

No. 14949

**UNITED NATIONS
(UNITED NATIONS REVOLVING FUND
FOR NATURAL RESOURCES EXPLORATION)
and
ECUADOR**

**Project Agreement—*Natural Resources Exploration Project*
(with annexes). Signed at Quito on 20 May 1976**

Authentic texts: English and Spanish.

Registered ex officio on 1 August 1976.

**ORGANISATION DES NATIONS UNIES
(FONDS AUTORENOUVELABLE
DES NATIONS UNIES POUR L'EXPLORATION
DES RESSOURCES NATURELLES)
et
ÉQUATEUR**

**Accord relatif au projet — *Projet concernant l'exploration
des ressources naturelles* (avec annexes). Signé à Quito
le 20 mai 1976**

Textes authentiques : anglais et espagnol.

Enregistré d'office le 1^{er} août 1976.

PROJECT AGREEMENT¹ (*NATURAL RESOURCES EXPLORATION PROJECT*) BETWEEN REPUBLIC OF ECUADOR AND UNITED NATIONS REVOLVING FUND FOR NATURAL RESOURCES EXPLORATION

AGREEMENT, dated 20 May, 1976 between REPUBLIC OF ECUADOR (hereinafter called the Government) and UNITED NATIONS REVOLVING FUND FOR NATURAL RESOURCES EXPLORATION (hereinafter called the Fund).

WHEREAS (A) The General Assembly of the United Nations has established the Fund as a trust fund, placed in the charge of the Secretary-General and administered on his behalf by the Administrator of the United Nations Development Programme, for the purpose of extending and intensifying the activities of the United Nations system in the field of natural resources exploration in developing countries;

(B) The Government has requested the Fund to carry out a project of exploration of natural resources under the Government's national jurisdiction; and

(C) The Fund is willing to carry out such a project under the terms and conditions hereinafter set forth;

NOW THEREFORE the parties hereto hereby agree as follows:

Article I. DEFINITIONS

Section 1.01. Wherever used in this Agreement, unless the context otherwise requires, the following terms have the following meanings:

(1) The term "deposit" means a concentration of a mineral, or of minerals, whether or not economically exploitable;

(2) The term "determination condition" means the first marketable stage of a Reported Mineral, determined in accordance with the provisions set forth in Annex D to this Agreement;

(3) The term "Effective Date" means the date on which this Agreement shall come into force and effect as provided in Section 11.02 of this Agreement;

(4) The term "Excluded Area" means any area within the Exploration Area but excluded therefrom and described as such in the descriptive statement attached hereto as Annex B;

(5) The term "explore" means to search for minerals by geological, geochemical, geophysical, and other appropriate surveys, either surface or airborne, and by associated surface and sub-surface testing which may include drilling, sinking of shafts, digging of pits and trenches and driving of tunnels;

(6) The term "Exploration Area" means the area referred to in Section 2.02 of this Agreement;

¹ Came into force on 1 August 1976, the date on which the Fund dispatched to the Government of Ecuador a notice confirming its acceptance of the certificate provided by the latter under section 11.01, and the approval of the Project by the Governing Body of the Fund, in accordance with section 11.02.

(7) The term "Exploration Period" means a period of six years from the Effective Date, provided that such Exploration Period shall be extended by any period or periods during which the Fund shall have suspended the carrying out of the Project in accordance with the provisions of Section 10.02 (a) of this Agreement;

(8) The term "Final Report" has the meaning assigned to it in Section 3.05 of this Agreement;

(9) The term "Mineral" means any substance, whether in solid, liquid or gaseous form, occurring naturally in or on the earth which has been formed by or subject to a geological process, but excluding therefrom hydrocarbons;

(10) The term "Minimum Work" has the meaning assigned to it in Section 3.01 of this Agreement;

(11) The term "operator" means any person, firm or organization other than the Government that has been granted by the Government the right to produce any Reported Mineral from any Reported Mineral Deposit;

(12) The term "produce" means intentionally to win minerals and includes any operations directly or indirectly necessary therefor or incidental thereto, and the term "production" shall be construed accordingly;

(13) The term "Project" has the meaning assigned to it in Section 2.01 of this Agreement;

(14) The term "Project Committee" means the committee referred to in Section 3.09 of this Agreement;

(15) The term "Replenishment Contribution" has the meaning assigned to it in Article IV of this Agreement;

(16) The terms "Reported Mineral" and "Reported Mineral Deposit" have the meanings assigned to them in Section 3.05 of this Agreement;

(17) The term "Specialized Agency" has the meaning assigned to it by paragraph 2 of Article 57 of the Charter of the United Nations;

(18) The term "UNDP" means the United Nations Development Programme; and

(19) The term "Work Plan" means the Work Plan referred to in Section 3.01 of this Agreement.

Article II. GRANT OF EXPLORATION RIGHT

Section 2.01. On the terms and conditions in this Agreement set forth, the Government hereby grants to the Fund during the Exploration Period the exclusive right to explore for Minerals in the Exploration Area. Such exploring for Minerals in the Exploration Area by the Fund is herein referred to as "the Project".

Section 2.02. The Exploration Area shall be the areas marked as Area I (San Bartolomé) and Area II (Río Angas) on the maps attached hereto as Annex A and described in the descriptive statement attached hereto as Annex B, provided that there shall be no Excluded Areas.

Article III. EXECUTION OF THE PROJECT

Section 3.01. Beginning on a date not later than six months after the Effective Date, or such other date as the Government and the Fund may agree, the Fund shall carry out the Project with due diligence and efficiency, in accordance with appropriate mineral exploration methods and procedures and in accordance with the provisions of the Work Plan attached hereto as Annex C, which may be amended pursuant to Section 3.02 of this Agreement, provided, however, that unless the Government and the Fund shall otherwise agree, the Fund shall in any event carry out such portion of the Work Plan as is described therein as “Minimum Work”.

