



Resolved

All Members unanimously accepted the appointment of Mr. Hem Shanker Madan as the Chairman of the Board of Directors of KMC until such time as a 5<sup>th</sup> Director is appointed to the Board. The Board will consider the appointment of a new Chairman at that time again.

- (2) **HSM** Proposed the appointment of himself (Hem Shanker Madan) as the nominee of Alara to act as Managing Director of the Board of Directors of KMC, in accordance with Clause 14 of the SHA.

Resolved

All Members unanimously accepted the appointment of Mr. Hem Shanker Madan as the Director on the Board of Directors of KMC

- (3) There was discussion about the need to appoint an Independent Director to the Board of Directors of KMC (as the 5<sup>th</sup> Director).

**NSA** asked about the appointment of a fifth Director (Independent) as contemplated in the SHA and asked the chairman if any candidate has been identified. **HSM** informed the members that two potential candidates from the KSA have been identified so far and they are:

1. The Ex-Chairman of a telecommunications company
2. A Consultant of a reputed company.

**HSM** also confirmed that none of the above candidates had so far been interviewed nor met personally. **MAH** referred to the SHA and asked the Chairman to consider the pre-qualifications of the Independent Director of the KMC Board. **HSM** agreed with this suggestion.

Resolved

All Members unanimously agreed to use their best endeavours to identify a nominee for this position as Independent Director, to be agreed by the Shareholders, within three months.

- (4) **MAH** then questioned how to consider the voting rights in the Board in the absence of fifth Director. **NSA** suggested that the voting pattern should be two (2) votes each to Alara and Manajem, in other words one vote per Member. **HSM** then questioned what would happen in the event of a voting deadlock and recommended that in the event of a deadlock, consistent with normal practice, the Chairman of the Board of Directors should have an additional casting vote.

Resolved

All Members unanimously agreed that Alara and Manajem would each have two votes, with the Chairman having the ability to exercise an additional casting vote in the event of a deadlock.



**MAH** raised the question of remuneration for KMC Directors. **HSM** recommended that non-independent Directors of Board should not be paid any compensation by KMC, because they were acting as the representatives of the respective Shareholders and that it was normal practice for the Shareholders to remunerate their nominees to the Board. However it was agreed that it would be necessary for KMC to pay fees to the Independent Director when he is appointed. **MAH** noted that directors were often remunerated by companies as an added incentive. It was agreed that this be discussed at the next board meeting.

Resolved

All Members unanimously agreed that the non-independent Directors of the Board should not be paid any compensation by KMC, but this would be discussed again at the next Board meeting

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**2 Agenda Item B Work Plan and Budgets.**

Mr. Eduardo Valenzeula (**EVZ**) – General Manager, Projects, Alara joined the conference room.

- (5) **EVZ** presented an interim development work plan for next 3 to 6 months. A copy of presentation is attached as Schedule 2.
- (6) **HSM** noted that a formal Budget will be submitted quarterly. The first formal budget will cover the four months starting of 1st of March until 30<sup>th</sup> June 2011. A Provisional Budgeted amount of US\$3 Million over the next 4 months has been allocated. **EVZ** and **SSA** will produce a detailed plan of expected expenses and submit in the next meeting.

Resolved

All Members unanimously approved the 3 to 6 month Work Plan as presented by **EVZ** and the Provisional Budget of US\$3 Million until 30 June 2011, subject to a more detailed work plan and budget being presented at the next Board meeting.

- (7) **EVZ** also presented a work plan of drilling, metallurgical testing and other works aimed at completing of a Definitive Feasibility Study for the Project by February 2012.
- (8) For this a total of US\$9.9 Million dollar has been provisionally allocated. A list of sub-contractors and consultants was also discussed.
- (9) **MAH** asked for further details and profiles for all consultants and sub contractors to be reviewed. He expressed concerned that Manajem has been overlooked in this process and pre-approval has not been taken. He also reminded the Members that Manajem, being a 50% shareholder in KMC and under the terms of the SHA is entitled to be involved in all decisions involved in KMC.

**HSM** stated that the selections of consultants in Australia have been made after interviewing at least three such companies, taking into consideration the profiles,



capability and quotations forwarded in Alara Office. He also agreed to provide all details of the companies considered to the Members.

### **Agenda item C Operations**

- (10) **HSM** raised the issue of Transferring the Mining and Exploration Licences relating to the Project from Manajem to KMC and indicated that it is in the interests of both Shareholders and KMC to secure the transfer as soon as possible. In particular, project finance into KMC will not be possible for the Project without the Licences Transfer.

**NSA** stated that Manajem will also feel secure when the Licenses are transferred and assured that it will be done as and when possible. **MAH** stated that the transferring procedures are being handled and taken care of by Manajem and will be accomplished in the coming times as there cannot be a definite time frame set forth for it. He also referred to the previous statements made by him and said that this is not the proper time to initiate such a process.

