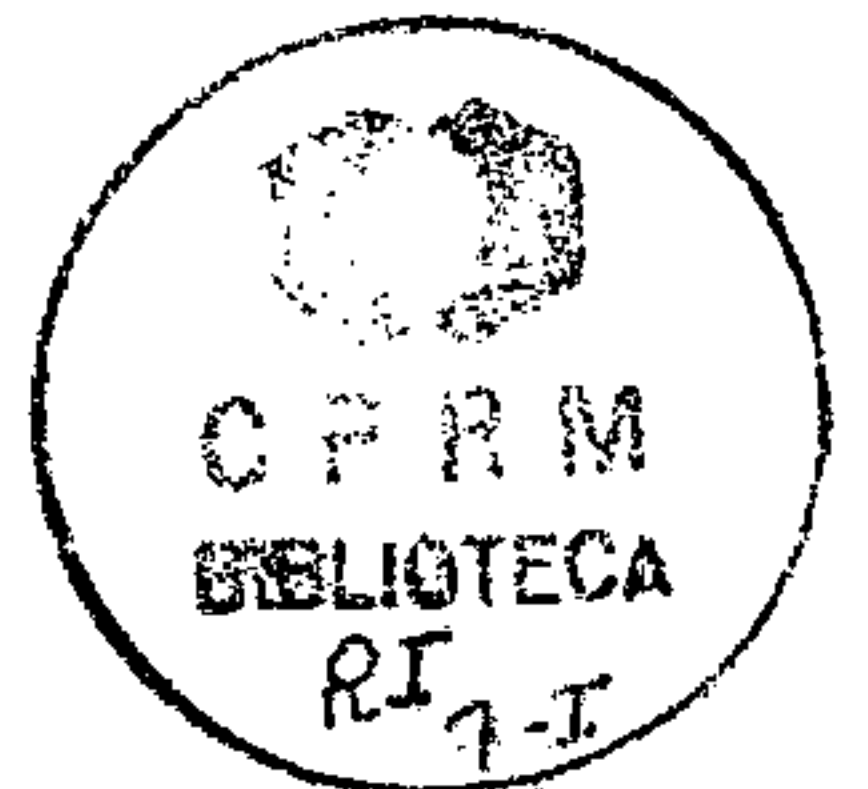


NOTICE N. 1/74

PUBLIC BID FOR THE RIGHTS TO THE RESULTS OF THE RESEARCH
CARRIED OUT IN THE MUNICIPALITY OF SÃO DOMINGOS DO
CAPIM, IN THE STATE OF PARÁ, WHICH REVEALED
LARGE KAOLIN DEPOSITS.

Numero 00158

5/99



I/2009



COMPANHIA DE PESQUISA DE RECURSOS MINERAIS - CPRM

BID NOTICE N. 1/74

PUBLIC BID FOR THE RIGHTS TO THE RESULTS OF THE RESEARCH
CARRIED OUT IN THE MUNICIPALITY OF SÃO DOMINGOS DO
CAPIM, IN THE STATE OF PARÁ, WHICH REVEALED
LARGE KAOLIN DEPOSITS.

1. INTRODUCTION

1.1 - By this Notice, Companhia de Pesquisa de Recursos Mine-
rais - CPRM, a stock company of which the government is the
major shareholder, jurisdictioned to the Ministry of Mines and
Power, according to the authorization provided by Article 6,
paragraph 2 of Decree Law N. 764 of August 15, 1969 and by
Article 7, paragraph 2 of its statutes, offers in public bid
the rights to the results of the research carried out in 10
areas of 1,000 hectares each, duly entitled by Prospection
Permits registered with Departamento Nacional da Produção Mine-
ral - DNPM (National Department of Mineral Production) under
numbers 812.669/71 through 812.878/71, granted by Authorizations
numbered 868 through 877 of July 13, 1972, published in the
country's official bulletin "Diário Oficial da União" on July
20, 1972. Such areas, covering the total surface of 10,000
hectares are located north and south of igarapé Ciputeua or
Bacuri, right bank affluent of the Capim River, along parallel
2°25' South and meridian 47°45' West of Greenwich, in the
Municipality of São Domingos do Capim, State of Pará.

1.2 - The above referred research revealed important kaolin deposits, being the total reserve, according to the Prospection Report approved by Departamento Nacional da Produção Mineral-DNPM, of 566,819,164 tons., including 211,764,474 tons. of measured reserve; 255,187,314 tons., of indicated reserve and 99,867,376 tons., of inferred reserve.

1.3 - The area where the deposits are located enjoys fiscal incentives and capitalization facilities related to the Superintendence of the Amazon Development (Law N. 5, 174, October 27, 1966; Decree-Law N. 756, August 11, 1969; Decree Law N. 67, 527, November 11, 1970) and complementary legislation. Other possible fiscal incentives are:

a) exemption from Import Tax and from Industrialized Products Tax (IPI) for the capital goods with no national equivalent, in accordance with Decree-Law N. 1,287 (October 18, 1973) and other incentives foreseen in that legal diploma.

b) deduction of the depletion quota: for the purpose of Income Tax deductions, "a mineral resources depletion quota", is deducted from the profit, being equivalent to 20% of the gross earnings yielded in the first 10 years of exploitation of the deposit, to make up a reserve to be incorporated to the capital, without loss of payback deductibility and of depreciation costs of acquisition of the rights to exploit the deposit (Decree-Law N. 1,096; March 23, 1970).

c) reduction of 15% to 4% of the aliquot relative to the Sole Tax on Minerals, regarding mineral substances revealed by research and if meant for export (Decree-Law N. 1,172, June 2, 1971).

1.4 - Other incentives may improve the undertaking, such as:

a) financing from Banco Nacional de Desenvolvimento Econômico-BNDE (National Bank for Economic Development) and from Banco da Amazonia S.A. - BASA (Bank of the Amazon), of part of the needed investments for exploitation and dressing of minerals; and

b) financing from CPRM, for investigation and development of mineral beneficiation processes (Decree-Law N. 764, August 15, 1969, Articles 24 and 25; Decree-Law N. 66,522, April 30, 1970, rectified by Decree N. 66,727, June 16, 1970).

1.5 - The present Notice consists of ten Chapters (numbered 1 to 10) and five Annexes (designed by A to E), being in force for all purposes the text published in the "Diário Oficial da União", with the corrections and complements published therein.

2. INFORMATION TO THE INTERESTED PARTIES

2.1 - CPRM shall provide the interested parties with all requested information allowing them to prepare the documentation for pre-qualification and to formulate the tenders considered herein.

2.2 - The interested parties may purchase the set of volumes that compose the Research Report (namely, Single Report on Kaolin Prospecting in the Capim River Region, State of Pará) which contains the main data referring to the prospection works effected in the area defined in this Notice. The volumes may be obtained from the General Treasury (Tesouraria Geral)

of CPRM (Ave Pasteur 404, 4th floor of the Annex Bldg. between 8:30 a.m. and 12:30 p.m. and 12:30 p.m. and from 1:30 p.m. to 5:30 p.m. at the price of Cr\$ 10,000.00 (Ten thousand cruzeiros) per set, including the complementary documents defined in item 2.3.

2.2.1 - CPRM may send, at its own exclusive will, the documents referred to in item 2.2, to the interested parties it may wish to invite to this bid, with or without expenses, and the measures or steps taken shall not by any means be considered as a violation of the equality among the tenderers.

2.3 - CPRM may furnish the interested parties with the following complementary information, in accordance to item 2.2:

- a) preliminary plan for kaolin beneficiation prepared by Paulo Abib Andery & Associados SC LTDA, to CPRM;
- b) woodland resources inventory of the areas belonging to Capim river Project, ordered by CPRM to Stardart Norte Reflorestamento LTDA.;
- c) navigation on Capim and Guamá rivers - from Belém to the area of the kaolin deposits (preliminary report), prepared by CPRM.
- d) Leaflet on CPRM's basic legislation .

2.4 - Upon request to the President of the Judgment Committee at the above address, the interested parties may have access to CPRM's installations in Belém, State of Pará and to the site of the deposits in São Domingos do Capim, in the same State, where at all other available elements, related to the research works are found.