Section 3.02. Based on an objective technical and economic evaluation of the results from time to time obtained in carrying out the Project, the Fund shall be free at any time, after consultation with the Government, (i) to amend the Work Plan (except the portion thereof described therein as “Minimum Work”, which portion the Fund may only amend with the approval of the Government) by deleting works described therein or by adding further works thereto, and (ii) to determine the amount of expenditures to be incurred by the Fund in carrying out the Project, provided, however, that the Fund shall expend an amount of not less than US\$1,216,000 equivalent in carrying out the Minimum Work. The Fund shall inform the Government in writing of any amendment of the Work Plan.

Section 3.03. Whenever in the judgement of the Government and the Fund, any public or private organization is qualified and prepared to take over from the Fund the carrying out of the Project with respect to any part of the Exploration Area, the Fund shall, at the request of the Government, relinquish such area, provided that if any Mineral is subsequently produced from a deposit within an area so relinquished, such deposit shall be deemed to be a Reported Mineral Deposit and such Mineral shall be deemed to be a Reported Mineral and the Fund shall be entitled to receive Replenishment Contributions thereon in accordance with the provisions of Article IV of this Agreement as if the Fund had identified such deposit and specified such Mineral in a Final Report.

Section 3.04. In carrying out the Project, the Fund, in consultation with the Government, may use the services of its own officials, the services of any United Nations organ (including the UNDP and its resident mission in the territory of the Government) and their officials, the services of any Specialized Agency and its officials, or outside the United Nations system the services of experts, consultants or contractors (either natural persons or public or private firms or organizations and their staff) who shall all be selected by, and responsible to, the Fund.

Section 3.05. (a) Not later than six months after the end of the Exploration Period, or such extended period of time as the Government and the Fund may agree, the Fund shall submit to the Government a Final Report identifying deposits of specified Minerals within the Exploration Area or stating that no such deposits could be identified. Any Mineral so specified is referred to herein as a “Reported Mineral” and any deposit of a Reported Mineral so identified is referred to herein as a “Reported Mineral Deposit”.

(b) Any Reported Mineral and any Reported Mineral Deposit shall have been investigated by the Fund in a professional manner to such an extent as will

allow an indication of a possible economic potential with respect to composition and probable and possible grade and tonnage. Such investigation may include pitting, trenching, drilling or such other means of access to the Reported Mineral or the Reported Mineral Deposit as the Fund shall determine. The Final Report shall accurately describe and illustrate the type, location and extent of such investigation and shall include all geological, geochemical, geophysical, drilling, sampling and other survey data gathered by the Fund in carrying out the Project, together with the results of an elemental analysis of all samples.

Section 3.06. (a) Within six months of the date of receipt of the Final Report by the Government, the Government shall notify the Fund as to whether or not it accepts the Final Report, provided that:

- (i) any refusal to accept the Final Report may be based solely on the grounds (A) that the Fund has not met all of its obligations under this Agreement with respect to the investigation, description and illustration of the Reported Minerals specified in the Final Report, or (B) that any of the Reported Minerals specified in the Final Report can not be deemed to be of potential economic significance; and
- (ii) if the Government shall not have so notified the Fund within such period of time, the Government shall be deemed to have accepted the Final Report.

(b) In the event that the Government notifies the Fund within six months of receipt of the Final Report that it does not accept the Final Report based on either of the arguments set forth in paragraph (a) (i) above, the question as to what measures, if any, the Fund shall be obliged to take shall be decided by agreement between the Government and the Fund, or in the absence of such an agreement, by arbitration as provided in Section 8.03 of this Agreement. The Fund shall take as soon as possible such measures, if any, as shall have been agreed by the parties or determined by the arbitral award and shall thereupon submit to the Government an amended version of the Final Report, which shall again be subject to the provisions of this Section 3.06.

Section 3.07. The Fund shall take all reasonable measures necessary to ensure that the information acquired by or on behalf of the Fund in carrying out the Project is not divulged to anyone except (i) the Government, (ii) the Fund and anyone acting on its behalf in carrying out the Project, and (iii) any such third party as the Government may agree.

Section 3.08. In carrying out the Project, the Fund shall maintain a separate project account which shall be audited annually by the United Nations Board of Auditors, and shall make available to the Government, at its request, the auditing report containing information with respect to such account.

Section 3.09. (a) The Government and the Fund shall establish a Project Committee consisting of the Fund's project manager, the Government's senior official referred to in Section 7.03 of this Agreement and such number of other representatives ensuring equal representation by the Government and the Fund as the parties hereto may agree.

(b) The Project Committee shall adopt its own rules of procedure within six months after the Effective Date and shall meet whenever required for the efficient execution of the Project.

(c) The Project Committee shall keep the Project under review, shall fully consider any matter affecting the execution of the Project referred to the Project Committee by one of its members and shall make such recommendations thereon to the Government and the Fund as it may deem appropriate.

Article IV. REPLENISHMENT CONTRIBUTION

Section 4.01. The Government shall pay to the Fund a Replenishment Contribution in respect of any Reported Mineral produced from a Reported Mineral Deposit and shipped from, or otherwise disposed of in, the territory of the Government.

Section 4.02. (a) The amount of the Replenishment Contribution shall be equal to 2% of the value of such Reported Mineral, such value to be determined in accordance with the provisions of Annex D to this Agreement.

(b) Where economically marginal projects may be prevented from coming into production because of the 2% Replenishment Contribution, the Government and the Fund may agree to a lower percentage over a period longer than 15 years or to the payment of a percentage higher than 2% for the balance of the period.

Section 4.03. The Replenishment Contribution with respect to any such Reported Mineral shall be payable during a period of 15 years after the date on which commercial production of the Reported Mineral shall have begun, provided: (i) that commercial production shall be deemed to have begun on the first day of the month following six consecutive months during which production of the Reported Mineral shall have been maintained at an average of not less than 75% of the rated plant capacity of the facilities erected for such production, and (ii) that such 15-year period shall be extended by any period during which production of the Reported Mineral was interrupted for any cause whatsoever.