- (11) **HSM** Inquired about the acquisition of Surface Land rights. **MAH** stated that Manajem is in the process of acquiring these rights as it is a part of process by the Ministry of Petroleum and Mineral Resources.

- (12) **HSM** Enquired about Safety, Environment, Communities and social issues. **MFH** stated that these issues will not be a constraint to the project and that environmental issues are still growing in the Kingdom and as the project has no air issues it is environmental friendly. The consultants in Presidency of Meteorology and Environment are mainly from UK and follow the laws similar to Environmental Agency of UK. No pressure groups have ever been witnessed in the KSA.

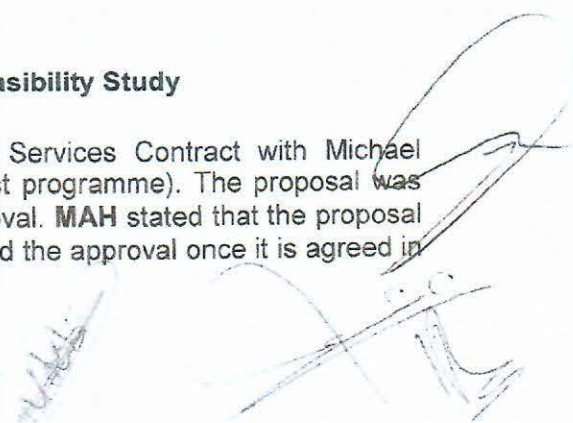
**NSA** raised the issue of using local Saudis in the project. **EVS** stated that with regard to safety and handling of explosives etc, workshops and training programs can be conducted in the project to train local Saudis and employ them in the project.

**HSM** This subject of appointing Saudis will be taken care of in the project and all options of training either in heavy equipments, safety or any subject will be dealt on priority.

- (13) **HSM** Enquired about any political or governmental issues related to the project. **AH** stated that no such issues are seen so far, the Kingdom being a stable government and the King is very keen to develop Mining Industry and this project will get all the required support from the government.

- (14) N/A

### **Agenda Item D Definitive Feasibility Study**

- (15) **HSM** Asked for approval of a Consultancy Services Contract with Michael Efthymiou/Megabest Pty Ltd (metallurgical test programme). The proposal was forwarded to Manajem and is waiting for approval. **MAH** stated that the proposal is under review and Eng. Fazole Haq will forward the approval once it is agreed in Manajem.
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- (16) **HSM** Alara is recommending that Ausenco be selected as lead feasibility engineers and needs approval from Manajem. **MAH** Asked for submission of the proposal formally to Manajem.
- (17) **HSM** requested approval for CSA Global Pty Ltd (who have been already been engaged by Alara on behalf of KMC, before KMC was officially registered) as consultants for preliminary and detailed Resource Modelling and preliminary Pit Optimisation and if deemed competitive for more detailed Pit Optimisation, Scheduling, Mining Equipment Selection and Handover. **MAH** Asked about SRK consultants and enquired why they had not been selected. **HSM** stated that SRK was consulted prior to the agreement to advice on the overall potential of the site. SRK declined this small project and CSA Global Pty Ltd was preferred by Alara for KMC. **MFH** asked for Alara to provide the contract formally to Manajem.
- (18) **HSM** stated that SMEC (Dr. Len Drury) is recommended by Alara as the Environmental and Hydrology Consultant and asked the board for approval of this consultant. **MFH** noted that the environmental and Hydrology reports are already made on the project, so much of the reports are already available. **HSM** responded that the new consultants would review all the reports already made on the Project, but expected that there would be a need to improve the present studies to meet banking and International standards Dr. Len Drury has the experience of Saudi Arabia. **MAH** asked the Chairman to submit the proposal formally to Manajem with scope of work for the consultant. The Environmental Study is already in progress with local consultant to be submitted to PME for environmental approval on Khnaiguiyah Project. **HSM** pointed that the current proposal is only to review the work done to date and conduct a gap analysis and that the full Environmental Study as proposed by EVZ will be subject to such gap analysis and a formal approval by the KMC Board.
- (19) Not Applicable.

#### **Agenda Item E Corporate and Financial Affairs**

- (20) **HSM** Asked for approval of KMC Execution of Mining Rights Agreement with Alara and Manajem. **MAH** stated that the agreement has been revived and the remaining issues will be discussed with Mr. William Johnson and the subject will be closed in a day or two.

*(Note: The Agreement was subsequently executed by Manajem and KMC on 01 March 2011).*

- (21) **HSM** requested for the registration of Nasser Ali Sulaiman Al Agel, Hem Shanker Madan and William Johnson to be added as signatories to KMC's Bank Account at Bank Muscat.