2.5 - Further inquiries concerning this Notice shall be directed to the President of the Judgement Committee at the above mentioned address who will introduce the interested parties, whenever the case, to the adequate technical sector of CPRM.

3. DOCUMENTS TO BE PRESENTED BY THE BIDDERS

3.1 - The documents to be presented by the bidders are:

- a) Request for qualification (item 4.3);
- b) Proposal (item 5.2); and
- c) Voucher of pledge (item 6.1)

3.2 - The documents described in item 3.1 shall be presented in 3 (three) closed envelopes, sealed and signed by the bidders, with the following headings:

To
Companhia de Pesquisa de Recursos Minerais-CPRM
Ave Pasteur 404, Anexo - 3º pav.
Rio de Janeiro - GB - BRAZIL
EDITAL DE LICITAÇÃO Nº 1/74
CONTEÚDO (CONTENTS)
LICITANTE (BIDDER) (FULL NAME OF THE BIDDER).

3.2.1 - The space for "conteúdo" (contents) will be filled with the titles of the headings in item 3.1.

3.3 - The documents defined in item 3.1 shall be presented at the same time, according to item 7.2.1.

3.4 - The documents shall be written in Portuguese, in clear language, printed or typewritten, without mending or corrections, erasures, interlines or additions, however drawings and technical documents may be submitted in English.

4. REQUEST FOR QUALIFICATION

4.1 - The Request for Qualification aims at enabling the Judgment Committee to check the fitness and competency of the bidders based on their adequacy towards the nature and magnitude of the undertaking, having in view the legal, economic, financial, technical and managerial aspects.

4.2 - The Request for Qualification shall be formulated by a Mining Company, defined as such in Chapter VII of the Brazilian Mining Code (Decree-Law Nº 227, of February 28, 1967) or by a group of companies intending to enter into partnership being one of them, at least, a Mining Company. In this case, the Mining Company or one of the Mining Companies belonging to the group - shall represent the others, being all of them jointly responsible before CPRM for everything related to the bid dealt with in this Notice.

4.3 - The Request for Qualification shall contain:

4.3.1 - Letter, in duplicate, with:

a) the name(s) of the interested company (es), the explicit declaration of acceptance of the conditions of this Notice including the signature(s) of the legal representative(s) of the company (es).

b) in case of joint tenderers, the percentages of participation of each tenderer in the group of companies.

c) still in the case of joint tender, the declaration of joint responsibility of the tenderers, in all that is relative to the bid dealt with in this Notice and the indication of the Mining Company which will represent the tenderers.

4.3.2 - The declarations presented in the Request for Qualification are valid for the proposal and they are integrant and inseparable part thereof.

4.5 - Groups of companies that intend to enter into partnership not being any of the group registered as a Mining Enterprise, may also participate in the bid dealt with in this Notice provided that upon convocation to sign the Contract for Remising Rights to the results of the research, the mining company or group of mining companies becomes registered as such, in order to meet the requirements of item 4.2, under penalty of being void their respective classification with the loss, in favor of CPRM of the guarantee stated in item 6.1. In the case of this item 4.5, one of the mining companies will represent the others, as determined in item 4.3.

4.6 - The foreign companies not allowed to operate in Brazil shall be represented by a national firm or by a foreign firm duly authorized to operate in the country, by means of an appropriate document or by an attorney duly qualified, with general powers, including that of being able to receive judicial citation.

5. BID

5.1 - The bid shall be presented by the same company(es) which presented the Request for Qualification, in the conditions stated in item 4.3.

5.2 - The bid shall be composed of three parts, being designated as:

- a) 1st part of the bid - Structure of the Mining Enterprise
- b) 2nd part of the bid - Preliminary plan for the exploitation of the deposit
- c) 3rd part of the bid - Tender for acquisition of the rights to the results of research.

5.3 - Each part above described will bear a separate cover with its corresponding title, one for each issue, all of them included in an envelope as designed in item 3.2, correspondent to item 3.1.b.

5.4 - Each part of the bid shall be presented in duplicate, containing the name(s) of the bidder (s) and the signature(s) of the legal representative (s) of the interested company (es) or, in case of joint bid, of the company designated to represent the others; the documents shall be authenticated on each page with the signature (s) of the legal representative(s) above referred to in this item.

5.5 - The first part of the bid shall be organized according to item B-1 of Annex "B"; the second part according to item B-2 and the third part according to item B-3 of this Notice.

6. PLEDGE

6.1 - The interested parties shall deposit a pledge to guarantee the signature of the Contract Promissing to Assign the Rights to the results of the research in the value of Cr\$ 650,000.00 (six hundred and fifty thousand cruzeiros). In case of joint bid, the pledge shall be effected by the company which represents the group of companies.

6.2 - The pledge referring to the previous item may be represented by:

- a) deposit in a special account opened by CPRM at the Banco do Brasil;
- b) a deposit in custody to the order of CPRM, placed with a branch located in Rio de Janeiro, of a financing institution with integral capital of not less than Cr\$ 20,000,000.00 (twenty million cruzeiros) of adjustable bonds of the Brazilian treasury considered at their nominal value at the month of deposit or notes of the Brazilian treasury considered at their nominal value of redemption or Real-Estate notes of the Home Financing System (Sistema Financeiro da Habitação) guaranteed by the Banco Nacional da Habitação considered by their nominal value. In any case the nominative title shall be endorsed to Companhia de Pesquisa de Recursos Minerais - CPRM, with the signature of the endorser duly notarized by the financing institution; or
- c) through a bank security, furnished by a credit institution with integral capital of not less than Cr\$ 20,000,000.00 (twenty million cruzeiros) in the following terms:



To
Companhia de Pesquisa de Recursos Minerais - CPRM
Av. Pasteur, 494 - Annex
Rio de Janeiro - GB

Attention of the Judgment Committee, about Notice
1/74.

Aiming to accompany the proposal soon to be presented by firm (name of the proposer) for acquisition of rights to the results of the research dealt with in Notice 1/74 and according to the conditions of the Notice 1/74 issued by CPRM, the Bank (name). CGC Nº registered with integral capital of Cr\$ (.....) represented by its Directors (or Attorneys), and (names) hereby and in the best form of law assumes the obligation to pay CPRM the amount of Cr\$ 650,000.00 (six hundred and fifty thousand cruzeiros) with a nominal check, payable in Rio de Janeiro, GB, at CPRM's offices at the maximum period of up to two working days after being notified by CPRM, through a simple letter, that the firm (name of the company or name of the company representing the group) has been disqualified, by reason of what is foreseen in item 8.4 of the above referred Notice 1/74.

This Bank expressly resigns to the benefits of Articles 149 and 1.503 of the Brazilian Civil Code. The present letter of security is valid until (date) (two hundred and forty days after the publication of this Notice). To confirm the competency of the signatories of the present letter, the Bank encloses the following documents:

- a) page of the "Diário Oficial" of (place), of (date) which published the statutes in its form presently in effect;
- b) page of the Diário Oficial of (place) of (date) which published the proceedings of the General Meeting in which the Directors who sign this letter were elected, or, whenever the case, are entitled as attorneys, and
- c) power of attorney granted to the signatories, duly notarized (if that is the case).

Bank

Signatures

6.3 - The confirmation of the pledge shall be composed, respectively:

- a) In feature "a", by the receipt provided by Banco do Brasil.
- b) In feature "b", by the voucher of the deposit in custody to the order of CPRM, issued by the depository financing institution, mentioning the name of the depositor, the nature, amount, number and value of securities, duly notarized by a public notary in Rio de Janeiro, GB; or
- c) In feature "c", by a letter of security, duly notarized in a public notary in Rio de Janeiro, GB.

6.4 - The confirmation of the pledge shall be forwarded by means of a single letter, containing the name of the bidder(s), the identification of the pledge confirmation (name of the financing institution, date, etc), a declaration that the pledge is designed for attending what is disposed in item 6.1 of this Notice and the signature (s) of the legal representative (s) of the bidder or of the company which represents the others in a joint bid.

