



NOTICE N. 1/71

PUBLIC BID OF THE RESULTS OF THE RESEARCH CARRIED OUT

AT CARMOPOLIS AND SURROUNDING MUNICIPALITIES,

IN THE STATE OF SERGIPE,

BRAZIL

RLI 0768



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1 - INTRODUCTION

"Companhia de Pesquisa de Recursos Minerais - CPRM", complying with the provisions of Decree N. 66.455 (Apr. 15, 1970), will publish this Notice of tender of the rights and all other results of the research carried out at Carmopolis and surrounding municipalities, State of Sergipe, Brazil, in the area mentioned by Decree N. 61.157 (Aug. 16, 1967), rights which have been incorporated in its assets by the Extraordinary General Meeting of Dec. 23, 1970 ("Diário Oficial da União", Jan. 14, 1971, pages 350/1, and Feb. 2, 1971, page 1.271).

The mentioned research revealed important deposits of potassium and magnesium salts: 450 million tons of silvinité, 6,060 million tons of carnallite, 4,000 million tons of tachydrite, 525 million tons of halite and 10 million tons of bromine in the tachydrite.

The area where the lodes are located enjoys fiscal incentives and capitalization facilities related to the Superintendence of the North-East Development ("Superintendência do Nordeste - SUDENE"), in accordance with Law N. 3,995 (Dec. 12, 1961), Law N. 4,239 (June 27, 1963) and complementary legislation. Another fiscal incentive is the right to deduct the exhaust quota, equivalent to 20% of the gross earnings yielded during the first 10 years of exploitation of the deposit (Decree-Law N. 1,096 of March 23, 1970).



The Company which will exploit the deposits shall count on a Brazilian participation of not less than 51% of the voting social capital, including a participation of Petroquisa - Petrobrás Química S.A. of not less than 26% of the voting social capital.

The public tender will be held in two stages: the first of pre-qualification of the interested parties; the second of presentation of the proposals themselves.

The present Notice consists of six items (numbered 1 to 6) and five Annexes (designed by A to E).

2 - INFORMATION TO THE INTERESTED PARTIES

CPRM shall supply to the interested parties all information requested, allowing them to prepare the documentation for the pre-qualification and, later on, to formulate the proposal for this tender.

The interested parties may acquire the set of volumes that compose the Research Report (called Potassium Project Report) which contains the principal data referring to the research work effected in the area defined by the tender. The volumes can be obtained from the Financial Department ("Tesouraria Geral") of CPRM (Ave. Pasteur 404, 4th floor of the Annex Bldg.) between 8h30' and 12h30' or from 1h30'p.m. and 5h30'p.m., at the price of seven thousand cruzeiros (Cr\$7,000.00) per set, which is the cost of its graphic reproduction.

Through written request addressed to the Operations Department of CPRM at the above address, the purchasers of the Report shall have access



to the CPRM installations in Aracaju, State of Sergipe, where are found the evidence of the soundings and other elements connected with the mentioned research works.

Additional elucidation on this Notice shall be requested from the mentioned CPRM Operations Department.

3 - JUDGEMENT COMMITTEE

The bid of this Notice will be judged, in all its phases, by a Judgement Committee composed of three members appointed by CPRM.

The actions and decisions adopted at the public meetings and the communications thereat made will be recorded in proceedings, signed by the members of the Committee and by any interested bystander who wishes to do it.

The judgement will obey the standard criteria of the Committee which is not bound to give any explanation or justification of its decisions to the interested parties and may also annul the bid without a right to any claim by the bidders.

4 - PRE-QUALIFICATION

The first stage of the public tender will be the pre-qualification of the interested parties based on their adequacy to the nature and magnitude of the enterprise, having in view the legal, economic, financial, technical and managerial aspects.

A basic element for the examination of the technical capacity will be the evidence of specific experience and know-how in works of development, working and economic utilization of deposits of evaporites on a scale compatible with that of the deposits of the present tender.

4.1 - Presentation of the bid

- 4.1.1 - The presentation for pre-qualification shall be formulated by a Mining Enterprise, such as defined in Chapter VII of the Mining Code (Decree-law N. 227, of Feb. 28, 1967) or by a group of enterprises intending to associate, one of them, at least, being a Mining Enterprise. In this case, the Mining Enterprise - or one of the Mining Enterprises belonging to the group - shall represent all them, which will be jointly responsible to CPRM for everything related to the bid dealt with in this Notice.
- 4.1.2 - The request of pre-qualification shall contain, in duplicate:
- a) A pre-qualification letter, containing the name of the interested enterprise(s), the explicit declaration of acceptance of the conditions of this Notice, including the basic points established by Petroquisa as per Annex "E", and the signature of the legal representative(s) of the enterprise(s). In case of joint bid, the letter shall contain also the indication of the Mining Enterprise that will represent all the others during the bid;
 - b) The documents in connection with Annex "A" of this Notice.
- 4.1.3 - Petroquisa will neither sign a request of pre-qualification nor present the corresponding documents.
- 4.1.4 - The letter and the documents mentioned in item 4.1.2 shall be written in plain language and typed without amendments, interlineations, erasures or additions. The language shall be Portu

guese, though drawings and technical documents may be submitted in English.