#### Resolved

All Members unanimously approved the addition of the signatories Nasser Ali Sulaiman Al Agel, Hem Shanker Madan and William Johnson to the KMC Bank Account at Bank Muscat.

- (22) **HSM** raised the issue of a formal mandate to govern the operation of KMC's Bank Account. **WMJ** suggested that where possible, checks issued shall



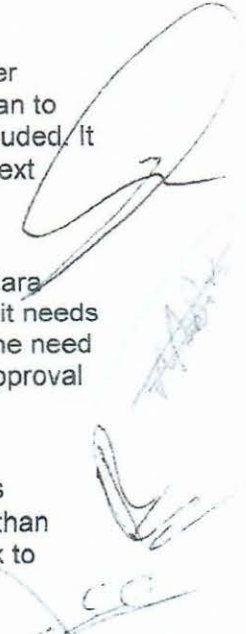
bear dual signatures, one each of Manajem and Alara representative. He suggested that as no Alara representative is available in Riyadh all the time, he would nominate Mr. Syed Sajid Ali (KMC) to sign the checks with Manajem representative. However, **NSA** suggested it would be better in the interest of the company to have both the signatories from within the Board as there could be management problems due to a signatory from outside the Board.

Resolved

All Members unanimously approved that all cheques written on behalf of KMC are to require the signatures of two Board members.

- (23) **HSM** requested the approval of Financial Protocols to govern approval of expenditures and commitments and payment of invoices. **WMJ** stated that the relevant forms and procedures have been developed in line with the established company policies and procedures and will be presented to the members for their review and approval.
- (24) **HSM** stated that the Company should adopt professional standards of Financial Accounting and Controls, Treasury Management/Board Reporting. **WMJ** agreed to consult with **NSA** on the issue.
- (25) **HSM** raised the issue of Corporate compliance and controls, safe custody of documents, general record keeping and Management/Board Reporting. **WMJ** stated that **SSA** for the time being should hold copies and be responsible for all the Company official agreements and documents.
- (26) **HSM** raised the issue of reimbursement of pre-formation expenses paid for by Alara, as part of Loan to KMC (Refer clauses 2.1.3 and 13.7 of Share Holders Agreement). The Members agreed that pre-formation expenses including those of Manajem from 1 October 2010 are to be submitted at the next Board Meeting for approval.
- (27) **HSM** raised the issue of the future reimbursement of various other expenses that will incurred by Alara on behalf of KMC, as part of Alara Loan to KMC. **MAH** stated that expenses incurred by Manajem should also be included. It was agreed by the Members that Alara should present a proposal at the next Board meeting for future reimbursement of such expenses.
- (28) **HSM** noted that KMC will need to send formal Loan Notices to Alara under the Alara Loan (refer clause 6.3 of Shareholders Agreement) when it needs money. It was agreed that **SSA** is to prepare a budget which will identify the need for funds from Alara. **SSA** will then prepare Loan Notices as needed for approval by the KMC board.

**HSM** then noted that payments from KMC to Australian based consultants working for KMC were best made from Alara directly in Australia, rather than transferring funds to KMC in KSA and then having these funds sent back to



Australia. These payments will still be accounted for in the books of KMC as payments made by KMC.

- (29) **HSM** noted that KMC is sub-leasing of office space from Manajem and the use of Manajem's drilling rig on lease from Manajem.

Resolved

To ratify the subleasing of office space from Manajem and Manajem's drilling rig.

- (30) **HSM** noted that KMC would need to appoint of External Auditors to KMC. It was agreed that Alara will propose auditors for KMC, taking account of the need by Alara in Australia to have audited KMC accounts in a format suitable for Alara's reporting purposes in Australia. Manajem would also help in identifying the external auditors.

- (31) **HSM** noted the need for the appointment of external independent lawyers to KMC. The issue will be investigated by Mr. William Johnson.

- (32) N/A

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**Agenda Item F      Staffing**


- (33) **HSM** requested the Members ratify the appointment of Mr. Wilson Gewargis (Australian National) to the position of Chief Geologist of KMC. **MAH** stated he would like to review further about the appointment issue.

- (34) **HSM** recommended the appointment of Khurram Hasan (Pakistani National) to the position of Geologist of KMC. **HSM** agreed to forward the candidate's Resume to MAH.

Resolved

To approve the appointment of Mr Khurram Hasan and Mr Wilson subject to a review of the CSA Contract by MAH for the appointment of Wilson Gewargis.

- (35) **NSA** suggested that Members consider the appointment of Abdullah Al-Marzoog as a Financial Consultant of KMC. **WMJ** wished to meet the candidate and understand the scope of his proposed work for KMC.