7. DELIVERY OF DOCUMENTS AND JUDGEMENT

7.1 - General Conditions

7.1.1 - The bid dealt with in this Notice will be judged by a Judgement Committee, composed of three members designated by the President of CPRM.

7.1.2 - The acts, resolutions and announcements made at the public sessions of the Judgement Committee shall be registered in due records of proceedings, signed by the members of the Committee and by all interested parties present that wish to do so.

7.1.3 - The judgement shall follow the Committee's own criteria, and the Committee shall not present to the interested parties any explanations or justifications of the Committee's decision, being furthermore possible for the Committee to nullify this bid, with no right whatsoever to assist the proposers.

7.1.4 - The judgement of the Requests for Qualification shall serve to investigate, as to the nature and dimension of the undertaking, for each bidder:

- a) the observation of the clauses of the present Notice;
- b) the sufficiency and adequacy of the managerial capacity and financial standing;
- c) the technical capacity; and
- d) the capacity of commercialization referred to in item A.1.7.

7.1.5 - In the appraisal of the proposed price, the sum of the present value of the future receipt of the variable part of the price will be taken as a basis for comparison among the tenders, considering the first 30 (thirty) years of production, calculated at a discount rate of 15% (fifteen per cent) and admitting for this purpose, the following prices: kaolin for filling Cr\$ 130.00 (one hundred and thirty cruzeiros) per metric ton, kaolin for coating Cr\$ 325,00 (three hundred and

twenty five cruzeiros) per ton; for this computation, the productions to be granted by the bidders according to item B.3.6 of their tenders shall be utilized, for the first 10(ten) years of production, considered from then on the annual production equals to the arithmetic average of the proposed productions and granted for the eighth, ninth and tenth years.

7.1.6 - Besides the self criteria adopted by the Committee according to item 7.1.3, in the judgement of the proposals the following criteria will also be considered:

- a) the elements appraised according to 7.1.4;
- b) the value calculated according to 7.1.5; and
- c) any other factors, inferred by the Committee from the documents enclosed with the Request for Qualification and from the Proposal.

7.2 - Receiving the documents

7.2.1 - In a public session, to be held at Ave. Pasteur 404, Annex Bldg, at 3:00 p.m. of the twenty eighth of January, 1975, the Judgement Committee shall invite the interested parties to hand over their envelopes containing the Request for Qualification (item 3.1.2), the Proposal (item 3.1.b) and the Voucher of pledge (3.1.c); the documents are not handed over to the President of the Committee up to 3:30 p.m. of that same day, shall not be accepted.

7.2.2. - The public session foreseen in item 7.2.1, will be held according to the following conditions:

a) The Committee will meet at 3:00 p.m., when the doors of the meeting room shall be opened only to the representatives of the bidders, therefore, entering exclusively 3(three) envelopes mentioned in item 3.2, which shall be laid on the table; at this stage of the meeting the presence of only one representative of the bidder shall be accepted and he will not be allowed to leave the meeting room until the time set for receiving the documents, up to 3:30 p.m. is expired.

b) The time for receiving the documents having expired, the doors of the meeting room shall be opened to the public and to other representatives of the bidders, eventually present.

7.2.3. - The Judgement Committee, after checking the formal regularity of the pledges, will open the envelopes containing the respective Requests for Qualification and will disclose the names of the bidders. The envelopes containing the tenders shall remain close.

7.2.4. - The Judgement Committee shall enable the representatives of the bidding companies to sign the envelopes containing the proposals of the others.

7.3 - Examination and Judgement

7.3.1 - During the examination of the Requests for Qualification the Committee may ask the interested parties for additional information.

7.3.2 - The Judgement Committee shall jointly examine all of the Requests for Qualification, separating the bidders into two groups: qualified and non qualified.

7.3.3 - In a following procedure, the Judgement Committee shall disclose the result of the exam for qualification in a public session at time and place foreseen in item 7.2.1 to which the representatives of the bidders shall be invited, with an advance of five days.

7.3.4 - The Judgement Committee shall return to the authorized representatives, the non qualified tenders by means of a receipt, in closed and sealed envelopes, containing their respective proposals. The authorized representatives being absent, these envelopes shall be burned at the end of this meeting.

7.3.5 - At the same session, mentioned in 7.3.3, the Committee will open the envelopes containing the tenders of the "qualified" bidders, after the Committee and the representatives of bidders present at that time, having checked that they are intact.

7.3.6 - The Committee shall check the existence of the three "parts" that will comprise every Proposal and the Committee's Secretary shall read the content of the third part, keeping the first and the second parts for further exam and analysis.

7.3.7 - Following, the Committee shall enable the representatives who are present to consult the originals of the third parts of the others' Proposals and shall invite them to authenticate those documents with their signatures, closing the session after writing the records of the proceedings.

7.3.8 - The Judgement Committee shall jointly examine all of the Proposal of the qualified bidders, disclosing as a result,

the order of classification of the bidders in a public session called according to the conditions mentioned in item 7.3.3.

7.4 - Acquittance of the pledge

7.4.1 - The pledges relative to the non qualified proposals shall be acquitted within three working days to follow the public session mentioned in item 7.3.3.

7.4.2 - The pledges of the other bidders shall be acquitted according to what is disposed in item 8.5.

8. EXECUTION OF THE CONTRACT PROMISSING ASSIGNMENT OF THE RIGHTS

8.1 - At the end of the bids judgement CPRM shall call, by means of a written notification, the bidder qualified in the first position, being it one company or a group of companies, to present the documents needed for the execution of the Contract Promissing to Assign the Rights to the results of the research, dealt with in this Notice at the maximum time of 60 (sixty) days, following the procedures specified below and the conditions stated in Annexes C and D of this Notice.

8.2 - From the date of the presentation of the Proposal to that of the signature of the Contract Promissing to Assign Rights, the bidder or the bidders who have presented a joint proposal, will not be allowed to modify its (their) respective social contract, except with CPRM's agreement.

8.3 - After receiving and accepting the documents referred to in item 8.1 the bidder or bidders who have presented a joint proposal shall be notified to attend to CPRM at a maximum time of 5 (five) days through their legal representatives, to officiate the Contract Promissing to Assign Rights.

8.4 - If the bidder or the bidders, referred to in 8.3 does not fulfill the disposed in any of the items 8.1, 8.2 and 8.3, CPRM may disqualify it (them) reverting the pledge, referred to in item 6.1, in favor of CPRM, which, will then convoke the bidder placed in the second position and then on, successively up to the bidder ranking in the last position.

8.5 - The pledges of the bidders shall be acquitted within 3 (three) working days after the signature of the Contract Promissing to Assign Rights, under what is mentioned in item 8.4.

9. OFFICIATION OF THE CONTRACT PROMISSING TO ASSIGN RIGHTS

9.1 - At the maximum time of 120 (one hundred twenty) days from the date of the officiation of the Contract Promissing to Assign Rights the Promissory Assignee shall present to CPRM the document needed for the officiation of the Contract Promissing to Assign Rights, according to the conditions of Annex "E".

9.2 - In any event, within the term above specified the Promissory Assignee (s) shall effect the changes deemed needed in its (their) Statutes or Social Contracts, for all or one of them, to conform to the requirements of the present Notice, or the constitution of a new company, with the same purpose. The indication of the company, from here on designated COMPANY will be made by a letter signed by the legal representative(s) of the Promissory Assignee (s).

9.3 - After receiving and accepting the documents referred to in items 9.1 and 9.2 by CPRM, the COMPANY shall be notified in writing to attend to CPRM at the maximum time of 10 (ten) days through its legal representatives to officiate the Contract Promissing to Assign Rights, in the conditions of the Annex "E".

9.4 - If the Promissory Assignee (s) does not fulfill the disposed in any of the items 9.1 to 9.3, CPRM may declare void the Contract Promissing to Assign Rights, reverting in its favor, the part representing the basic price paid at the officiation of the Contract Promissing to Assign Rights.

10. COUNTERPROPOSAL

10.1 - The bidders will be allowed to present one counterproposal distinct from the minimum conditions established in the previous items of this Notice and in the Annexes.