- 4.1.5 - The pre-qualification letter shall be presented in a wrapping sealed with sealing wax and initialed by the bidder with the following indication:

"To

Companhia de Pesquisa de Recursos Minerais - CPRM

Ave. Pasteur 404, Anexo - 4º pav.

RIO DE JANEIRO, GB - BRAZIL

Ref.: Edital N. 1/71 - Solicitação de pré-qualificação

Solicitante: (Put here the full name of the bidder)

- 4.1.6 - The wrapping containing the pre-qualification letter will be received at the Register and Archive Sector at the above address not later than four-o'-clock p. m. of August 2, 1971.

- 4.1.7 - On the same day (the second of August nineteen hundred and seventy one) at half past four p. m., the Judgement Committee, at a public meeting, will open the wrappings and make known the names of the bidders.

4.2 - Judgement

- 4.2.1 - During the examination of the pre-qualification letters, the Judgement Committee may ask the interested parties for additional information.
- 4.2.2 - Up to August 16, 1971, the Judgement Committee will convey to the bidders, in writing, a list of the pre-qualified enterprises, inviting them to present their bids.

5 - BIDS. JUDGEMENT

The bid itself will consist of the receipt, examination and judgement of the proposals which shall cover the structure of the enterprise that will exploit the deposits, the plans of development, working and utilization, and the amount offered for the purchase of the results of the research.

The comparative examination of the proposals will cover: the legal, economic and financial aspects of the structuration project of the new enterprise, inclusive of the percentage of the participation in the shares and the steps of the capital subscription and integration; the economic and technical aspects of the development, working and utilization plans of the deposits; the amount and terms of payment of the bid submitted.

5.1 - Presentation of the bids

- 5.1.1 - The pre-qualified enterprises may present bids for the purchase of the rights and all other results referred to in this Notice. In case of joint pre-qualification of enterprises which intend to associate, their bid shall be submitted jointly.
- 5.1.2 - Each bid shall consists of three parts, namely:
- Part I - Structure of the new enterprise.
 - Part II - Development, working and utilization plans.
 - Part III - Offer for the acquisition of the results.
- 5.1.3 - a) A letter introducing Part I, with the name of the bidder(s); the explicit declaration of acceptance of the conditions of this Notice, inclusive of the basic points established by Petroquisa as per Annex "E"; and the signature of the legal representative(s) of the enterprise(s). In case of a joint

bid, the letter shall contain, also, the declaration of the joint responsibility of the bidders for everything related to the tender which is the object of this Notice, and the indication of the Mining Enterprise which will represent all the others;

b) The documents listed in item 1 of Annex "B" of this Notice.

5.1.4 - The second part of the proposal shall contain, in duplicate:

a) A letter introducing Part II, with the name of the bidder(s) and the signature of the respective legal representative(s);

b) The documents listed in item 2 of Annex "B" of this Notice.

5.1.5 - The third part of the proposal shall contain, in duplicate:

a letter with the name of the bidder(s); the offer of an overprice as referred to in item 3 of Annex "B" of this Notice; and the signature of the respective legal representative(s).

5.1.6 - The letters and the documents mentioned in items 5.1.3, 5.1.4 and 5.1.5 shall be written in plain language and typed without amendments, erasures, interlineations or additions. The language shall be Portuguese, though the drawings and technical documents may be presented in English.

5.1.7 - Petroquisa will neither sign the letters which integrate the three parts of the proposal, nor the corresponding documents.

5.1.8 - Each of the 3 parts which integrate the proposal shall be delivered in a separate wrapping sealed with sealing wax and initialed by the bidder with the following indication:

"To

Companhia de Pesquisa de Recursos Minerais - CPRM

Ave. Pasteur 404, Anexo - 4º pav.

RIO DE JANEIRO, GB - BRAZIL

Ref.: Edital N. 1/71 - Parte (put here I or II or III)

Proponente: (Put here the name of the bidder)

- 5.1.9 - Up to three-o'-clock p.m. of the thirtieth of November nineteen hundred and seventy one, the bidders shall deposit with the Financial Department ("Tesouraria Geral") of CPRM the pledge of one hundred thousand cruzeiros (Cr\$100,000.00) to guarantee the signature of the contract. In case of a joint bid, the deposit shall be made by the Mining Enterprise that represents the group.
- 5.1.10 - The pledge mentioned in the above item may be represented by:
- a) A nominative check payable to "Companhia de Pesquisa de Recursos Minerais - CPRM" in cruzeiros in Rio de Janeiro (GB), in the form of a certified check issued by the interested party or by a bank.
 - b) Adjustable Bonds of the Brazilian Treasury, considered at their nominal value in the month of the deposit, or Promissory Notes of the Brazilian Treasury, at their nominal redemption value, the nominative bonds to be endorsed to "Companhia de Pesquisa de Recursos Minerais - CPRM", with the signature of the endorser testified by a financial institution.
- 5.1.11 - The three wrappings shall be remitted to the Judgement Committee, at the above address, between three p.m. and four p.m.

of the thirtieth of November 1971, by a representative of the bidder duly accredited.

- 5.1.12 - At four p.m. of the same day, the Judgement Committee will open all the wrappings corresponding to the 1st part and will allow the representatives of the bidders to initial the contents of the 1st part, as well as the wrappings corresponding to the 2nd and 3rd parts, which shall remain sealed.

5.2 - Judgement of Part I

- 5.2.1 - The 1st part of the proposal - "Structure of the new enterprise" - shall be examined and judged in order to separate the proposals in two groups: - "qualified" and "non-qualified" -, without any classification.
- 5.2.2 - Within fifteen days, the Judgement Committee shall hold a public meeting to announce the result of the judgement of the 1st part of the bid, at the presence of the invited bidders.
- 5.2.3 - At this meeting, the Judgement Committee will return the sealed wrappings corresponding to the 2nd and 3rd parts of the non-qualified proposals, open the wrappings corresponding to the 2nd and 3rd parts of the qualified proposals, and allow the representatives of the qualified bidders to initial the contents of the 2nd part.
- 5.2.4 - The pledge relative to the non-qualified proposals will be returned on the following day.

5.3 - Judgement of Part II

- 5.3.1 - The 2nd part of the qualified proposals - "Development, working and utilization plans" - shall be examined and judged in order to separate the proposals in two groups: - "approved" and "non-approved", without any classification.
- 5.3.2 - Within thirty days, the Judgement Committee shall hold a public meeting to announce the result of the judgement of the 2nd part of the bid, at the presence of the bidders qualified in the judgement of the 1st part, duly invited.
- 5.3.3 - At this meeting, the Judgement Committee will return the sealed wrappings corresponding to the 3rd part of the non-approved proposals, open the wrappings corresponding to the 3rd part of the approved proposals, and allow the representatives of the approved bidders to initial the contents of the 3rd part.
- 5.3.4 - The pledge relative to the non-approved proposals will be returned on the following day.

5.4 - Judgement of Part III

- 5.4.1 - The 3rd part of the proposal - "Offer for the purchase of the results" - shall be examined and judged in combination with the 1st and 2nd parts in order to separate the proposals in two groups: - "non-classified" and "classified" -, with the relative position of the latter.
- 5.4.2 - Within fifteen days, the Judgement Committee shall hold a public closing meeting at which it will announce the result of the final judgement of the proposal, at the presence of the bidders approved in the judgement of the 2nd stage, duly invited.

- 5.4.3 - The pledge relative to the non-classified proposals and to the proposals classified after the 3rd place will be returned on the following day.

6 - EXECUTION OF THE CONTRACT

After the closure of the judgement of the bid, CPRM will execute, with the Mining Enterprise organized by the bidder classified in first place, the contract for the transfer of the rights and results which are the object of this Notice, in accordance with the procedures specified in the present item 6 and the conditions indicated in Annex "D" of this Notice.

- 6.1 - Within fifteen days after being notified of the result of the final judgement, the bidder classified in first place shall deliver to "Departamento Nacional da Produção Mineral" and afterwards to "Registro do Comércio", the acts connected with the organization or alteration of the company which will work the deposits, characterized as a Mining Enterprise (Chapter VII of the Mining Code), and subsequently, shall provide the regularization of same in the pertinent federal, state and municipal departments.
- 6.2 - Within thirty days after being notified, the Mining Enterprise shall remit to CPRM the documents required for the execution of the contract, as per Annex "C" of this Notice.
- 6.3 - Within five days after the delivery of the documents mentioned in item 6.2, the Mining Enterprise will be invited to appear at CPRM during the next ten days, through its legal representatives, to execute the contract for the transfer of the rights and results which are the object of this Notice.



- 6.4 - If the bidder classified in first place fails to comply with the term foreseen in item 6.1, or does not do its best, by all adequate means, to regularize the Mining Enterprise at the pertinent departments, or, if it fails to fulfil, in due time, the requirements of such departments, and if the Mining Enterprise fails to comply with the provisions of items 6.2 and 6.3, CPRM may reject it, in which case the pledge referred to in item 5.1.9 will revert to CPRM which afterwards shall summon successively the bidders classified in second and third places.
- 6.5 - On the same day of the signature of the contract for the transfer of the results which are the object of this Notice, the pledge mentioned in item 5.1.9 will be returned to the bidders classified in first, second and third places, provided that item 6.4 is complied with.

RONALDO MOREIRA DA ROCHA
President

ANNEX "A"

DOCUMENTS FOR THE
REQUEST OF PRE-QUALIFICATION

1 - GENERAL LIST

- The documents marked "M" shall be submitted by the Mining Enterprises as defined in Chapter VII of the Mining Code.
- The documents marked "G" shall be submitted by all the other Enterprises with a seat in Brazil and by the foreign enterprises authorized to operate in Brazil.
- The documents marked "E" shall be submitted by the foreign Enterprises not yet authorized to operate in Brazil.

1.1 - Legal Characterization

- Name and legal form of the bidding Enterprise (M-G-E).
- Seat and forum (M-G-E).
- Branches and offices in the country (M-G).
- Address for correspondence related to the present tender (M-G-E).
- Date of the publication in the "Diário Oficial da União", of the authorization to operate as a Mining Enterprise, in the present form (M).
- Firms it succeeded to, if this is the case (M-G-E).
- Social objectives as per the by-laws or the social contract (M-G-E).
- Term of duration of the Enterprise as per the by-laws or the social contract (M-G-E).

- Subscribed social capital and outstanding amount to integrate it (M-G-E).
- N. of inscription in the "Cadastro Geral de Contribuintes do Ministério da Fazenda" (M-G).
- N. of inscription in the "Cadastro Fiscal" of the seat municipality (M-G).
- N. of Enrolment in the "Instituto Nacional de Previdência Social - INPS" (M-G).
- Instrument of organization and by-laws or social contract (E).
- Certificate of legal existence in the country of origin (E).

1.2 - Owners of the Enterprise

- 1.2.1 - List of the shareholders or partners which individually or jointly possess the majority of the voting social capital, indicating, for all them, the name, nationality, number of voting shares or of parts of the capital. If any of these shareholders or partners is a corporate body, 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).
- 1.2.2 - Number of ordinary shares - nominative and to the bearer; number of non-voting preference shares (M-G).
- 1.2.3 - Other pertinent information (M-G):

1.3 - Managerial Capacity

- 1.3.1 - Brief description and comments on the evolution of the Enterprise (M-G-E).
- 1.3.2 - List of directors, managing-partners and all other executives,

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- indicating the positions held by them and the termination of their mandates (M-G).
- 1.3.3 - Other pertinent information (M-G-E).
- 1.4 - Financial Capacity
- 1.4.1 - Balance and demonstration of results relative to the last three years (M-G-E).
- 1.4.2 - List of bank and commercial references of the Enterprise and of its directors and managers, and, according to the case, of its owners (M-G).
- 1.4.3 - Certificate of soundness and financial capacity, with specific reference to the present Notice, issued by two banking organizations having a minimum registered capital of ten million cruzeiros (Cr\$10,000,000.00) (M-G).
- 1.4.4 - Certificates of Non-Debtor delivered by the "Cartório de Distribuição de Títulos para Protesto" of the seat district (M-G).
- 1.4.5 - Certificate of the "Cartórios de Distribuição da Justiça Federal e de Distribuição das Varas Estaduais dos Feitos da Fazenda" relative to the seat district (M-G).
- 1.4.6 - Other pertinent information (M-G-E).
- 1.5 - Technical Capacity
- 1.5.1 - Brief "curriculum vitae" of the technicians of high level, indicating the nature of their link with the Enterprise (M-G-E).
- 1.5.2 - Principal deposits now being worked by the Enterprise or the working of which was closed during the last five years, especially

the deposits of evaporites, indicating for each of them:

- a) Historical summary and brief description of the mine (M-E);
 - b) Characteristics of the mineral substances produced; measured, indicated and inferred reserves (M-E);
 - c) Working method adopted (M-E);
 - d) Treatment and processing installations (M-E);
 - e) Annual data of output and distribution; average sale prices of both rough and processed produce during the last five or ten years (M-E);
 - f) Date of the "Diário Oficial" which published the Decree of mining concession, or the Manifesto, in the case of deposits located in Brazil (M);
- 1.5.3 - For each of the main Brazilian deposits now being worked, certificate issued by "Departamento Nacional da Produção Mineral" during this year, stating that the Enterprise has complied with the provisions of the Mining Code and its Regulations, regarding the Concession or Manifesto relating to the deposits (M).
- 1.5.4 - Experience with magnesium metallurgy and/or designation of the enterprise(s) with one of which the respective feasibility study will be contracted (item 2.4 of Annex "D"), adding information suitable for the evaluation of its(their) experience (M-G-E).

2 - SPECIAL PROVISIONS

- 2.1 - If the Enterprise is a subsidiary of another, the information of 1.3, 1.4 and 1.5 shall also be given to the latter, according to the case.
- 2.2 - If the Enterprise suggests that its managerial, financial and/or

technical capacity be evaluated on the basis of firms(s) associated or allied to it or controlled by the same financial group, the information of items 1.3, 1.4 and 1.5 shall be given to such firm(s) too, according to the case.

- 2.3 - If the request of pre-qualification is formulated by a group of enterprises intending to associate, the elements dealt with in the present Annex "A" shall be supplied to each of the requesting enterprises.



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ANNEX "B"

DOCUMENTS WHICH INTEGRATE THE PROPOSAL

1 - Part I of the proposal:

Structure of the new enterprise

- 1.1 - The 1st part of the proposal shall deal with the structure of the corporation which, as a Mining Enterprise, will effect the working and utilization of the mineral substances. The company shall be created especially with this objective or may result from an alteration of the bidding firm.
- 1.2 - The first part of the proposal shall include:
 - 1.2.1 - Draft of the by-laws.
 - 1.2.2 - Identification of the main shareholders and percentage of their participation, in the form of voting or non-voting shares, but the participation of CPRM cannot be foreseen.
 - 1.2.3 - Steps of social capital subscription and integralization, regardless of the resources that may accidentally be obtained through fiscal incentives.
 - 1.2.4 - Documents expressing the agreement of the main shareholders, excepting the bidding enterprise(s) and Petroquisa.
- 1.3 - The proposal shall adopt the contractual criteria set forth in item 3 of Annex "D" of this Notice.

2 - Part II of the proposal:

Development, working and utilization plans

- 2.1 - The 2nd part of the proposal shall deal with the plans, projects and programs for the development, working and utilization of the potassium salts, but plans may be presented to include also the utilization of sodium chloride.
- 2.2 - The plans shall include:
- explanatory and descriptive memorandum;
 - mining method(s) to be adopted;
 - complete project for mining by solution, including number of pits to be used, and - this being the case - installation and operation details of each pit as well as description and project of the crystallization equipment, if necessary;
 - detailed description of the precautions to be taken, and measures to be executed, to assure the safety of the mining works, having in mind the existence of gas and oil in the vicinity of the working areas;
 - lighting, ventilation, transport, signals, hygiene and safety of the work;
 - power, water supply and air conditioning installations;
 - processing of mineral substances;
 - lodging and their living conditions, for all the staff that will dwell at the works;
 - chronogram of construction, excavation and equipment of the mine;
 - financial chronogram prior to the start of the mining work, including the capital resources, other resources and disbursements;

- forecast of the quantities to be produced annually between 1975 and 1979.
- 2.3 - In what concerns magnesium and bromine, the presentation of a preliminary study of technical and economic feasibility is optional.
- 2.4 - The proposal shall follow the criteria in item 2 of Annex "D" of this Notice.

3 - Part III of the proposal:

Offer for acquisition of the results

- 3.1 - The 3rd part of the proposal shall deal with the overprice offered by the bidder to CPRM for the transfer of the results and corresponding rights which are the object of this Notice, over and above the base price, and irrespective of same, as defined in Annex "D" of this Notice.
- 3.2 - For this, the third part of the proposal shall contain:
 - the total amount of the overprice, in cruzeiros;
 - the amount and terms of the instalments into which the payment of the overprice will be divided.
- 3.3 - Optionally, a scheme of monetary correction or a schedule of the instalments amount may be presented.



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ANNEX "C"

DOCUMENTS FOR THE EXECUTION OF THE CONTRACT

- Minutes of the creation of the Enterprise (page of the "Diário Oficial") and certificate of having been filed with the "Registro do Comércio" page of the "Diário Oficial").
- Minutes of the Special General Meetings which altered the by-laws (page of the "Diário Oficial") and certificate that they have been filed with the "Registro do Comércio" (page of the "Diário Oficial"); in case of a statutory consolidation, it is not necessary to annex any alteration prior to same.
- Minutes of the General Meeting which elected the present Board of Directors, and certificate that they have been filed with the "Registro do Comércio" (page of the "Diário Oficial").
- Franchise ("Alvará") to operate as a Mining Enterprise (page of the "Diário Oficial") in the present form.
- Certificate delivered by "Departamento Nacional da Produção Mineral" in 1971, stating that no exigences were made regarding the fulfilment, by the Enterprise, of arts. 96 and 97 of the "Regulamento do Código de Mineração".
- Certificate of Non-Debtor delivered by the Income Tax Department.
- Certificate of Normal Situation delivered by "Instituto Nacional de Previdência Social - INPS".
- Voter's Card (Título de Eleitor) of the signatory (ies) showing that it was used at the last election, or with the proof of payment of the rela-



tive fine, or a justification accepted by the Electoral Tribunal, or the proof of foreign nationality.

- Identity Card ("Carteira de Identidade") of the signatory(ies).
- Powers-of-Attorney of the signatory(ies), if this is the case, with the signatures testified in a Notary Public Office in Rio (GB).

Note - With the exception of the Identity Cards, all documents may be presented in authenticated copy.



· ANNEX "D" ·

CONTRACTUAL CONDITIONS

1 - Price. Form of payment

- 1.1 - The price of acquisition of the rights and all other results which are the object of this Notice shall include the base price consisting of a fixed part (item 1.2) and a variable part (item 1.3), and an overprice (item 1.4).
- 1.2 - The fixed part of the base price will be seven million and six hundred thousand cruzeiros (Cr\$7,600,000.00), to be paid in seven instalments, with the following amounts and terms:
- 1st - Cr\$1,900,000.00 (one million nine hundred thousand cruzeiros) at the signature of the contract;
 - 2nd - Cr\$950,000.00 (nine hundred and fifty thousand cruzeiros) up to the 10th of June 1972;
 - 3rd - Cr\$950,000.00 (nine hundred and fifty thousand cruzeiros) up to the 10th of December 1972;
 - 4th - Cr\$950,000.00 (nine hundred and fifty thousand cruzeiros) up to the 10th of June 1973;
 - 5th - Cr\$950,000.00 (nine hundred and fifty thousand cruzeiros) up to the 10th of December 1973;
 - 6th - Cr\$950,000.00 (nine hundred and fifty thousand cruzeiros) up to the 10th of June 1974;
 - 7th - Cr\$950,000.00 (nine hundred and fifty thousand cruzeiros) up to the 10th of December 1974.

- 1.3 - The variable part of the base price shall be paid in forty two successive trimestrial instalments; which will be due from the thirty first of March 1975, the amount of each instalment to correspond to the product of the quantity foreseen in item 1.3.1 by the unit value foreseen in item 1.3.2.
- 1.3.1 - The quantity that will constitute the first factor of the amount of each trimestrial instalment of the variable part of the base price will be 6,250 (six thousand two hundred and fifty) metric tons, excepting the trimesters of the year 1975, for which it will be 3,125 (three thousand one hundred and twenty five) metric tons.
- 1.3.2 - The unit price which will be the second factor of the amount of each trimestrial instalment of the variable part of the base price will be the average value, in the previous trimester, of the price of the metric ton of potassium chloride, commercially known as muriate, in bulk, standard type, containing a minimum of 60% of K_2O , considering the arithmetic average of the prices f. o. b. relative to Carlsbad, New Mexico (USA) and to Saskatchewan (Canada), as published in the magazine "Engineering and Mining Journal".
- 1.3.3 - If the publication of the magazine mentioned in item 1.3.2 is discontinued or if it does not give the price under consideration, such unit price will be calculated through a criterion similar to the one adopted by the said magazine.
- 1.4 - The overprice will comply, as to its amounts and terms of payment, with what will be offered in the third part of the proposal.
- 1.5 - All payments will be made in cruzeiros, through nominative checks in the name of CPRM or of an appointee thereof, payable in the Bra

zilian town indicated by CPRM.

2 - Terms. Quantities. Technical requirements.

- 2.1 - Within 180 days after the signature of the contract, the Enterprise shall apply for the concession of the mines and the registration of the contract. After this term, the respective right will become nul and void (Decree-law N. 764 of Aug. 15, 1969, art 6, §3; Decree N. 66, 455 of Apr. 15, 1970, art. 1, "in fine").
- 2.2 - The production of potassium salts shall start on January 1, 1975, when the mines shall be equipped for a minimum annual production of 500,000 metric tons; from this date on, the annual production shall not be less than 250,000 metric tons.
- 2.3 - If the Enterprise deems it necessary to make additional researches to define the method of mining, CPRM may agree to postpone for one year the terms established in item 2.2, but this shall not affect the terms of the instalments of the variable part of the base price.
- 2.4 - Not later than Dec. 31, 1973, the Enterprise shall present a study of technical and economic feasibility of the mining and utilization of the magnesium salts and of the production of the metallic magnesium, aiming at a minimum capacity of 20,000 metric tons per annum. If the said study shows favorable conclusions, the production of metallic magnesium shall start on Jan. 1, 1977 with 10,000 metric tons, which shall be raised to 20,000 metric tons per annum from 1978 on.
- 2.5 - If the Enterprise deems it necessary to expand the works on which to base the mentioned study of technical and economic feasibility,

CPRM may allow such study to be presented up to Dec. 31, 1974, in which case all the other terms established in item 2.4 would be postponed for one year.

- 2.6 - The present specifications and rules, as well as others which may be adopted, relative to the safety of oil and gas deposits in the vicinity of the mining area, shall be complied with.
- 2.7 - In case of conflict of interest between the mining of evaporites and the mining of the oil or gas found in the area, the interests of the latter shall prevail.

3 - Capital of the Enterprise

- 3.1 - The use of their own resources foreseen by the shareholders of the Enterprise which will sign the bid may be partially substituted by the raising of funds through fiscal incentives, by the Enterprise in a limited proportion, as this shall not affect the chronogram of the beginning of the mining works.
- 3.2 - The main shareholders of the Enterprise shall commit themselves to guarantee, inclusive of by statutory provisions, the fulfilment of the requirements set forth in Annex "E" of this Notice, and the observance of the following final limits in share participation:
 - a) Brazilian participation of at least 51% of the voting social capital;
 - b) Petroquisa participation of at least 26% of the voting social capital, included in the above 51%.
- 3.3 - To the effect of item 3.2 (a), the corporate bodies regularly organized in Brazil, having here their offices and forum and their voting capital controlled by Brazilians or Brazilian corporate

bodies with the same characteristics now described, are considered as Brazilian.

4 - Guarantees

- 4.1 - At the signature of the contract, the Enterprise shall deliver to CPRM six (6) Promissory Notes issued by it as specified in item 1.2.
- 4.2 - The Enterprise shall link with the fulfilment of the contract the earnings of the mining and the rights inherent to the concession thereof.

5 - Voidance

- 5.1 - In the exceptional case of a refusal, by the Government, of the mining concession, based on art. 42 of the Mining Code, the present contract will become nul and void, independently of any notice - judicial or otherwise -; in such case, CPRM shall repay to the Enterprise, within 10 (ten) days, the instalments of the fixed part of the base price already paid by it and shall be assigned the right to claim the corresponding compensation from the Government.

6 - Default

- 6.1 - If the Enterprise, for any reason, fails to apply for the concession to work the mines within 180 days of the signature of the contract, or if it fails to comply, in the time limit provided, with the legal requirements for the granting of the concession, CPRM will consider the present contract as broken, regardless of any notice - judicial or otherwise -. In this case, the Enterprise will not be entitled to any compensation or reimbursement of instalments already paid; furthermore, it will be subject to the payment, as a contrac-

tual fine, of the remaining instalments of the fixed part of the base price.

- 6.2 - If the Enterprise fails to comply with any of the construction, excavation and mine equipment terms in regard to the potassium salts, it will be subject to the fine of Cr\$1, 000.00 per day of delay, in addition to what is provided for in item 6.5. The fine will be calculated monthly and paid within 10 days after receipt of the corresponding CPRM notification. If the delay is made good, the fine will be repaid to the Enterprise.
- 6.3 - If the Enterprise will not present, in due time, the study of technical and economic feasibility of metallic magnesium production, or if such a study has concluded that the undertaking is feasible, or still the Enterprise fails to comply with the minimum quantities of production, it will be subject to a fine of 1% of the market value, f. o. b. factory, of the difference of tonnage by comparison with the established quantities. The fine will be calculated per quarter and paid within 10 days of receiving CPRM notice. If the shortage is made good within the same calendar year, the fine will be repaid to the Enterprise.
- 6.4 - If the Enterprise fails to pay, in due time, any of the instalments of the price, or any of the fines applied thereto, then the Enterprise will be considered to be in default of payment, independently of any notice - judicial or otherwise -, and CPRM in addition to what is provided for in items 6.5 and 6.6, may immediately claim the payment of the amount of the unpaid instalment or fine with the increase of a 10% moratory fine, plus 1% of legal monthly interest, plus other expenses incurred in. These expenses are variable as they depend largely on the steps taken to claim the money: adminis

trative and/or legal procedures, and among these, the executory law-suit to enforce the use of the guarantees.

- 6.5 - If the Enterprise fails to pay, in due time, consecutively, any two (2) of the seven (7) instalments of the fixed part of the base price, or if the Enterprise, in three successive stages, fails to comply with the terms of the construction, excavation and mining equipment, in what concerns the potassium salts, CPRM may, independently of any notice - judicial or otherwise -, in addition to what is provided for in item 6.4 and 6.6, consider the contract as broken, without any compensation or reimbursement of the already paid instalments, and the Enterprise shall be obliged to pay, as a fine, the outstanding instalments of the fixed part of the base price.
- 6.6 - If the Enterprise loses the mining concession due to infraction of the Brazilian legislation, or if, for the same reason, a total or partial embargo of the mine will occur, or if the Enterprise fails, for two successive years, to comply with the minimum quantities of potassium chloride production for which it committed itself, or if the Enterprise does not pay, consecutively, in due time, any two(2) of the instalments of the variable part of the base price and the overprice, or if the Enterprise or its main shareholders will not fulfil any other legal or contractual obligation not foreseen in this item 6, CPRM may, in addition to the powers foreseen in items 6.4 and 6.5 and independently of any notice - judicial or otherwise -, consider as due beforehand the remainder of the price, with the increase of a 10% fine, plus another 1% of legal monthly interest, plus other expenses incurred in to claim the money on an administrative ground and/or by legal procedures, among which the executory law-suit to enforce the use of the guarantees.

7 - Other provisions.

- 7.1 - The transfer to third-parties, in full or partially, of the rights and obligations which are the object of the contract depends on the CPRM's previous consent.
- 7.2 - The contract will be integrated by this Notice, the request of pre-qualification and the proposal presented by the Enterprise or by the bidder; in case of doubt, the wording of the contract will prevail.
- 7.3 - The contract will be in force until total payment of the price referred to in item 1 and of the charges incumbent upon the Enterprise as per item 6.
- 7.4 - The forum of the contract will be that of Brazilia, F. D., but CPRM has the right to choose that of Rio de Janeiro or of the domicile of the Enterprise.



NOTICE N. 1/71

ANNEX "E"

Copy of Official Letter N. PRES-171/71 of "PETROBRÁS" - Pe-
tróleo Brasileiro S. A., establishing the basic points which should be ac-
cepted by the bidders to get the participation of Petroquisa.

PRES-171/71

Rio de Janeiro,

"Mister President

In addition to the understanding between PETROQUISA and CPRM relative to the association with other enterprises for the exploitation of the deposits of potassium, magnesium and rock salts, in the State of Sergipe, we convey to Your Excellency the basic points which, in our opinion, should be accepted by the interested parties, to regulate the relations among the shareholders of the company to be organized.

2. Besides the minimum participation (26%) stipulated in the Notice, PETROQUISA wishes the participators of the new enterprise to agree on the following points:

- a - the right to indicate representatives to the Board of Directors in a number proportional to their participation in the capital of the enterprise;
- b - the right to indicate representatives to the Administrative, Fiscal and Consultative Counsels which may exist or be created, the number of which shall be, as a minimum, proportional to their participation;
- c - the prohibition of a merger of all remaining shareholders to form a third corporate body;
- d - the preference to participate in any enterprise(s) that might be formed by any of the other associates for processing the



ores mined in the area, in the same proportion of the Mining Enterprise;

- e - PETROBRÁS or PETROQUISA may second, by loan, some elements of their working staffs to the Enterprise, at the expenses of the latter;
- f - under equal conditions, the utilization of available PETROBRÁS equipment shall be preferred;
- g - certain decisions of fundamental interest to the Enterprise may only be adopted by consent of all the corporate bodies forming the capital of the Enterprise, namely:
 - 1) redemption and conversion of shares;
 - 2) issue of preference shares and bearer bonds, or modifications of the preference and advantages granted to the preference shares;
 - 3) agreements among the shareholders and alteration or modification of these agreements, regardless of their nature;
 - 4) alteration of the by-laws, except in the cases of capital increase imposed by law;
 - 5) dissolution or liquidation of the Enterprise;



- 6) mergers or incorporations, regardless of their nature;
- h - the above points shall be the object of shareholders agreements, and the by-laws shall explicitly state that the Enterprise and its Board of Directors will comply with the shareholders agreement, provided it is deposited with the Enterprise;
- i - in the case of alienation of shares, preference shall be given to the remainder shareholders, under equal prices and conditions, in proportion to the shares they possess.

Sincerely Yours,

ERNESTO GEISEL
President "

To:
Doctor RONALDO MOREIRA DA ROCHA
President of
Companhia de Pesquisa de Recursos Minerais - CPRM