Section 4.04. The Replenishment Contribution with respect to any Reported Mineral shall be paid in a currency acceptable to the Fund within 90 days after the end of each calendar quarter into such an account as the Fund shall indicate to the Government. Each such payment shall be accompanied by a detailed accounting indicating the quantity of the Reported Mineral shipped from, or otherwise disposed of in, the territories of the Government during the quarter as well as the method according to which the value of the Reported Mineral was established.

Section 4.05. The Government shall maintain, and shall permit the Fund's representatives to inspect, such records as shall be adequate to establish the amount of any Replenishment Contribution payable to the Fund hereunder, provided that if the Government shall grant the right to produce any Reported Mineral from any Reported Mineral Deposit to an operator, the Government shall cause such operator to maintain such records and to permit their inspection by the Fund's representatives.

Section 4.06. Before granting any operator the right to produce any Reported Mineral from any Reported Mineral Deposit, the Government shall enable the Fund to comment on the contractual arrangements proposed to be entered into between the Government and the operator for such purpose and shall use its best efforts to include therein such provisions, designed to facilitate the payment of the Replenishment Contribution to be made to the Fund with

respect to such production, as the Fund shall reasonably request. In the event that such contractual arrangements shall provide for the revenues from the sale of the Reported Mineral to be paid into an account outside the territories of the Government for the benefit, among others, of any lender that may have participated in financing the facilities for the production of any Reported Mineral, the Government shall use its best efforts to enable the Fund to participate in such a way in such contractual arrangements as will permit the Replenishment Contribution to be made on behalf of the Government to the Fund directly from such account.

Section 4.07. If the aggregate total of the Replenishment Contribution paid by the Government to the Fund in accordance with the provisions of this Agreement approaches the level referred to in the decision adopted by the Governing Council of UNDP at its 490th meeting (paragraph I (a) of paragraph 536 of the Report of the twentieth session of the Governing Council of the UNDP to the fifty-ninth session of the United Nations Economic and Social Council), the Government, after consultation with the Fund, may propose to the Fund's governing body to agree with the Government to amend this Agreement by introducing a limitation of the aggregate total of the Replenishment Contribution payable hereunder. In considering such a proposal the Fund's governing body shall give consideration *inter alia* to the economic situation of Ecuador, to the Fund's overall financial position as well as to the need for the Fund to become and to remain financially self-supporting. Nothing in this Agreement contained shall be deemed to include a direct or implied assurance on the part of the Fund's governing body to agree to such a proposal.

Article V. PRIVILEGES AND IMMUNITIES

Section 5.01. The Government shall apply to the Fund and any United Nations organ (including the UNDP and its resident mission in the country of the Government) acting on behalf of the Fund in carrying out the Project or any part thereof, as well as to the Fund's and such organs' officials, property, funds and assets, the provisions of the Convention on the Privileges and Immunities of the United Nations.¹

Section 5.02. The Government shall apply to any Specialized Agency acting on behalf of the Fund in carrying out the Project or any part thereof, as well as to such Specialized Agency's officials, property, funds and assets, the provisions of the Convention on the Privileges and Immunities of the Specialized Agencies,² including any Annex to such Convention applicable to such Specialized Agency.

Section 5.03. (a) The Government shall grant all persons, firms or organizations and their staff (other than residents of the territory of the Government) acting on behalf of the Fund or any Specialized Agency in carrying out the Project or any part thereof who are not covered by Sections 5.01 and 5.02 of this Agreement, the same privileges and immunities as officials of the United Nations or the Specialized Agency concerned under Section 18 or 19 respectively, of the Conventions on the Privileges and Immunities of the United Nations or of

¹ United Nations, *Treaty Series*, vol. 1, p. 15, and vol. 90, p. 327 (corrigendum to vol. 1, p. 18).

² *Ibid.*, vol. 33, p. 261. For the final and revised texts of annexes published subsequently, see vol. 71, p. 318; vol. 79, p. 326; vol. 117, p. 386; vol. 275, p. 298; vol. 314, p. 308; vol. 323, p. 364; vol. 327, p. 326; vol. 371, p. 266; vol. 423, p. 284; vol. 559, p. 348; and vol. 645, p. 340.

the Specialized Agencies. Nothing in this Agreement shall be construed to limit the privileges, immunities or facilities conferred upon such persons, firms or organizations and their staff in any other international instrument.

(b) For the purposes of the instruments on privileges and immunities referred to in paragraph (a) of this Section 5.03:

- (i) all papers and documents in the possession or under the control of any person, firm or organization and their staff referred to in such paragraph (a) relating to the Project or any part thereof shall be deemed to be documents belonging to the United Nations or the Specialized Agency concerned, as the case may be; and
- (ii) any equipment, materials and supplies as well as personal and household effects brought into, or purchased, or leased within the territories of the Government by any such person, firm or organization and their staff shall be deemed to be the property of the United Nations or the Specialized Agency concerned, as the case may be.

(c) The Government shall exempt any person, firm or organization and their staff referred to in paragraph (a) of this Section 5.03 from, or bear the cost of, any taxes, duties, fees or levies imposed under the laws and regulations in effect in its territories or by any political subdivision or agency therein on such person, firm or organization and their staff in respect of any payment made to them in connection with the carrying out of the Project or any part thereof.

(d) The Fund shall inform the Government about the persons, firms or organizations and their staff covered by this Section 5.03 at least 60 days before the arrival in Ecuador of any such person, firm or organization covered by this Section 5.03 and shall request that the provisions of this Section 5.03 shall be made applicable to such persons, firms, organizations and their personnel.

