patents, customer lists, supplier lists, source and destination codes which become available to a joint venture, the managing director, the finance manager or the employees of any of them as a result of the joint venture.

## **2. Representative**

Each party must appoint in writing a representative to manage the affairs of the joint venture on its behalf and agrees that its representative has authority to bind the party on all matters relating to the joint venture.

## **3. Overview of the purpose of the joint venture**

The parties propose:

- (a) To explore and develop a mining plan and the eventual extraction and sale of Copper from Mining Licenses 16236-HQ-SPP, 16235-HQ-SPP and 16234-HQ-SPP in Mwinilunga District, Zambia.
- (b) To divide the expected profits from the sale of Copper from the Lease Area amongst the parties in the proportions set out in venture and in proportion to their ownership of the Joint Venture.

## **4. Term of the joint venture**

This joint venture starts on the date of this Joint Venture Agreement and ends:

- (a) When determined as this Joint Venture Agreement provides;
- (b) On a day agreed in writing by the parties; or
- (c) When the project has been completed.

## **5. Stages of the Project**

The project shall be staged in multiple stages as agreed between the parties.

## **6. Programme**

At the commencement of each stage, the parties must act reasonably together to prepare a budget and business plan setting out in detail all expenditure for exploration, approval, consultancy, construction, security, finance, marketing and all other usual outlays in such an undertaking and will prepare a programme and timeline for that stage with appropriate allowances of time for the completion of each stage of the project.

## **7. Joint venture parties**

- (a) The parties must follow the programme, and in doing so;
  - (i) Must do everything possible to ensure that decisions are made promptly and full cooperation given so that the joint venture successfully completes the project on time;
  - (ii) Not use or disclose confidential information of the joint venture or any other party and each joint venture party promises to ensure compliance by its employees with this obligation. There should be confidentiality in the area of Mutual Interest”;
  - (iii) At all times act in the best interests of the joint venture and in good faith;
  - (iv) Not obtain goods or services at a discounted price due to the supply of similar goods or services to the joint venture, nor seek or obtain commissions or discounts in relation to goods or services which are not also offered to the other joint venturers.
- (b) The rights and obligations of the parties under this Joint Venture Agreement are individual and nothing in this agreement constitutes the parties as partners of one another nor do they have any other relationship except that of joint venturers.
- (c) Each venturer owes the others a duty of trust, and must immediately inform the others of any conflict of interest, must not profit separately from the joint venture and must account to the other parties for all benefits received as a result of a breach of this duty.
- (d) No party may incur debts or commit another party to liabilities. Every undertaking of responsibility must be made jointly with the other parties for the purpose of this joint venture.

## **8. Management of the joint venture project**

- (a) Other than as otherwise provided for in this Joint Venture Agreement, all decisions relating to the sorting, safekeeping, and processing and sale of Copper must be handled by both COE and STP in accordance with their proportional interest.
  - (b) Both COE and STP will be involved in the appointment of a finance manager to keep accurate records and books of account in which all dealings concerning the joint venture’s affairs will be kept.
- (c) The finance manager must:
  - (i) Control expenditures on the project;
  - (ii) Report monthly on expenditure versus budget and on variations and projected changes to the project cost;
  - (iii) Be responsible for the day-to-day management of the financial affairs of the joint venture; and
  - (iv) Report to the parties on changes in time and cost from the business plan;
  - (v) Prepare and present monthly profit and loss accounts both on a cash and on an accruals basis;
  - (vi) Check all invoices for correctness as against quotes; and

(vii) Ensure that payments are only made for goods actually delivered and services satisfactorily completed.

(d) Both COE and STP will be involved in the appointment of a properly qualified site manager to supervise the extraction process. This manager shall be a geologist or mining engineer with extensive experience in exploration and mining. Under the direct control of the technical site manager will be;

(i) Procedure and controls surrounding the site and extraction process;

(ii) Programming of work and selection of equipment and labour;

(iii) Selection and utilisation of sub contractors, and;

(iv) Safety and security.

(e) Point of Sale. The security of excavated copper ore whilst on site, and the delivery of the copper ore extracted from the mine to the point of sale will be the responsibility of the site manager; and both COE and STP at their discretion may nominate and utilize a third party security sub contractor. The proposed method and strategy for securing all JV parties interests in the Copper mined must be proposed and approved.

(f) All parties may at any time inspect the project and any Mine of the joint venture and may take copies of any documents and discuss the project with any expert, or consultant or anyone at all who is employed on the project, to the intent that all information is openly and readily available to all of the parties.

(g) The parties must ensure that the joint venture:

(i) Keeps its assets in good repair, working order and condition (reasonable fair wear and tear excepted) and that it carries out proper repairs, renewals and replacements;

(ii) Complies with its obligations under the contracts, arrangements and Mine and equipment leases to which it is a party;

(iii) Keeps its tangible insurable assets insured by a financially sound and reputable insurer against loss or damage by fire explosion and other risks customarily insured against by companies conducting businesses similar to the joint venture business in amounts not less than the full insurable value of those assets;

(iv) Maintains insurance with a financially sound and reputable insurer against other hazards and risks and liability to persons and Mine to an amount and in the way customarily insured against by companies conducting businesses similar to the business including public risk insurance;

(v) Complies with all applicable laws relating to the business and its assets.