10.2 - Each bidder may present a proposal or a counterproposal; the counterproposal may contain more than one alternative.

10.3 - The counterproposal will be included in a closed envelope with appropriate headings, observing what is disposed in item 3.2; this envelope will be included, into the envelope referred to the documents of item 3.1.b.

10.4 - The envelopes of counterproposals will only be opened in case none of the Proposals presented by the "qualified" bidders satisfy the conditions of the present Notice.

Yvan Barreto de Carvalho
President

A N N E X "A"

DOCUMENTS FOR THE REQUEST FOR QUALIFICATION

A.1 - General Provisions

A.1.1 - Introduction

- a) The company shall present the information and documents indicated in items A.1.2 to A.1.7, duly signed by its legal representative (s);
- b) The documents marked "M" shall be submitted by Mining Companies as such defined in the chapter VII of the Brazilian Mining code;
- c) The documents marked "G" shall be submitted by the other companies, which are established in Brazil and by foreign companies, authorized to operate in Brazil; and
- d) The documents marked "E" shall be submitted by foreign companies not authorized to operate in Brazil.

A.1.2- Legal Characterization

- a) Name and legal form of the bidding company (M-G-E)
- b) Seat and forum (M-G-E)
- c) Branches and offices in the country (M-G)
- d) Address for correspondence related to the present Notice (M-G-E);
- e) date of publication in the "Diário Oficial da União", of the authorization to operate as a Mining Company, in the present form (M);
- f) Firms it succeeded to, if this the case (M-G-E);
- g) social objectives according to statutes or social contracts (M-G-E);



- h) term of duration of the company, according to the statutes or the social contract (M-G-E);
- i) subscribed social capital and outstanding amount to integrate it (M-G-E);
- j) number of inscription in the Cadastro Geral de contribuintes do Ministério da Fazenda (M-G);
- k) number of inscription in the "Cadastro Fiscal" of the seat municipality (M-G);
- l) number of enrollment in the "Instituto Nacional de Previdência Social" (M-G);
- m) instrument of constitution and updated statutes or social contract (E);
- n) certificate of legal existence in the country of origin (E);
- o) certificate of inexistence of requirements to be met, issued by Departamento Nacional da Produção Mineral, for the current year, regarding the obligations of the company as a Mining Company, titleholder of Prospection Permit (s) , Concession (s) of Exploitation and of Manifest (s) that it retains, or, if such requirements exist, a complete statement about the reason for their existence (M).

A.1.3- Owners of the Company

A.1.3.1 - A list of shareholders or partners who individually or jointly control the majority of the social voting capital , indicating for each one the name, nationality, residence , number of voting shares or of part of the capital. If any of these shareholders or partners is a legal entity, give the amount and formation of its capital, and other precedent information even if relative to individuals as well as other elements necessary to characterize it (M-G-E)

A.1.3.2 - Number of ordinary shares, nominative shares and those issued to the bearer; number of voting preferential



shares, nominative and issued to the bearer; number of non-voting preferential shares. If it is a company for quotas, inform about those with no rights. (M-G)

A.1.3.3 - Other pertinent information (M-G-E)

A.1.4- Managerial capacity

A.1.4.1 - Brief description and comments on the evolution of the company (M-G-E).

A.1.4.2 - List of directors, managing partners and other executives, indicating the positions held by them and the termination of their mandates (M-G)

A.1.4.3 - Other information that enables to evaluate the managerial capacity of the company and of their directors - (M-G-E).

A.1.5- Financial capacity

A.1.5.1 - Balance, demonstration of results and demonstration of the operational and of the total incomes, relative to the last three years (M-G-E).

A.1.5.2 - List of bank and commercial references of the company and its directors and managers and, according to the case, of its owners. (M-G-E)

A.1.5.3 - Certificate of soundness and financial capacity with specific reference to the present Notice issued by a banking organization (M-G-E).

A.1.5.4 - Certificate of Non-Debtor delivered by the "Cartório de Distribuição de Títulos para Protesto" of the seat district. (M-G)



A.1.5.6 - Other information that enables to evaluate the ability and financial capacity of the company (M-G-E).

A.1.6- Technical capacity

A.1.6.1 - Brief "Curriculum Vitae" of the main technicians of graduate level indicating the nature of their link with the company. (M-G-E)

A.1.6.2 - Experience in extraction and utilization of clays , with information that enables to evaluate the company's own experience, especially relative to the main deposits presently exploited by the company, notably those of clays. (M-G-E); or

A.1.6.3 - Designation of company or companies one or more of which will furnish know-how relative to the extraction , and beneficiation of clays, including studies of economic and technical feasibility, projects in general, technical assistance, etc ... (M-G-E)

A.1.7- Capacity of Commercialization

A.1.7.1 - Experience, position or capacity to commercialize the production in the internal and external markets (M-G-E).

A.1.7.2 - Experience and/or position in the commercialization of mineral goods and ores in the international market (M-G-E).

A.2 - SPECIAL PROVISIONS

A.2.1- If the company is a subsidiary of another or in any way controlled by another the information of items A.1.4 , A.1.5, A.1.6 and A.1.7. shall also be given for the latter.



A.2.2- If the company should suggest that its ability and managerial, financial, technical and/or commercial capacity be evaluated on the basis of the firm to which it is associated or united or controlled in the same financial group, the information on items A.1.4, A.1.5, A.1.6 and A.1.6 and A.1.7 shall be given in whichever compatible form also - for the latter.

A.2.3- In case of Request for Qualification formulated by a group of companies, the elements dealt with in the present Annex "A" shall be furnished concerning each one of the bidding companies.

A N N E X "B"

DOCUMENTS WHICH INTEGRATE THE PROPOSAL

B.1 - Part I of the Proposal - Structure of the Mining Company

B.1.1 - The first part of the Proposal shall deal with the structure of the corporation which, as a Mining Company will effect the exploitation and utilization of the mineral substances, providing there is a company for this specific purpose or as a result of modification of the Social Contract of one of the companies which submitted a joint proposal.

B.1.2 - The first Part of the Proposal shall include:

B.1.2.1 - Draft of the statutes of the Company.

B.1.2.2 - Identification of the main shareholders and percentage of their participation in the form of voting and non-voting shares, not being allowed future participation of CPRM and in a such manner that the majority of voting shares are owned by the bidder ranking first or by the company being convoked in case of item 8.4, either one company or a group of companies; in this last case, the majority referred to shall be divided among the companies which form the group in the proportion referred to, in item 4.3.1.b.

B.1.2.3 - Demonstration of the sources of funds to integrate the social capital of the company.



CPRM

B.2

B.1.2.4 - Demonstration of sufficiency of the projected social capital and of the sources of other planned resources for the fulfillment of the social objective of the Company.

B.2 - Part II of the proposal - Preliminary plan of the economic utilization of the deposit

B.2.1 - The second part of the proposal will essentially deal with basic questions involving the exploitation of the deposits aiming at different technological uses of kaolin, indicating adequate solutions for each specific case.

B.2.2 - This item shall include a summary of the preliminary plan for the exploitation of the deposit, considering the geologic characteristics, the geographic situation, the form, dimension, position and mining relation; and the preliminary plan of the implantation works of the mine and of the surface facilities, including a schematic flux of the beneficiation and transport facilities.

B.2.3 - Forecast and projection of the volume to be annually produced in the 10 (ten) first years of operational activity, discriminating the entries meant to supply the internal market and for export.

B.3 - Part III of the proposal - Tender for acquisition of the results of the research

B.3.1 - The third part of the proposal will deal with the price and minimum production to be guaranteed by the company.

B.3.2 - The price to be proposed will be composed of a basic part and a variable part, the latter including a minimum royalty and an additional royalty incident upon the sales prices of all kaolin extracted from the mine, according to specifications in items B.3.4 and B.3.5, combined with item E.5.4.

B.3.3 - The basic part of the price may be composed of one of the following alternatives, considered to be equivalent hereby for CPRM.

First alternative - Basic price composed of two parcels, being:

- The first, paid in the act of the signature of the Contract Promising to Assign Rights, of Cr\$ 2,000,000.00 (two million cruzeiros).

- The second, of Cr\$ 11,000,000.00 (eleven million cruzeiros) to be paid in the act of officiation of the Contract to Assign Rights.

Second alternative - Basic price composed of five parcels, being:

- The first paid in the act of signature of the Contract Promising to Assign Rights, of 2\$ 2,000,000.00 (two million cruzeiros).

- The second, third, fourth and fifth of Cr\$ 3,621,574.00 (three million, six hundred and twenty one thousand, five hundred and seventy four cruzeiros) augmented by the monetary correction, due in successive years, counted from the date of the signature of the Contract to Assign Rights; the monetary correction will be effected proportionately with the adjustable bonds of the Brazilian treasury (ORTN) from the date of the signature of the Contract to Assign Rights.

B.3.4 - The minimum royalty to be proposed is 3% (three per cent).



B.3.5 - The additional royalty, if proposed by the bidder will be expressed in fraction not below 0.1% (zero point one per cent).

B.3.6 - The minimum production, to be guaranteed by the company in the conditions stated in Annex "E" and which will be registered in item E.3.2 of the referred Annex, will be relative to the production for the internal markets, separately for the types of kaolin for use as "filler" and as "coating" and will be proposed in the forms of the following subitems.

B.3.6.1 - The proposal for minimum production will be confirmed in a table equal to that shown below, wherein terms, in months, are counted from the date of officiation of the Contract of Promise to Remise Rights and the amounts, in metric tons.

TERMS	INTERNAL MARKET		EXTERNAL MARKET		MINIMUM PRODUCTION PER PERIOD	
	Filler	Coating	Filler	Coating	Filler	Coating
Months						
From 43rd to 54th						
55th to 66th						
67th to 78th						
and then on successively for each 12 months until completion of 10 years, from the effective beginning of production						



B.5

B.3.6.2 - The proposal referred to in item B.3.6, will be made to assure at least, a minimum production, during the period of 10 (ten) years, counted from the effective beginning of production, of a total 1,200,000 (one million two hundred thousand) metric tons of dressed kaolin.



A N N E X " C "

DOCUMENTS FOR THE OFFICIATION OF THE CONTRACTS

C.1 - DOCUMENTS FOR THE OFFICIATION OF THE CONTRACT
PROMISSING TO ASSIGN RIGHTS

C.1.1 - Introduction

- a) in the following series, the same symbols of item A.1.1 are employed
- b) the documents may be presented in authenticated copies
- c) in case of the proposal formulated by a group of companies, the documents shall be furnished for each one of them; and
- d) the foreign legal entities not authorized to operate in Brazil will confirm their personalities with legal and translated documents.

C.1.2 - Documents relative to the Granted Promissory Assignee
(item D.1.b)

- a) Records of the proceeding of Constitution (page of the Diário Oficial) and certificate of filing with the Registro do Comércio (page of the Diário Oficial); or Social Contract or Term of Initial Constitution filed in the Registro do Comércio(M - G);
- b) Records of the proceedings of the General Extraordinary Meeting which modified the statutes (page of the Diário Oficial), and certificate of filing in the Registro do Comércio(page of the Diário Oficial), or modification terms of the Social Contract or of the Constitution, filed with the Registro do Comércio

- cio. If there is a statutory or contractual consolidation it is not necessary to enclose modifications prior to it. (M-G);
- c) Records of the proceedings of the General Meeting in which the Current Board of Directors was elected and certificate of filing with the Registro do Comércio (page of the Diário Oficial) (M-G);
 - d) Certificate of authorization to operate as a Mining Company (page of the Diário Oficial) in the present form (M);
 - e) Certificate of non-debtor issued by the Income Tax Department (M-G);
 - f) Certificate of Regular Situation at the Instituto Nacional de Previdência Social-INPS (M-G);
 - g) Voter's card (Título de Eleitor) of the signatory showing that it was used in the last election or voucher of payment of the respective fine, or accepted justification issued by the Electoral Justice Department (M-G);
 - h) Identity Card of the signatory (es) (M-G-E);
 - i) Powers of Attorney of the signatory (es) if this is the case, with testified signatures in Notary Public Office in Rio de Janeiro (GB);
 - j) Certificate of being legally constituted in the form law of the country of origin.

C.2 - DOCUMENTS FOR THE OFFICIATION OF THE CONTRACT TO ASSIGN RIGHTS

C.2.1 - Introduction

- a) in the following series, the same symbols of item A.1.1 are employed
- b) the documents may be presented in authenticated copies
- c) in case of the proposal formulated by a group of companies, the documents shall be furnished for each one for them; and

- d) the foreign legal entities not authorized to operate in Brazil will confirm their personalities with legal and translated documents.

C.2.2. - Documents relative to the Granted Assignee (item E.1.b)

- a) Records of the Proceedings of Constitution (page of the "Diário Oficial") and certificate of filing with the Registro do Comércio (page of the "Diário Oficial");
- b) Records of the proceedings of the General Extraordinary Meeting which modified the statutes (page of the Diário Oficial), and certificate of filing in the Registro do Comércio (page of the Diário Oficial). If there is a statutory or contractual consolidation it is not necessary to enclose modification prior to it. (M-G);
- c) Records of the proceedings of the General Meeting in which the current Board of Directors was elected and certificate of filing with the Registro do Comércio (page of the Diário Oficial) (M-G);
- d) Certificate of authorization to operate as a Mining Company (page of the Diário Oficial) in the present form (M);
- e) Certificate issued by Departamento Nacional da Produção Mineral in the current year, stating that there is no requirements to be met as to the obligations derived from operating as a Mining Company or being a titleholder of Authorization (s) for Prospection, Concession(s) of Exploitation and Manifest (s);
- f) Certificate of non-debtor issued by the Income Tax Department (M-G);
- g) Certificate of Regular Situation at the Instituto Nacional de Previdência Social - INPS (M-G);

- h) Voter's card (Título de Eleitor) of the signatory showing that it was used in the last election or voucher of payment of the respective fine, or accepted justification issued by the Electoral Justice Department (M-G);
- i) Identity Card of the signatory (es) (M-G-E);
- j) Powers of Attorney of the signatory (es) if this is the case, with testified signatures in Notary Public Office in Rio de Janeiro (GB);

C.2.3 - Documents relative to the First Intervenients, legal entities (item E.1.c)

- a) Records of the proceeding of Constitution (page of the Diário Oficial) and certificate of filing with the Registro do Comércio (page of the Diário Oficial); or Social Contract or Term of Initial Constitution filed in the Registro do Comércio (M-G);
- b) Records of the proceedings of the General Extraordinary Meeting which modified the statute (page of the Diário Oficial), and certificate of filing in the Registro do Comércio (page of the Diário Oficial), or modification terms of the Social Contract or of the Constitution, filed with the Registro do Comércio. Is there is a statutory or contractual consolidation it is not necessary to enclose modifications prior to it. (M-G);
- c) Records of the proceedings of the General Meeting in which the current Board of Directors was elected and certificate of filing with the Registro do Comércio (page of the Diário Oficial) (M-G);
- d) Certificate of non-debtor issued by the Income Tax Department (M-G);
- e) Certificate of Regular Situation at the Instituto Nacional de Previdência Social - INPS (M-G);
- f) Voter's card (Título de Eleitor) of the signatory showing that it was used in the last election or voucher of payment of the respective fine, or accepted justification by the

- Electoral Justice Department (M-G);
- g) Identity card of the signatory (es) (M-G-E);
 - h) Powers of Attorney of the signatory (es) if this is the case, with testified signatures in Notary Public Office in Rio de Janeiro (GB);

C.2.4 - Documents relative to the Second Intervenients (item E.1.d)

- a) Records of the proceedings of Constitution (page of the Diário Oficial) and certificate of filing with the Registro do Comércio (page of the Diário Oficial); or Social Contract or Term of Initial Constitution filed in the Registro do Comércio (M-G);
- b) Records of the proceedings of the General Extraordinary Meeting which modified the statutes (page of the Diário Oficial), and certificate of filing in the Registro do Comércio (page of the Diário Oficial), or modification terms of the Social Contract or of the Constitution, filed with the Registro do Comércio. If there is a statutory or contractual consolidation it is not necessary to enclose modifications prior to it. (M-G);
- c) Voter's card (Título de Eleitor) of the signatory showing that it was used in the last election or voucher of payment of the respective fine, or accepted justification by the Electoral Justice Department (M-G);
- d) Identity card of the signatory (es) (M-G-E);
- e) Powers of Attorney of the signatory (es) if this is the case, with testified signatures in Notary Public Office in Rio de Janeiro (GB);

C.2.5 - Documents relative to the First Intervenients, individuals (item E.1.c)

- a) Complete name, nationality, profession, marital status and domicile, including that of the spouse;

- b) Certificate of marriage if this is the case;
- c) Certificate of the Registro de Interdições e Tutelas corresponding to the domicile;
- d) Certificate of non-debtor issued by the Income Tax Department
- e) Voter's Card (Título de Eleitor) showing that it was used in the last election or voucher of payment of the respective fine, or accepted justification issued by the Electoral Justice Department;
- f) Identity Card, including that of the spouse;
- g) Power of Attorney of the signatory if this is the case, with testified signature in Notary Public Office in Rio de Janeiro (GB).

A N N E X "D"

CONDITIONS FOR THE CONTRACT PROMISSING TO ASSIGN RIGHTS

D.1 - Celebrants

Officiating the present contract.

- a) as grantor promissory assignor the Companhia de Pesquisa de Recursos Minerais - CPRM, hereafter called CPRM;
- b) as granted promissory assignee hereafter called FIRM, the bidding Company classified in first position as determined in item 8.4, and in case of joint bid, the companies that compose the group.

D.2 - Purpose

CPRM, by this instrument and in the best form of law.

- a) promises to assign the rights to the results of the research defined in item E.2.1, observing the conditions of the present contract and of Annex "E", which, duly signed by the parties is integrate part of the present contract;
- b) entitles the FIRM to carry out additional mineral prospecting works in the areas specified in item E.2.1.

D.3 - Additional prospecting

D.3.1 - The additional mineral prospecting works which the FIRM should deem necessary, from the date of signature of the present contract to that of issuance of the Decree of Concession for Exploitation, will be carried out at the FIRM's exclusive expenses, and the respective work plan has to be submitted to CPRM.

D.3.2 - The FIRM shall allow CPRM to accompany the prospection works and will provide CPRM periodically with reports of the performed works and their results.

D.3.3 - For a period of 12 (twelve) months, from the date of the signature of the present contract, CPRM shall keep at the FIRM's disposal, without any charges for the FIRM, the samples of the drill cores collected in the prospection works already performed and all other technical data related to them.

D.3.4 - In case the FIRM is a foreign company, not allowed to operate in the country, additional prospection works will be carried out by a national mining company through an agreement to perform services, which shall contain the liabilities of item D.3.1 and D.3.2, being previously submitted to CPRM, remaining the FIRM whichever the case, responsible for the fulfillment of the said liabilities.

D.4. - Steps Towards the Officiation of the Contract for Assignment of Rights.

D.4.1 - After the signature of this Contract the FIRM shall take the necessary steps specified in item 9.2, including the attainment with DNPM for the authorization to operate as a Mining Company if this is the case, complying to the disposed in Article 80 of the Brazilian Mining Code.

D.4.2 - The participation of the Promissory Assignees and of other companies in the FIRM shall grant the assistance and know-how for the production and commercialization of kaolin, considered available and guaranteed for the undertaking, according to items A.1.6 and A.1.7.

D.4.3 - Within 120 (one hundred and twenty) days counted from the signature of the Contract, the FIRM shall deliver to CPRM, the documents needed for the officiation of the Contract for Assignment Rights, related to item C.2 duly signed by the covenant parties said documents becoming integrate parts of the present Contract.

D.5 - Price

D.5.1 - The price for the rights which are now promised to be assigned is defined in item E.5.

D.5.2 - Of the price defined in item E.5, Cr\$ 2,000,000.00 (two million cruzeiros) are received in this act, corresponding to the initial part of the basic part of the price foreseen in item E.5.2 for the same act.

D.6 - Penaltes. Annulment

D.6.1 - CPRM may nullify the present contract provided the FIRM.

- a) does not fulfill any of the requirements for time and/ or liabilities foressen in items D.4.1, D.4.2 and D.4.3, and
- b) does not fulfill the requirements of item D.3.2.

D.6.2-Occurring any of the hypothesis of item D.6.1 the following is established:

- a) the parcel of Cr\$ 2,000,000.00 (two million cruzeiros) of the basic part of the price, paid in this act and established in item D.5.2 shall revert to CPRM as a compensatory fine;and

b) CPRM disposes of the results of the research referred to in item D.3.1, as it best suits its interests, without any sort of reimbursement to the FIRM, of the effected expenses or idemnities on pretence of any reason whatsoever..

D.7 - Other Provisions

D.7.1 - (In case of a joint bid) - the companies, as Granted Promissory Assignees, hereby declare themselves jointly responsible for the fulfillment of the obligations taken over in the present contract and grant, in this act to the company ..
.....(name).....sufficient powers for the special purpose of representing the Assignees before CPRM, during the time the present contract is in force as to every thing related to it.

D.7.1 - In case the granted powers of attorney are revoked, the companies, as Granted Promissory Assignees in the same act shall designate a new representative.

D.7.2 - The transfer, to third parties, in the whole or in part, of the rights and obligations object of the present Contract depends on previous and written consent of CPRM and CPRM may deny it without justifying its decision.

D.7.3 - It is agreed that it will be considered as justifications for the non fulfillment of any of the obligations herein stated, the occurrences of unexpected cases of force majeure as defined in the law and thus characterized by doctrine and by jurisprudence.

D.7.4 - CPRM's refrain to exercise, any of its rights or prerogatives asserted in the form of the present contract, or CPRM's accordance or tolerance with delays in the fulfillment or with breach of liabilities of the FIRM will not affect those rights or prerogatives which may be exercised at any time, upon CPRM's exclusive will, nor shall exempt the intervenient Grantee(s).

D.7.5 - Except in cases explicitly foreseen in the present Contract, the time and liabilities stated herein shall be in force, regardless of any judicial or extrajudicial notices, summons or notifications.

D.7.6 - The forum of the present Contract shall be that of Brasília, DF, and CPRM holds the right for an option to that of Rio de Janeiro, GB, deciding on it upon the act signature of the Contract.

D.7.7 - In case there is a bidder classified according to disposed in items 10.1 and 10.4, the Contracts Promising to Assign Rights and of the Assignment of Rights will respect in whichever applicable form, what is determined in this notice and in its Annexes, as well as in the provisions resulting from the counterproposal of the "classified" bidder.

A N N E X "E"

CONDITIONS FOR THE CONTRACT OF ASSIGNMENT OF RIGHTS

E.1 - Contracting parties

Officiating the present contract:

- a) as Grantor Assignor, Companhia de Pesquisa de Recursos Mi
nerais - CPRM, hereafter called CPRM;
- b) as Granted Assignee, the Mining Company created according
with Annex D and item E.4, hereafter called COMPANY;
- c) as first intervenients, under CPRM's criteria, the main
shareholders of the COMPANY who retain the voting shares,
hereafter called SHAREHOLDERS;
- d) as second intervenients, granted Promissory Assignee (s),
the signatories of the Contract Promissing to Assign Rights.

E.2 - Object

E.2.1 - CPRM hereby and in the best form of law assigns and
transfers to the COMPANY, as in fact it considers assigned the
rights to the results of the prospection works carried out by
CPRM in 10 (ten) areas, of 1,000 (one thousand) hectares each,
Authorizations for Prospection of which, registered with the
Departamento Nacional da Produção Mineral - DNPM, under
numbers 812,869/71 to 812,878/71 were granted by Authoriza
tions numbered 868 to 877 of July 13, 1972, published in the
country's official bulletin, Diário Oficial da União of July
20, 1972, resulting from the approval of the due Report on
Prospection, according to proceedings of the Director General
of DNPM, published in the "Diário Oficial da União" of January
25, 1974.



E.2.2 - The rights hereby assigned are exempt from any judicial or extrajudicial charges, except those explicitly foreseen in the present contract or in the law.

E.3 - Requisites and Production

E.3.1 - At the maximum time of 180 (one hundred and eighty) days counted from the date of signature of the present Contract, the COMPANY shall request the National Department of Mineral Production - DNPM, the concession of exploitation and the registration of the present contract. After the above period of time, the respective right shall lapse (Decree- Law N. 764, of August 15, 1969, Art. 6th, paragraph 3rd).

E.3.2 - Minimum production - The COMPANY assumes the obligation of a minimum production, registered in the table below, under the column MINIMUM PRODUCTION PER PERIOD, wherein terms, in months, are counted from the date of the officiation of the Contract Promissing to Assign Rights and the amounts are expressed in metric tons.

TERMS	INTERNAL MARKET		EXTERNAL MARKET		MINIMUM PRODUCTION PER PERIOD	
	Filler	Coating	Filler	Coating	Filler	Coating
From 43rd to 54th 55th to 66th 67th to 78th and then on successively for each 12 months until completion of 10 years, from the effective beginning of production						

E.3.3 - The COMPANY will provide CPRM with a copy of the "Plan for the Economic Utilization of the Deposit", immediately after its presentation to DNPM; the referred plan shall be elaborated to meet the requirements contained herein, specially those referring to the attainment of minimum production, object of item E.3.2.

E.3.3.1 - Together with the Plan referred to in item E.3.3, the COMPANY shall present to CPRM a physical chronogram corresponding to it, containing, as a unit of time, each quarter of a year, specifically indicating the works to be concluded at the end of each quarter, up to the second quarter after the projected beginning of production, as well as the percentage for the execution of current works, at the end of each quarter.

E.3.3.2 - The adequacy of the referred physical chronogram will be checked by CPRM envisaging the fulfillment by the COMPANY, of the terms foreseen in this contract, notably those of item E.3.2.

E.4 - Capital of the Company

E.4.1 - The emplacement of the SHAREHOLDERS' planned financial resources may be partially replaced by the collection of financial resources originated from fiscal incentives, that might be obtained by the COMPANY.

E.4.2 - The shares of the COMPANY may be freely negotiated, provided the legislation currently in force and the requirements of item D.4.2 are followed.

E.5 - Price



E.5.1 - By means of the assignment performed hereby the COMPANY shall pay CPRM the price specified in item E.5, composed of 2(two) parts:

- a) the basic part of the price, according to items E.5.2 and E.5.3;
- b) The variable part of the price, according to item E.5.3.

E.5.2 - First alternative - the basic part of the price is Cr\$ 13,000,000.00 (thirteen million cruzeiros) of which Cr\$ 2,000,000.00 (two million cruzeiros) are paid upon the act of signature of the Contract Promissing to Assign Rights and Cr\$ 11,000,000.00 are paid in this act (indicate the form of payment).

Second alternative - the basic part of the price is Cr\$ 16,486,296.00 (sixteen million, four hundred and eighty six thousand, two hundred and ninety six cruzeiros), of which Cr\$ 2,000,000.00 (two million cruzeiros) were paid in the act of the signature of the Contract Promissing to Assign Rights; remaining part of Cr\$ 14,486,296.00 (fourteen million, four hundred and eighty six thousand, two hundred and ninety six cruzeiros) will be paid in four installments due at and with respective values of the following table in which the interval of time the parcels are due is counted from the date of signature of this contract and the values are subject to monetary correction, according to item E.5.3.

1st parcel	Cr\$ 3,621,574.00	due in 12 months
2nd parcel	Cr\$ 3,621,574.00	due in 24 months
3rd parcel	Cr\$ 3,621,574.00	due in 36 months
4th parcel	Cr\$ 3,621,574.00	due in 48 months

E.5.3 - The monetary correction referred to in the previous item shall be proportional to the variation occurred in the adjustable bonds of the Brazilian Treasury, with monthly correction between the month of signature of this contract and the month of due payment of the parcel.

E.5.3.1 - In the lack of the monthly corrected adjustable bonds of the Brazilian Treasury and, for the purpose of setting the monetary correction "Index of wholesale prices, General Internal Availability", calculated by the Instituto Brasileiro de Economia, of the Getulio Vargas Foundation and published in the magazine "Conjuntura Econômica" (column 12) may be used, or; lacking this, another index, measuring the variation of the internal acquisition power of the national money, shall be used, by common agreement.

E.5.4 - The prices upon which a royalty charge will incur, of% (..... per cent), will be those of the sale of dressed kaolin, up to a stage enabling its use and consumption in the industry, deducting the following parcels of the respective cost:

- a) transport costs from the beneficiation plant to the destination including freight costs, loading (except at the plant itself), unloading, truckage, utilization of port and insurance;
- b) sole tax on minerals.

E.5.4.1 - For the purpose of physical control of production and of the sale price of the mineral substances to be extracted, the COMPANY will offer CPRM, extensive and unrestricted access and inspection, to documents and accounting, fiscal, commercial and statistical registrations of the company as well as to the beneficiation and exploitation facilities and to the system of transport.

E.5.4.2 - If the beneficiation or dressing procedures are performed by entities other than the COMPANY, it shall grant to CPRM, the same facility foreseen in item E.5.4.1.



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E.5.4.3 -(Not included in the Contract) - the royalty charge referred to in this item E.5.4 will be the total sum of the percentages mentioned in the PROPOSAL, according to item B.3.4 and B.3.5.

E.5.5 - The variable part of the price will be paid in monthly installments until the twentieth day of the second month to follow the sale of kaolin.

E.5.6 - If the production of the COMPANY or of the entity, referred to in item E.5.4.2 is sold, completely or partly to firm or person with whom one of them or both maintain a relationship of dependence and/or of interest, the price upon which the established percentage in E.5.4 will incur, shall be lower than the price that would be charged an independent buyer.

E.5.7 - All payments to CPRM shall be made in cruzeiros, in a nominal check, in favor of CPRM or of whom it indicates, payable at CPRM's offices in the city of Rio de Janeiro or at other locality CPRM may indicate, in a written statement.

E.5.8 - It is agreed that the price established in the present contract, includes the amount relative to the effected expenditures made with mineral prospection works in the areas of the deposits herein referred to.

E.6 - Guarantees

E.6.1 -(Only for item E.5.2 - second alternative) - to guarantee the payment of the basic part of the price, the COMPANY hands over to CPRM, upon the act of signature of the present contract, Promissory Notes issued by the COMPANY in favor of

CPRM, with the same values of the instalments specified in item E.5.2 (second alternative) signed in guarantee by the SHAREHOLDERS. These Promissory Notes shall be returned to the Company as soon as the instalments representing the basic part of the price, the monetary correction and the charges resulting and foreseen in items E.8.1 and E.8.2 are paid.

E.6.2 - The SHAREHOLDERS commit themselves as guarantors and main payers of the following sums:

- a) of the monetary correction of the parcels which comprise the basic part of the price, foreseen in item E.5.3 (only in case of the second alternative of item E.5.2);
- b) of the monetary correction, of the fines, of the interests and of the collection charges due to delay in payment of any of the parcels of the basic part of the price, foreseen in items E.8 and E.8.2 (only in the case of the second alternative of item E.5.2); and
- c) of charges and fines foreseen in item E.8.5, complemented by items E.8.1 and E.8.2.

E.6.2.1 - Once all the sums referred to in the above letters "a" and "b" are paid, CPRM shall release the SHAREHOLDERS from their guarantee specified in the above letter "c".

E.6.3 - Exclusively in case when CPRM should turn to the executive judicial procedure to receive any parcel of the variable part of the price, the fines foreseen in E.8.2, E.8.3 and or any of the charges resulting and foreseen in E.8.1, E.8.2 and E.8.4, the COMPANY herein authorizes that the legal seizure be made, as a first guarantee and with privilege over any creditor, upon part of its operational income, limited to twice the complained value of the respective judicial action.



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E.6.4 - The guarantees dealt with in item E.6.1 to E.6.3 may be replaced, at any time, totally or partly by bank security, offered by credit institution, authorized to operate in Brazil, upon CPRM's judgement.

E.7 - Refusal of Concession of Exploitation

E.7.1 - In the extraordinary case of refusal, by the Federal Government, of the mining concession in the area dealt with in item E.2, based on Art. 42 of the Brazilian Mining Code or for any other reason with legal foundings, which are independent of action or omission of the COMPANY, the present contract shall be void and nullified, and CPRM shall repay to the COMPANY, in legal and current money of the country, the parcels already paid of the basic part of the price and all expenses made by the FIRM and/or the COMPANY with the additional research work performed with addition of monetary correction, proportional to the variation occurring between the months of respective payments made by the FIRM or by the COMPANY, and the month of CPRM's reimbursement, according to the nominal value of the adjustable bonds of the Brazilian Treasury with monthly correction, observing the criteria of item E.5.3, remaining CPRM subrogated in the right to receive from the Government the corresponding indemnity.

E.8 - Penalties

E.8.1 - Monetary correction

All of the sums due or to be due to CPRM, if not paid upon the exact dates when due, or when known of, by



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notification, or foreseen in this Contract shall be increased by monetary correction proportional to the variation of the monthly corrected adjustable bond of the Brazilian treasury occurred from the mentioned dates to those of the effective payment of those sums.

E.8.2 - Moratory fine, delay interests and collection

The amounts unpaid up to their due dates for payment will be increased by:

a) delay interest of 10% (ten per cent) of the sum already increased with the monetary correction foreseen in item E.8.1, except for the parcels corresponding to items E.8.4, E.8.5 and E.8.10;

b) delay interest of 1% (one per cent) from the date set for payment up to the date of effective payment, calculated for the sum already increased by the monetary correction established in item E.8.1, counted for each day;

c) besides the sums determined in item E.8.1 and in this item E.8.2, CPRM may charge the COMPANY for the expenses with collection, which should be attained through legal administrative procedures or by judicial action or by any other judicial forms, including the execution of the guarantees.

E.8.3 - Fines for Production Lower to the Annual Minimum

If the COMPANY fails to fulfill the disposed in item E.3.2, considering the accumulated production foreseen for the end of each period, CPRM may inflict upon the COMPANY at any time a fine of up to the value equal to the variable part of the price left unpaid, caused by the unattainment of minimum rates of production set in item E.3.2, for both kinds of kaolin. To calculate the value of the fine, the following will be observed:

- a) the differences between the amounts produced and contained in item E.3.2, for each type of kaolin;
- b) the weighted average, during the period, for each type of kaolin according to the conditions of items E.5.4 and E.5.6; and if there was no production, the price shall be obtained using the criteria set in item E.5.6;
- c) to the value calculated with the amounts of the above item "a." and prices of item "b", shall be added the monetary correction, proportional to the variation occurring with the adjustable bonds of the Brazilian treasury, with monthly correction between the seventh month of the respective period and the month of notification of the fine, observed the disposed in item E.5.3.1, whenever the case.

E.8.4 - CPRM having found at any time that the Company paid any parcel of the variable part of the price with a lower value to that resulted from the conditions of items E.5.4 and E.5.6, the Company shall have to pay missing difference increased with monetary correction proportional to the variation occurring with the monthly corrected adjustable bonds of the Brazilian treasury, from the month in which the difference should be paid to the month of effective payment, increased of a 10% (ten percent) fine and of 1% (one percent) monthly interests, counted each day, between the dates previously mentioned, both calculated from the sum of the differences cited with the respective monetary correction foreseen in this item.

E.8.5 - CPRM may nullify the present Contract without payment of any indemnity or reimbursement of any kind to the Company of the paid parcels, whether referred to the basic part or to the variable part of the price and the COMPANY shall commit itself to pay immediately and antecipatedly as as a fine, the balance of the basic part of the price and the amount of

Cr\$ 1,300,000.00 (one million, three hundred thousand cruzei ros), with the corresponding monetary correction counted, from the date of signature of the present Contract in the form established in item E.5.3, provided:

- a) the COMPANY fails to fulfill the stated period mentioned in E.3.1;
- b) the COMPANY fails to fulfill in the due stated period, the requirements and regulations for the granting of concession in the form of law; and
- c) the COMPANY or in its absence, the SHAREHOLDERS, fail to pay in the due stated periods any of the parcels of the basic part of the price.

E.8.6 - This Contract shall also be nullified, within 10 (ten) years from the date of its signature, based on conditions of item E.8.5, provided:

- a) the COMPANY should obstruct or hamper the control foreseen in item E.5.4.1, or should it not concede the facility stated in E.5.4.2;
- b) the COMPANY should perform acts or omit itself, occasioning situation that might result in declaration of lapse of concession.
- c) the COMPANY fails to pay in the due stated periods, any of the three parcels of the variable part of the price or any three fines that may have been inflicted upon the COMPANY; and
- d) the lapse of concession has been declared.

E.8.7 - Occurring the revokation of this Contract, the rights for the concession shall turn over to CPRM which may negotiate them as it best suits its interests and should CPRM consider this a convenient procedure.

E.8.8 - The Decree for the Concession of Exploitation resulting this Contract may contain the provisions relative to the liabilities assumed by the COMPANY.

E.8.9 - If to the same violation should correspond more than one penalty, CPRM may, at its exclusive will inflict in each occasion all or any of them.

E.8.10 - If the COMPANY does not present in the due stated period and in the adequate form, based on CPRM's judgement, the chronogram foreseen in item E.3.3.1, within the scope of conditions established in item E.3.3.2, CPRM may inflict at any time a fine of up to Cr\$ 250,000.00 (Two hundred and fifty thousand cruzeiros). The fine shall be paid within ten days counted from the date of receiving the respective notification.

E.9 - Declaration of Intervenients

E.9.1 - The SHAREHOLDERS hereby agree with all of the terms stated in the present Contract, being jointly responsible for the obligations assumed by themselves and resign explicitly to the benefits of order, as well as to the benefits of Art. 1503 of the Brazilian Civil Code.

E.9.2 - The second Intervenients confer to CPRM, total, general, complete and irrevokable acquittance of the obligations assumed by CPRM in the Contract Promising to Assign Rights, being void and nullified as of this date the power of attorney foreseen in item D.7.1 of that contract.

E.10 - Other Provisions

E.10.1 - All payments made to CPRM shall be effected in

cruzeiros, at its office in Rio de Janeiro, GB, by nominal check in favor of CPRM or to whom it should indicate, payable in the city of Rio de Janeiro or in any other which CPRM may indicate in a written statement.

E.10.2 - Up to the complete payment of the basic part of the price and its accessories, the transfer, to third parties, totally or partly, of the rights and obligations of the present Contract depends upon previous and express consent of CPRM, that may deny it.

E.10.3 - It is agreed that it will be considered as justifications for the non fulfillment of any of the specified liabilities in the present contract the occurrences of unexpected case of force majeure as such defined by law and thus characterized by doctrine and by jurisprudence.

E.10.4 - CPRM's refrain to exercise, any of its rights or prerogatives asserted in the form of the present contract, or CPRM's accordance or tolerance with delays in the fulfillment or with breach of liabilities of the FIRM will not affect those rights or prerogatives which may be exercised at any time, upon CPRM's exclusive will, nor shall exempt the SHAREHOLDERS.

E.10.5 - Except in cases explicitly foreseen in the present Contract, the time and liabilities stated shall be in force, regardless of any judicial or extrajudicial notices, summons or notifications.

E.10.6 - The forum of the present Contract shall be that of Brasília, DF, and CPRM holds the right for an option to that of Rio de Janeiro, GB, deciding on it upon the act of signature of the Contract.



E-14.

E.10.7 - The contract for Assignment of Rights resulting from the counterproposal according with items 10.1 and 10.4, shall follow, in whichever applicable form, the conditions of the present Notice and its Annexes as well as the provisions resulting from the counterproposal submitted by the "classified" bidder.