Article VI. GOVERNMENT'S ASSISTANCE TO THE PROJECT

Section 6.01. Subject to any security provisions in force, the Government shall make available to the Fund, or to the United Nations organs, Specialized Agencies, persons, firms or organizations referred to in Article V of this Agreement, as the case may be, and to their officials or staff, if possible without any charge, any published and unpublished reports, maps, air photographs, records and other information and data which may be available to the Government and which may be necessary or useful for the carrying out of the Project, and shall enable their authorized representatives to visit any part of its territories for the purpose of the Project and to examine any records and documents relevant thereto.

Section 6.02. (a) The Government shall take any measures which may be necessary to exempt the Fund, or the United Nations organs, Specialized Agencies, persons, firms or organizations referred to in Article V of this Agreement, as the case may be, and their officials or staff, from any laws and regulations in effect in its territories which may interfere with the carrying out of the Project or with the payment to the Fund of any Replenishment Contribution due to the Fund hereunder, and shall grant them such other facilities as may be necessary for the speedy and efficient carrying out of the Project.

(b) The Government shall in particular grant to the Fund, or to the United Nations organs, Specialized Agencies, persons, firms or organizations referred to in Article V of this Agreement, as the case may be, and their officials or staff, the following rights and facilities:

- (i) prompt issuance without cost of necessary visas, licenses or permits;
- (ii) access to any part of the Exploration Area, whether in public or private ownership;
- (iii) the most favorable legal rate of exchange;
- (iv) any permits necessary for the importation of equipment, materials, supplies, personal and household goods and goods for their personal consumption, and for their subsequent exportation;
- (v) prompt clearance through customs of the items referred to in paragraph (iv) above;
- (vi) exemption from, or reimbursement for, any taxes, fees or charges that might otherwise be payable to a public entity or a private party under the laws and regulations in effect in the Government's territories with respect to the carrying out of the Project; and
- (vii) exemption from any taxes, fees or charges that might otherwise be payable under the laws and regulations in effect in the Government's territories on (A) the payment of any Replenishment Contribution to the Fund or on the transfer thereof to any account outside the Government's territories, or (B) on or in connection with the execution, delivery or registration of this Agreement.

Section 6.03. The Government shall be responsible for dealing with any claims which may be brought by third parties against the Fund, or against United Nations organs, Specialized Agencies, persons, firms or organizations referred to in Article V of this Agreement, and shall indemnify them for any claims or liabilities resulting from operations under this Agreement, except where it is agreed by the Government and the Fund that such claims or liabilities arise from the gross negligence or wilful misconduct of such persons.

Section 6.04. If upon completion of the Project the Government and the Fund agree that it shall be more economical to sell in the Government's territory (after payment of the applicable duties) rather than to export therefrom any equipment or material imported into such territory by or on behalf of the Fund for the purpose of carrying out the Project, the Government shall use its best efforts to facilitate such sale and shall permit the free transfer of the proceeds thereof outside the Government's territory; provided, that the Fund shall grant to the Government a right of first refusal to buy such equipment and material on terms and conditions at least equal to the best offer made by any other party. The above shall not apply to fixed installations and specialized mining equipment acquired by the Fund which shall be transferred to the Government at the termination of the Project.

Article VII. CO-OPERATION AND INFORMATION

Section 7.01. The Government and the Fund shall co-operate fully to assure the efficient execution of the Project. To that end, the Government and the Fund shall from time to time, at the request of either of them:

- (i) exchange views through their representatives with regard to the progress of the Project, the results obtained therefrom and the performance of their respective obligations under this Agreement; and
- (ii) furnish to the other party all such information as it shall reasonably request with regard to the progress of the Project and the results obtained therefrom.

Section 7.02. The Government and the Fund shall promptly inform each other of any condition which interferes with, or threatens to interfere with, the carrying out of the Project or the performance by either of them of its obligations under this Agreement.

Section 7.03. In the interest of an efficient execution of the Project, the Government hereby designates its Director General de Geología y Minas or his authorized representative as the Government's representative to co-ordinate all the Government's actions in its relation with the Fund and the Fund's representatives, particularly but without limitation the Government's assistance to the Project referred to in Article VI of this Agreement and the Government's co-operation with the Fund referred to in Sections 7.01 and 7.02 of this Agreement.

Section 7.04. Without limitation upon the Fund's obligations set forth in Section 7.01 of this Agreement, the Fund shall submit to the Government progress reports describing in reasonable detail the work performed and the results obtained in carrying out the Project during the periods under consideration as follows:

- (i) no later than 30 days after the close of each of the first three calendar quarters a quarterly progress report covering such calendar quarter; and
- (ii) no later than 30 days after the close of each calendar year an annual progress report covering such calendar year.

Article VIII. ENFORCEABILITY OF THIS AGREEMENT; FAILURE TO EXERCISE RIGHTS; ARBITRATION

Section 8.01. The rights and obligations of the Government and the Fund under this Agreement shall be valid and enforceable in accordance with its terms.

Section 8.02. No delay in exercising, or omission to exercise, any right, power or remedy accruing to either party under this Agreement upon any default shall impair any such right, power or remedy or be construed to be a waiver thereof or an acquiescence in such default; nor shall any action of such party in respect of any default, or any acquiescence by it in any default, affect or impair any right, power or remedy of such party in respect of any other or subsequent default.

Section 8.03. (a) Any controversy between the parties to this Agreement and any claim by either such party against the other such party arising under this Agreement which shall not be settled by negotiation or other agreed mode of settlement shall be submitted to arbitration by an Arbitral Tribunal as hereinafter provided.

(b) The Arbitral Tribunal shall consist of three arbitrators appointed as follows: one arbitrator shall be appointed by the Government; a second arbitrator

shall be appointed by the Fund; and the third arbitrator (hereinafter sometimes called the Umpire) shall be appointed by agreement of the parties or, if they shall not agree, by the President of the International Court of Justice, or if he is a national of the Government, by the Vice President of the International Court of Justice. If either party shall fail to appoint an arbitrator, such arbitrator shall be appointed by the Umpire. In case any arbitrator appointed in accordance with this Section shall resign, die or become unable to act, a successor arbitrator shall be appointed in the same manner as herein prescribed for the appointment of the original arbitrator and such successor shall have all the powers and duties of such original arbitrator.

(c) An arbitration proceeding may be instituted under this Section upon notice by the party instituting such proceeding to the other party. Such notice shall contain a statement setting forth the nature of the controversy or claim to be submitted to arbitration and the nature of the relief sought and the name of the arbitrator appointed by the party instituting such proceeding. Within 30 days after such notice, the other party shall notify the party instituting the proceeding, the name of the arbitrator appointed by such other party.

(d) If within 60 days after the notice instituting the arbitration proceeding the parties shall not have agreed upon an Umpire, any party may request the appointment of an Umpire as provided in paragraph (b) of this Section.

(e) The Arbitral Tribunal shall convene at such time and place as shall be fixed by the Umpire. Thereafter, the Arbitral Tribunal shall determine where and when it shall sit.

(f) The Arbitral Tribunal shall decide all questions relating to its competence and shall, subject to the provisions of this Section and except as the parties shall otherwise agree, determine its procedure. All decisions of the Arbitral Tribunal shall be by majority vote.

(g) The Arbitral Tribunal shall afford both parties a fair hearing and shall render its award in writing. Such award may be rendered even in the event of default of appearance by either party. An award signed by a majority of the Arbitral Tribunal shall constitute the award of such Tribunal. A signed counterpart of the award shall be transmitted to each party. Any such award rendered in accordance with the provisions of this Section shall be final and binding upon the parties to this Agreement. Each party shall abide by and comply with any such award rendered by the Arbitral Tribunal in accordance with the provisions of this Section.

(h) The parties shall fix the amount of the remuneration of the arbitrators and such other persons as shall be required for the conduct of the arbitration proceedings. If the parties shall not agree on such amount before the Arbitral Tribunal shall convene, the Arbitral Tribunal shall fix such amount as shall be reasonable under the circumstances. The Government and the Fund shall each defray its own expenses in the arbitration proceedings. The costs of the Arbitral Tribunal shall be divided between and borne equally by the Government and the Fund. Any question concerning the division of the costs of the Arbitral Tribunal or the procedure for payment of such costs shall be determined by the Arbitral Tribunal.

(i) The provisions for arbitration set forth in this Section shall be in lieu of any other procedure for the settlement of controversies between the parties to

this Agreement or any claim by any such party against the other such party arising thereunder.

(j) Service of any notice or process in connection with any proceeding under this Section or in connection with any proceeding to enforce any award rendered pursuant to this Section may be made in the manner provided in Section 9.01. The parties to this Agreement waive any and all other requirements for the service of any such notice or process.

(k) Notwithstanding any termination of this Agreement pursuant to Article X hereof, the provisions of this Section 8.03 shall continue in full force and effect in respect of any dispute arising either before or after such termination, provided such dispute shall be submitted to arbitration within six months after the date of such termination.

Article IX. MISCELLANEOUS PROVISIONS

Section 9.01. Any notice or request required or permitted to be given or made under this Agreement shall be in writing. Such notice or request shall be deemed to have been duly given or made when it shall be delivered by hand or by mail, telegram, cable, telex or radiogram to the party to which it is required or permitted to be given or made at such party's address specified below or at such other address as such party shall have designated by notice to the party giving such notice or making such request:

For the Government:

Dirección General de Geología y Minas
Ministerio de Recursos Naturales y Energéticos
Carrión 1016 y Paez
Casilla 23-A
Quito, Ecuador
[Cable address:
Carrión 1016 y Paez
Quito, Ecuador]

For the Fund:

United Nations Revolving Fund for Natural Resources Exploration
One UN Plaza
New York, New York 10017
United States of America
Cable address:
UNDEVPRO
New York

Section 9.02. The Government shall furnish to the Fund sufficient evidence of the authority of the person or persons who will, on behalf of the Government, take any action or execute any documents required or permitted to be taken or executed by the Government under this Agreement and the authenticated specimen signature of each such person.

Section 9.03. Any action required or permitted to be taken, and any documents required or permitted to be executed, pursuant to this Agreement, on behalf of the Government, may be taken or executed by the Government's *Ministro de Recursos Naturales y Energéticos* or any person thereunto authorized in writing by him. Any modification or amplification of the provisions of this Agreement may be agreed to on behalf of the Government by written instrument executed on behalf of the Government by the representative so designated or any person thereunto authorized in writing by him; provided that, in the opinion of such representative, such modification or amplification is reasonable in the circumstances and will not substantially increase the obligations of the Government under this Agreement. The Fund may accept the execution by such representative or other person of any such instrument as conclusive evidence that in the opinion of such representative any modification or amplification of the provisions of this Agreement effected by such instrument is reasonable in the circumstances and will not substantially increase the obligations of the Government thereunder.

Section 9.04. If future decisions of the governing body of the Fund should establish procedures or conditions for governments requesting the Fund's assistance which are more favorable to such governments than the procedures and conditions herein provided, then and in that event, the Government and the Fund, at the request of the Government, shall agree on such amendments of this Agreement as may be required in order to allow the Government to benefit from such more favorable procedures or conditions as if they had been originally provided herein.

Section 9.05. This Agreement shall be executed in two copies in English and two copies in Spanish, each of which shall be an original. Both the English and the Spanish texts shall be equally authentic, and the provisions of this Agreement shall be read and construed accordingly.

Article X. SUSPENSION OR TERMINATION

Section 10.01. (a) In the event that the Fund shall fail to perform any of its obligations under this Agreement, the Government shall be entitled to give notice in writing of such failure to the Fund, provided, (i) that such notice shall specifically describe such alleged failure and that it shall refer to this Section 10.01 (a) and to the possibility of this Agreement being thereafter terminated in accordance with the provisions of Section 10.01 (b) hereinafter, and (ii) that after receipt by the Government of the Final Report, any claim by the Government that the Fund has failed to perform any of its obligations hereunder shall be made in accordance with the provisions of Section 3.06 of this Agreement and not those of this Section 10.01.

(b) If the event referred to in paragraph (a) hereinabove shall continue for a period of 90 days after notice thereof has been given by the Government to the Fund in accordance with the provisions of such paragraph (a), then at any time thereafter during the continuance of such event, the Government may request that this Agreement be terminated by arbitration in accordance with the provisions of Section 8.03 of this Agreement.

Section 10.02. (a) The Fund shall be entitled by notice to the Government to suspend the carrying out of the Project if any event (including, but not limited

to, the failure of the Government to perform any of its obligations under this Agreement) occurs which in the judgement of the Fund interferes with or threatens to interfere with the successful completion of the Project or the accomplishment of the purposes thereof; the Fund shall consult the Government before any such suspension.

(b) Any suspension pursuant to paragraph (a) of this Section 10.02 shall continue until such time as the Fund shall give notice to the Government that it is willing to resume the carrying out of the Project.

(c) If any event referred to in paragraph (a) of this Section 10.02 shall continue for a period of 90 days after notice thereof shall have been given by the Fund to the Government, then at any time thereafter during the continuance of such event, the Fund may request that this Agreement be terminated by arbitration in accordance with the provisions of Section 8.03 of this Agreement.

Section 10.03. This Agreement, and all the rights and obligations of the parties hereto hereunder, shall terminate on the earliest of the following dates:

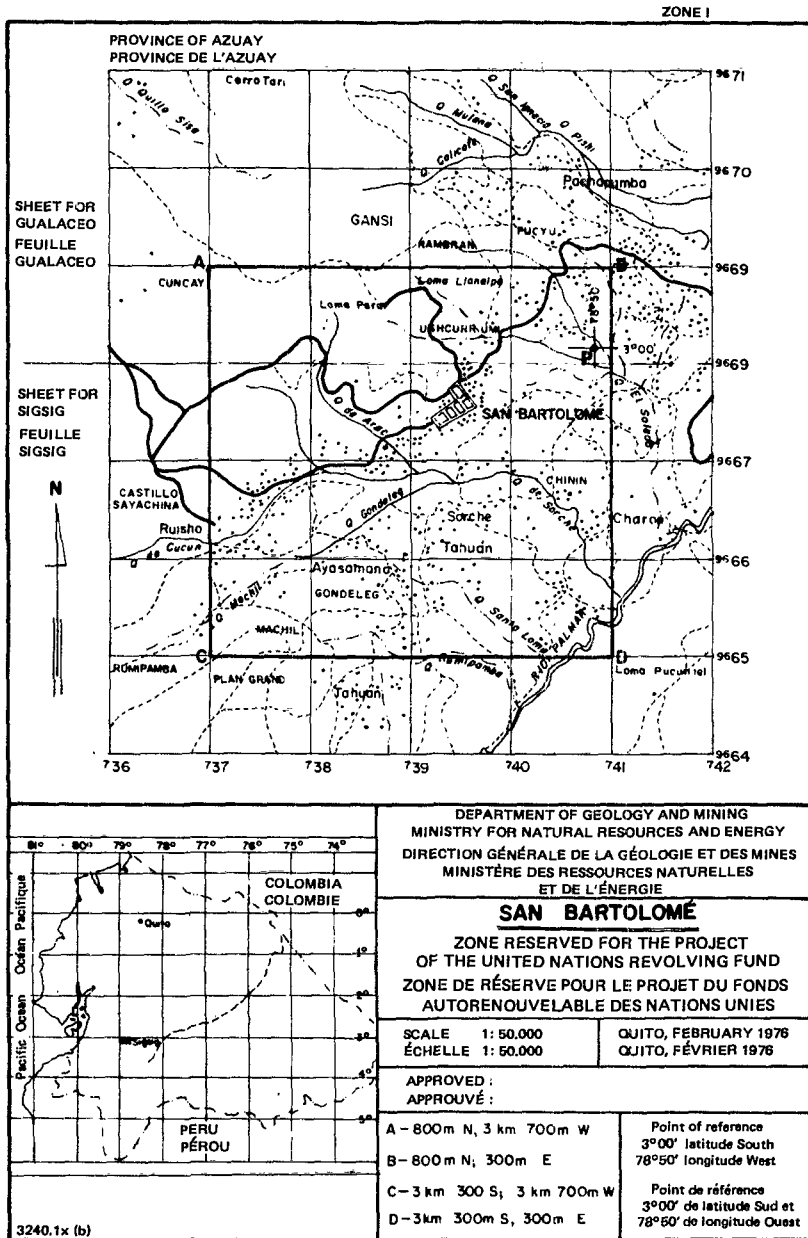
- (i) the date of an arbitral award terminating this Agreement in accordance with the provisions of Section 10.01 (b) or 10.02 (c) hereof;
- (ii) the date of the Final Report submitted by the Fund to the Government, if such Final Report states that no deposits of Minerals of potential economic significance could be identified in the Exploration Area;
- (iii) the date of a notice dispatched by the Fund to the Government stating that all Replenishment Contributions payable by the Government to the Fund in accordance with the provisions of this Agreement have been so paid and received;
- (iv) a date to be determined by adding to the date of this Agreement (A) 30 years, and (B) any period or periods of interruption of production (as referred to in Section 4.03 of this Agreement) not exceeding in the aggregate total a period of 10 years; and
- (v) on 31 August, 1976 (or such later date as the Fund, by notice to the Government, shall have determined for the purpose of making this Agreement effective), unless the Fund shall have dispatched to the Government on or prior to 31 August, 1976 (or such later date, as the case may be), the notice referred to in Section 11.02 of this Agreement.

Article XI. EFFECTIVE DATE

Section 11.01. This Agreement shall not become effective (i) until the Fund's governing body shall have approved the Project and (ii) until there shall have been furnished to the Fund a certificate satisfactory to the Fund of a competent official of the Government, showing that this Agreement has been duly authorized or ratified by, and executed and delivered on behalf of, the Government and is legally binding upon the Government in accordance with its terms.