## **9. Dispute resolution**

(a) If a dispute arises between the venturers, then before any court proceeding may begin, the partner raising the dispute (the complainant) must give 14 days' notice to the others setting out the dispute and seeking discussion and compromise with a view to resolving the dispute.

(b) If after 14 days the dispute is not resolved then it must be referred to mediation before commencing proceedings. The costs of mediation must be borne by the venturers in proportion to their interests in the joint venture.

**10. Termination of the joint venture**

(a) If the parties cannot resolve a dispute between them after following the dispute resolution procedures in paragraph 9(a) and 9(b), then either party may seek remedy through the courts of Zambia.

**11. Funding:**

(a) STP through this Agreement has committed funding the project through its equity shares.

(b) Beyond this expenditure it is anticipated that each party (a party for the purpose of this clause includes all individual shareholders) to the Joint Venture shall provide sufficient funding as to their proportion of the Joint Venture so as to continue the future agreed work program of exploration and eventual ore extraction. Any party to the Joint Venture may provide loaned funds at commercial rates of interest to any other Joint Venture party so as to enable their continued financial interest without dilution.

(c) Upon request Both COE and STP should provide their latest audited accounts inclusive of cash flow statement, balance sheet, profit and loss statement, and provide details of existing lien on the Mine. Both COE and STP must be notified of any changes to the financial position which may in any way risk the termination or suspension of the mining licenses granted by the Government of Zambia, including adverse changes to cash flow, changes in mortgagor, and any non performance of Zambian statutory obligations under the mine license grant.

**12. Employment of joint venture parties**

The joint venture must employ any joint venturer who is qualified to render services or provide goods to the joint venture but strictly on an arm's length competitive basis within normal trading terms.

### **13. Default**

(a) A party will be in default under this Joint Venture Agreement if:

(i) It transfers any of its interest in the joint venture in breach of this Joint Venture Agreement;

(ii) It does not make a payment due to the joint venture;

(iii) It continues to breach any obligation under this Joint Venture Agreement after receiving 14 days notice to remedy the breach;

(iv) It commits an act of bankruptcy, or an order is made appointing a receiver, provisional or general liquidator, for its winding up or it assigns its estate for the benefit of creditors;

(v) It ceases to carry on business so that it can no longer contribute capital to the joint venture;

(vi) It breaches any of its fiduciary duties to the other parties, or a director of a party is convicted of a criminal offence involving dishonesty;

(vii) It becomes incapable, or is subject to an order appointing an administrator or guardian.

### **14. Conditions Precedent**

(a) This Joint Venture Agreement is conditional upon the following matters being satisfied:

(i) The parties complying with their obligations under the approval programme.

(ii) COE and STP being satisfied (acting reasonably) of the valuation and potential of the Mine by independent agreed exploration activity prior to commencement of expenditure of this stage.

(iii) COE consents in writing to the registration of 49% ownership interest to STP.

(iv) The Venture must at all times maintain unfettered local, Government, and all other legal rights to Prospects under Mine Licences 16236-HQ-SPP, 16235-HQ-SPP and 16234-HQ-SPP.

(b) Each stage of the project is conditional upon the parties agreeing a program of works and a budget prior to commencement of expenditure on that stage.

(c) The parties must act reasonably in attempting to meet each of the conditions precedent in this clause 14.

(d) This Joint Venture Agreement shall be duly registered with Companies House of Zambia and shall become a registered Joint Venture Agreement under Zambian Law.

### **15. Confidentiality and Area of Mutual Interest**

(a) Confidentiality. Each Party hereby acknowledges that any and all information received by it in whatever form from the other Party whether before or after the date of this Agreement relating directly or indirectly to the Joint Venture, is of a strictly confidential nature and each Party undertakes not to disclose the Information except in accordance with this Agreement; provided that the foregoing provisions of this Clause and the other provisions of this Agreement shall not apply to Information which;

at the time of disclosure is already in the possession of the Party to whom it has been disclosed; or  
is at the time of its disclosure in the public domain; or  
subsequent to its disclosure is lawfully acquired by the Party to whom it has been disclosed;  
or  
falls into the public domain otherwise than through any breach of the terms of this Agreement on the part of the Party to whom it has been disclosed.  
Each of the Parties undertakes not to use Information for any purpose other than the evaluation of and discussions and negotiations relating to the Joint Venture.

Information supplied or disclosed by either Party shall remain the sole and exclusive property of the disclosing Party and this Agreement shall not operate to transfer ownership of the Information to the other Party.