- (36) **HSM** raised the issue of sharing costs of Alara and Manajem Technical Staff (Eg. Ganesh Krishnamurthy (Alara Oman Exploration Manager), Eduardo Valenzeula (Alara General Manager, Projects etc). The members agree to the costs to be shared on "as used basis". MAH suggested that such costs should be submitted as a Consultancy Agreement to the KMC Board and that likewise Manajem also submit a Consultancy Agreement for the services of its staff to KMC.
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Resolved

That both Alara and Manajem submit Consultancy Services Agreements for the use of their staff for work on KMC matters.

After some discussions on salaries paid to Alara employees NSA noted the such salaries, although seemingly high should be seen in the context of purchasing power in such countries. For example a Dollar in USA has similar or less purchasing power as a Rial in Saudi Arabia.

- (37) **HSM** asked the services of Eng. Mohammed Fazle Haq in KMC until new employees are appointed. **MAH** declined the concept and said he was unhappy with the staffing of Manajem and KMC. Presently the two companies are short of professional. He emphasised that Manajem is working for KMC full time.
- (38) **There was a general discussion** of other Staffing and Issues (including work and Residency Permits). MFH noted that work on Residency and Work Permits is already initiated.
- (39) N/A

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**Agenda Item G Other Business**

- (40) **A discussion** was held regarding the time table for future Board Meetings. The members decided on a quarterly physical Board Meeting.

Resolved

All Members unanimously approved that physical Board Meetings should be held every three months and teleconference Board Meetings to be held as required.

- (41) It was noted that a visit to Khnaiguiyah Site is arranged for Mr. William Johnson and Mr. Eduardo Valenzuela on 28<sup>th</sup> February 2011.

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The meeting concluded at 4:30


Summary Of Resolutions Approved:

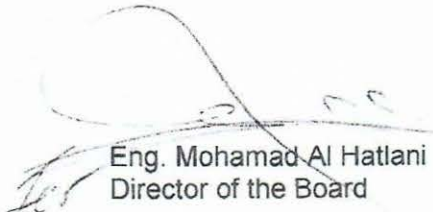
- (1) All Members unanimously accepted the appointment of Mr. Hem Shanker Madan as the Chairman of the Board of Directors of KMC until such time as a 5<sup>th</sup> Director is appointed to the Board. The Board will consider the appointment of a new Chairman at that time again.
- (2) All Members unanimously agreed to use their best endeavours to identify a nominee for this position as Independent Director, to be agreed by the Shareholders, within three months.
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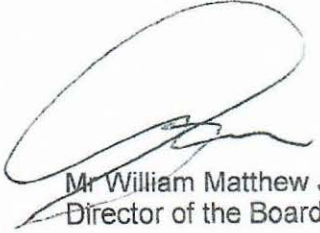


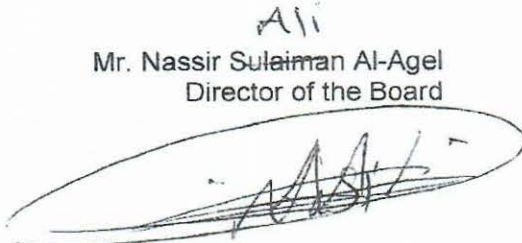
- (3) All Members unanimously agreed that Alara and Manajem would each have two votes, with the Chairman having the ability to exercise an additional casting vote in the event of a deadlock.
- (4) All Members unanimously agreed that the non-independent Directors of the Board should not be paid any compensation by KMC, but this would be discussed again at the next Board meeting
- (5) All Members unanimously approved the 3 to 6 month Work Plan as presented by EVZ and the Provisional Budget of US\$3 Million until 30 June 2011, subject to a more detailed work plan and budget being presented at the next Board meeting.
- (6) All Members unanimously approved the addition of the signatories Nasser Ali Sulaiman Al Agel, Hem Shanker Madan and William Johnson to the KMC Bank Account at Bank Muscat.
- (7) All Members unanimously approved that all cheques written on behalf of KMC are to require the signatures of two Board members.
- (8) Resolved to approve the appointment of Mr Khurram Hasan and Mr Wilson subject to a review of the CSA Contract by MAH for the appointment of Wilson Gewargis.
- (9) Resolved To ratify the subleasing of office space from Manajem and Manajem's drilling rig.
- (10) Resolved that both Alara and Manajem submit Consultancy Services Agreements for the use of their staff for work on KMC matters.
- (11) All Members unanimously approved that physical Board Meetings should be held every three months and teleconference Board Meetings to be held as required.

Approved by

  
Mr. Hem Shanker Madan  
Chairman of the Board

  
Eng. Mohamad Al Hatlani  
Director of the Board

  
Mr. William Matthew Johnson  
Director of the Board

  
Mr. Nassir Sulaiman Al-Agel  
Director of the Board