Section 11.02. Except as shall be otherwise agreed by the Government and the Fund, this Agreement shall come into force and effect on the date upon which the Fund dispatches to the Government a notice confirming (i) its

ANNEX A



acceptance of the certificate required by Section 11.01 of this Agreement, and (ii) the approval of the Project by the Fund's governing body.

IN WITNESS WHEREOF, the parties hereto, acting through their representatives thereunto duly authorized, have caused this Agreement to be signed in their respective names as of the day and year first above written.

Republic of Ecuador:

[*Signed — Signé*]¹
Ministro de Relaciones
Exteriores³

[*Signed — Signé*]²
Ministro de Recursos Naturales
y Energéticos⁴

United Nations Revolving Fund
for Natural Resources Exploration:

By: [*Signed — Signé*]⁵

¹ Signed by A. Pesantes — Signé par A. Pesantes.

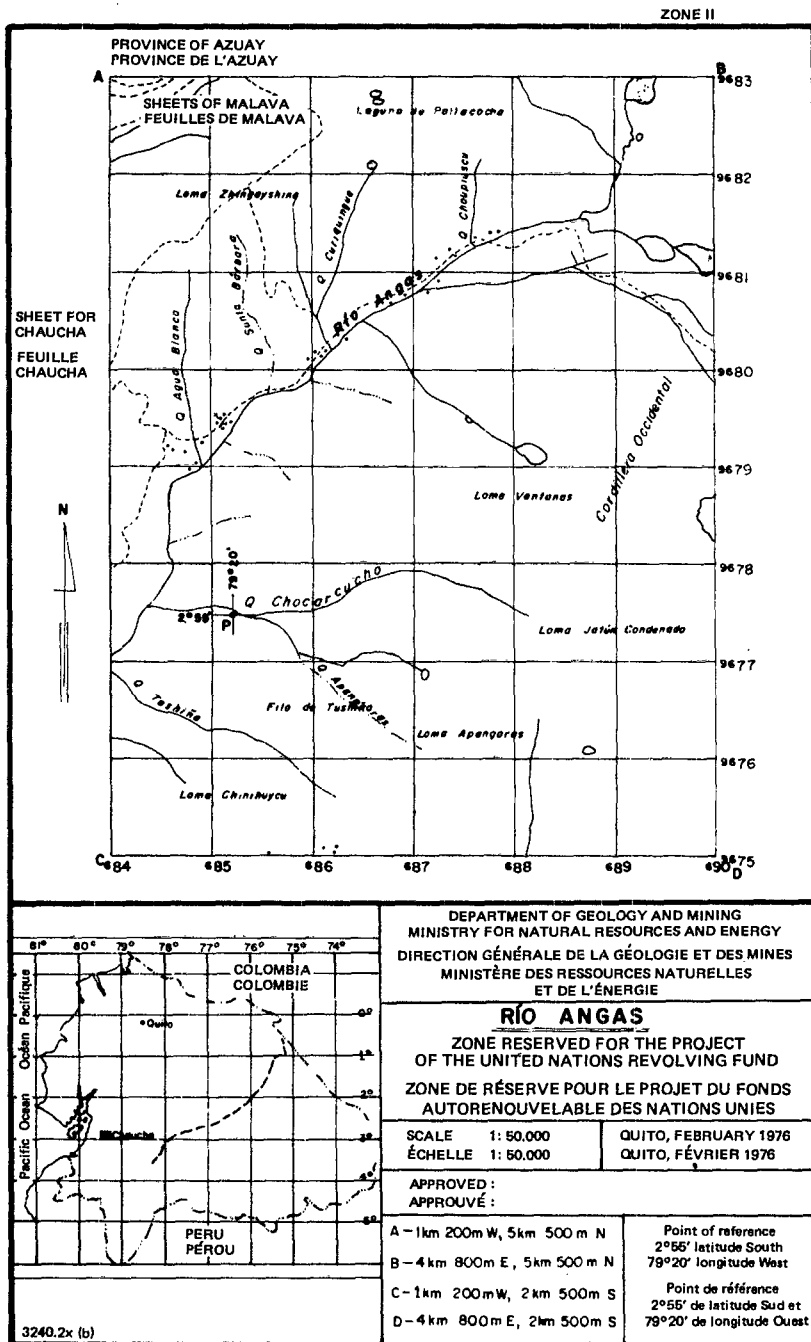
² Signed by René Vargas — Signé par René Vargas.

³ Minister for Foreign Affairs — Ministre des relations extérieures.

⁴ Minister for Natural Resources and Energy — Ministre des ressources naturelles et de l'énergie.

⁵ Signed by Hiroshi Sakurai — Signé par Hiroshi Sakurai.

ANNEX A



ANNEX B

DESCRIPTION OF EXPLORATION AREA AND EXCLUDED AREAS

I. *Exploration Area*

The Exploration Area consists of two separate Areas as set forth below:

1. *Area I (San Bartolomé)*

Area I is a rectangular block whose boundaries are as follows: from a fixed point, latitude 3°00' South and longitude 78°50' West, the corners are defined as follows:

- Northwest Corner A: 800 m to the North, 3,700 m to the West
- Northeast Corner B: 800 m to the North, 300 m to the East
- Southwest Corner C: 3,300 m to the South, 3,700 to the West
- Southeast Corner D: 3,300 m to the South, 300 m to the East

2. *Area II (Río Angas)*

Area II is a rectangular block whose boundaries are as follows: from a fixed point, latitude 2°55' South and longitude 79°20' West, the corners are defined as follows:

- Northwest Corner A: 1,200 m to the West, 5,500 m to the North
- Northeast Corner B: 4,800 m to the East, 5,500 m to the North
- Southwest Corner C: 1,200 m to the West, 2,500 m to the South
- Southeast Corner D: 4,800 m to the East, 2,500 m to the South

II. *Excluded Areas*

Set forth below are the Excluded Areas referred to in Sections 1.01 (4) and 2.02 of this Agreement:

1. *Excluded Areas within Area I (San Bartolomé)*

None.

2. *Excluded Areas within Area II (Río Angas)*

None.

ANNEX C

WORK PLAN

1. *Objectives*

The purpose of the work to be carried out is to:

- (a) prove up tonnages and grades of known silver-enriched vein systems in Area I (San Bartolomé) along an estimated strike length of approximately 1,500 meters and to an indicated depth of 200 meters;
- (b) seek extensions both along strike and down dip in Area I (San Bartolomé);
- (c) seek new mineralized zones in the vicinity of known showings in Area I (San Bartolomé);
- (d) investigate in Area II (Río Angas) depths and lateral extension of seven brecciated and silicified zones with a combined surface outcrop area of 47,000 m² with potential ore grade material of lead, copper and silver;
- (e) define and outline sufficient ore reserves in both Area I (San Bartolomé) and Area II (Río Angas) in order to prove potentially economic ore deposits and to complete preliminary feasibility studies including ore dressing tests.

2. *Minimum Work*

(a) The Minimum Work in both Area I (San Bartolomé) and Area II (Río Angas) will involve drifting and cross-cutting to provide data on the mineralogical, mining and metallurgical characteristics of the mineralization of the San Bartolomé vein systems and the Angas breccia pipes and to provide drilling stations for investigating in the vertical plane. Additionally, these underground workings will serve as platforms for seeking new mineralized structures by horizontal and inclined drill holes. Drilling from surface will be designed to find extensions beyond underground workings both along strike and at depth. Throughout the program tight geological control will be involved.

(b) In carrying out the Minimum Work described in paragraph (a) above, the Fund will expend not less than the equivalent of one million two hundred and sixteen thousand United States dollars (\$1,216,000) equivalent to finance about 87 man-months of services of internationally recruited experts and of about 1,098 man-months of services of residents of Ecuador including professionals, technicians and support personnel as well as the provision of the necessary supplies and equipment.

(c) The Government shall build all access roads to the work sites, the location of which shall be indicated by the Fund to the Government sufficiently in advance.

If possible, these roads shall be constructed before Project activities are begun, or if this is not possible, during the carrying out of the Project, it being understood that in any case the secondary access roads to the work sites shall be completed before the date scheduled for the beginning of the work on such sites.

A N N E X D

DETERMINATION OF VALUE OF REPORTED MINERALS FOR THE PURPOSES OF ARTICLE IV

1. For the purposes of Article IV of this Agreement, the value of any Reported Mineral shall be the price prevailing in the international market of such Reported Mineral in its first marketable stage, provided that such price shall be determined in accordance with the provisions of paragraph 2 hereinafter.

2. For the purposes of paragraph 1 hereinabove:

(a) unless the Government and the Fund shall otherwise agree, any Reported Mineral shall be deemed to have reached its first marketable stage when it has reached the determination condition marked (X) for such Reported Mineral in the table set forth in paragraph 3 hereinafter;

(b) if both the determination condition "By-Product Credit of Net Smelter Returns" and any other determination condition are marked (X) in such table, such other determination condition shall be used unless the Reported Mineral is being produced merely as a by-product of another Reported Mineral, in which case the determination condition "By-Product Credit of Net Smelter Returns" shall be used; and

(c) the price prevailing in the international market shall be determined for the purposes of this Agreement from time to time by agreement between the Government and the Fund, or in the absence of such an agreement, by arbitration as provided in Section 8.03 of this Agreement, provided that such price prevailing in the international market shall in no event be lower than the price at which the Government itself sells the respective Reported Mineral to a third party not under its control, or if the Reported Mineral is produced by an operator, the price which the Government uses for the determination of dividends or taxes, royalties or other charges payable by the operator to the Government or any of its agencies with respect to the production of the Reported Mineral.

3. The determination condition for any Mineral shall be as set forth in the table below:

DETERMINATION CONDITIONS

<i>Reported mineral</i>	<i>Ex-mine</i>	<i>Ex-concentrator</i>	<i>Ex-refinery</i>	<i>By-product credit of net smelter returns</i>
Aluminium (Bauxite)	X			
Antimony		X		
Asbestos		X		
Barium	X			
Beryllium		X		
Coal	X			
Bromine	X			
Cadmium				X
Cesium		X		X
Chromium	X			
Clays	X			
Cobalt		X		X
Columbium		X		
Copper		X		
Diamond		X		
Diatomite	X			
Feldspar	X			
Fluorite	X			
Gemstones		X		
Germanium				X
Gold				X
Graphite	X			
Gypsum		X		
Indium				X
Iodine		X		
Iron	X	X		
Kyanite	X			
Lead		X		
Lime and Calcium	X			
Lithium		X		
Magnesium	X			
Manganese	X			
Mercury			X	
Mica		X		
Molybdenum		X		X
Nickel		X		
Perlite	X			
Phosphate Rock	X			
Platinum Group Metals			X	X
Potassium		X		
Rare Earths		X		
Rhenium				X
Rubidium				X
Sand and Gravel	X			
Scandium				X
Selenium				X
Silicon	X			
Silver		X	X	X
Sodium		X		
Stone	X			
Strontium		X		
Sulphur			X	
Talc, Soap-stone and Pyrophyllite	X	X		
Tantalum		X		X

<i>Reported Mineral</i>	<i>Ex-mine</i>	<i>Ex-concentrator</i>	<i>Ex-refinery</i>	<i>By-product credit of net smelter returns</i>
Tellurium				X
Thallium				X
Thorium		X		
Tin		X		
Titanium	X	X		
Tungsten		X		
Uranium		X		
Vanadium		X		
Vermiculite		X		
Zinc		X		
Zirconium		X		