A Party receiving Information (the "Receiving Party") shall not further disclose Information to any third party whatsoever without the prior written consent of and subject to such terms and conditions as may be required by the Party by whom the Information was disclosed to the Receiving Party save:

to the Receiving Party's and its Affiliates' respective officers, directors or employees further disclosure to which it or whom is required for the purpose set out in herein;

to any professional consultant or Affiliate provided that the prior written permission to do so has been acquired from the Party by whom the Information was disclosed to the Receiving Party, such permission not to be unreasonably withheld;

to the extent required by an applicable law or by the regulations of a recognised Stock Exchange, provided that written notice of any such further disclosure is given to the other Party as soon as practicable;

in response to a lawful subpoena or other legal process binding on the Receiving Party provided that written notice of any such further disclosure is given to the other Party as soon as practicable; or

in response to the legal obligation to, or binding request or direction of, any government department or government regulatory agency, provided that written notice of any such further disclosure is given to the other Party as soon as practicable.

Each of the Parties shall:

- Ensure that its officers, directors, employees, Affiliates and professional consultants to whom any Information is further disclosed shall be made aware of and bound whether directly or indirectly by the provisions of this Agreement.
- Take all reasonable steps to ensure that such persons, Affiliates and professional consultants, comply with the provisions of this Agreement.

## **16. Force Majeure**

The Manager shall not be in breach of its duties to the extent that, as a result of Force Majeure, it is prevented in whole or in part from performing those duties or carrying out any of its obligations pursuant to this Joint Venture Agreement and it gives the joint venturers written notice of the event of Force Majeure as soon as practicable after its occurrence.

"Force Majeure" shall include acts of God, war, sabotage, riot, insurrection, civil commotion, national emergencies (whether in fact or in law), strikes, lock-outs or other industrial disturbance, accidents, uncontrollable delays in transportation, inability to obtain necessary materials and or qualified employees and or drilling or other contractors in the open market, inability due to weather conditions to access the license areas, or the effect of any applicable laws, orders, rules or regulations, any delays occasioned by the deliberations of tribal groups over heritage matters.

## **17. Assignment**

A Party may at any time dispose of all or any of its interests in the Tenements or its rights, interests or obligations under this Agreement to a Related Body Corporate, subject to the assignee covenanting in favour of by way of Joint Venture Agreement of assignment and

assumption, and in a form satisfactory to the non-assigning Party (acting reasonably) to assume and to be bound by the obligations of the assignor under this Agreement with respect to the interest assigned.

### **18. Pre Emptive Right**

(a) If a Party wishes to sell or assign part or all of its participating interest other than to a Related Body Corporate that Party must notify the other Party in writing stating that the participating interest is for sale. The other party will have the right (a **"Pre-Emptive Right"**) for a period of 45 days after receipt of that notice within which to elect to purchase the participating interest offered for sale.

#### **(b) Determination of Consideration**

If at the end of the 45 day period referred to in clause 18(a) the parties cannot agree on the price for the sale of the participating interest then the price shall be determined by the appointment of an Expert (who shall be independent of the Parties and shall have qualifications and experience appropriate to determine the price). The party holding the Pre-Emptive Right will have an unfettered discretion and right to accept or reject the price determined by the Expert. If that party rejects the price as determined by the Expert then the selling party can offer their Participating Interest for sale to third parties subject to clause 18(c).

#### **(c) Assignment to Third Party**

Any assignment, sale, sub-lease, licence or other form of transfer to a third party will be subject to:

(i) The assignee entering into a deed of covenant with the other Party agreeing to comply with and perform in accordance with the terms and conditions of this Joint Venture Agreement in relation to the participation interest acquired as would otherwise be required to be performed by the Assignor; and

(ii) The assignee paying forthwith all reasonable costs and expenses, including without limitation stamp duty, registration fees and all professional fees, relating to that transaction.

### **19. Notices**

A communication required by this Joint Venture Agreement, by a party to another, must be in writing and may be given to them by being:

(a) Delivered personally; or

(b) Posted to their address specified in this agreement, or as later notified by them, in which case it will be treated as having been received on the second business day after posting; or

(c) Faxed to the facsimile number of the party with acknowledgment of receipt received electronically by the sender, when it will be treated as received on the day of sending; or

(d) Sent by email to their email address, when it will be treated as received on that day.

### **20. Counterparts**

If this Joint Venture Agreement is executed in a number of counterparts, when executed and taken together they will constitute this Joint Venture Agreement.

**EXECUTED AS A JOINT VENTURE AGREEMENT THIS 10TH DAY OF SEPTEMBER  
2013  
BY THE DIRECTORS OF  
CANNAN OIL EXPLORATION MINING LIMITED**

\_\_\_\_\_

Signature Name

Date:

\_\_\_\_\_

Signature Name

Date:

**AND  
THE DIRECTORS OF SIMOKA TRADING AND PROJECTS (PTY) Ltd**

\_\_\_\_\_

Signature Name

Date: