

The United Republic of Tanzania
MINISTRY OF NATURAL RESOURCES AND TOURISM



AGREEMENT

FOR

THE SALE OF PINE AND EUCALYPTUS TREES

BETWEEN

MINISTRY OF NATURAL RESOURCES AND TOURISM

AND

MUFINDI WOOD PLANTATION AND INDUSTRIES LTD

APRIL, 2010

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**AGREEMENT FOR THE SALE OF PINE AND
EUCALYPTUS TREES**

THIS AGREEMENT is made this 1st day of APRIL, 2010 BETWEEN THE
PERMANENT SECRETARY, MINISTRY OF NATURAL RESOURCES AND
TOURISM of P. O. Box 9372 Dar es Salaam (hereinafter referred to as the "MNRT") on
one part AND MUFINDI WOOD PLANTATION AND INDUSTRIES LIMITED of P. O.
Box 215, Mafinga, Iringa (hereinafter referred to as the "MWP") on the other part.

(MNRT and the MWP collectively referred to as the "Parties")

PREAMBLE

- A. Whereas the Ministry of Natural Resources and Tourism is a Tanzania Government Ministry and through the Forestry and beekeeping Division owns and manages Sao Hill Forest Plantation which is planted with pine and Eucalyptus trees among others;
- B. Mufindi Wood Plantation and Industries Limited is a limited liability company incorporated in Tanzania with its head office at Mafinga Iringa carrying on the business of planting .
- C. MWP has a timber processing industry and processes timber for local sales and export and has approached the MNRT for the allocation and sale of pine and Eucalyptus trees.
- D. The MNRT has accepted to allocate and sell to MWP pine and Eucalyptus trees from the Sao Hill Forest Plantation for a period of Twenty (20) years with an option to renew after the expiry of the said twenty (20) years under the following terms and conditions.

NOW THEREFORE, the Parties to this Agreement have agreed as follows:

1. Agreement Period and Renewal

- (a) This Agreement shall be for a period of twenty (20) years effective 1st day of APRIL 2010 to 20th day of MARCH 2030 with an option to renew for another term of twenty (20) years or at a lower renewable interval depending on the availability of raw material namely pine and eucalyptus trees.
- (b) The period of renewal shall be mutually agreed and if for a term of less than twenty years such an agreement shall be reached at least three months before the expiry of the existing term.
- (c) The Agreement shall be reviewed after every five (5) years during the existence of this Agreement. The review shall not affect the agreed volume provided is fully utilised by MWP in accordance to the provisions of this Agreement.

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2. Quantity

- a) During the first term of twenty (20) years the MNRT agrees to reserve approximately One million cubic metres (1,000,000m³) of pine and eucalyptus trees to enable MWP to harvest Fourty Thousand cubic metres (40,000m³) of pine trees and Ten Thousand cubic metres (10,000m³) of eucalyptus trees annually.
- b) The Fifty Thousand cubic metres (50,000m³) of pine and eucalyptus trees to be allocated annually shall only be utilised in a given financial year and shall not be carried forward the next year in the event it is not fully utilised during the year by MWP.
- c) MWP shall ensure that it notifies the MNRT at least three months before the end of a given financial year in case it can not fully utilise the allocated trees in order to enable the MNRT to allocate the unutilised trees to other users.

3. The Price

- (a) The MNRT shall set the prices for the logs according to the prevailing Government Royalty rates published in the Government Gazette.
- (b) In the event of changes, the new prices shall take effect from the date of commencement as shall be indicated in the Government Notice.
- (c) The MNRT shall set aside a specific area of the forest to be harvested by MWP on an annual basis, notifying MWP about the allocated area one month before the start of each fiscal year. This will enable MWP to plan harvesting operations in an orderly manner.
- (d) The MNRT shall conduct an inventory of trees to determine the actual volume for the purpose of determining the price before the felling operation to enable MWP pay accordingly.

4. Obligations of the MNRT

- (a) To prepare harvesting plans for an identified mapped area which for this Agreement period shall facilitate and cover the intended volume of 1,000,000 cubic metres and therefore as per the renewal quota.
- (b) The MNRT shall set aside a specific area of the forest to be harvested by MWP. This will enable MWP to plan and implement harvesting operations in an orderly manner.
- (c) To ensure that all feeder roads in the identified mapped area are passable and under constant repair through the Agreement period.

- (d) To carry out the scaling of the forest as specified by MWP without delay and within the framework of the harvesting plan.
- (e) To provide MWP with the necessary information in respect of the forest in order to obtain proper certification required.

5. Obligations of the MWP

- (a) To prepare and submit annual logging plans to the MNRT at least three months before commencement of each financial year.
- (b) To ensure that harvesting is done in accordance with the acceptable national standards and carry out logging activities accordingly.
- (c) To ensure that the royalty for logs and all other associated costs are paid to the MNRT promptly upon notification by MNRT.

6. Evaluation of Performance

MNRT shall carry out an evaluation on the performance of MWP in order to ensure that the MWP is functioning in accordance with the terms of this Agreement.

7. Coming into Force

This Agreement shall come into force on the date of signing by the Parties. Any revision to this Agreement must be agreed upon by mutual consultation and with the written consent of both the Parties.

8. Termination

8.1 This Agreement may be terminated by either Party by not less than Ninety (90) days' written notice of termination to the other party, to be given after the occurrence of any of the events specified below:

- a) if the Party does not remedy a failure in the performance of his obligations under this Agreement within the prescribed time after being notified of the breach by MNRT or within the relevant period as the Parties may have subsequently approved in writing;
- b) if MWP becomes insolvent or bankrupt;
- c) if MWP has engaged in corrupt, fraudulent practices or misrepresentation of material facts in competing for or in executing the Agreement;
- d) if MWP is in material breach of the fundamental obligations under this Agreement.

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8.2 MWP may on its sole discretion and upon giving a written notice of twelve (12 months) to the MNRT, terminate this Agreement.

9. Entirety of this Agreement

This Agreement constitutes the entire Agreement among the parties with respect to the transactions completed hereby and supersedes all prior Agreements, proposals or representations, arrangements or understanding, written or oral, with respect thereto.

10. Severability and Partial Invalidity

If any of the provisions of this Agreement is or becomes invalid, legal or unenforceable under any written law by the time in force, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired.

11. Governing Law and Jurisdiction

This Agreement shall be governed in accordance with the laws of the United Republic of Tanzania. The Parties submit to the jurisdiction of the Tanzanian Courts.

12. Force Majeure

Both parties acknowledge the special considerations which may arise out of conditions beyond the control of the parties, this Agreement and conditions dealt with here. Should a situation arise which is *force majeure*, the parties shall accept the conditions and consequences, and not hold them against the other party.

In this Agreement '*force majeure*' means any of the following which materially affect the implementation of this Agreement: an act of God (including but not limited to an earthquake, flood or volcanic eruption), pandemic disease or other condition which impairs the normal physiological functioning of humans or of other organisms and which are transmissible to humans, war, terrorism, civil commotion, strike, lock-out or other labour dispute, fire, flood, Governmental legislation or any Governmental Act, sanctions, civil war, trade embargo or any economic or other cause beyond the reasonable control of any party, but excluding any of the above events which is caused by any act, omission or default of any party.

13. Amendments to the Agreement

This Agreement may be modified, amended and/or added upon by mutual written Agreement between the parties hereto before the expiration of the five (5) years indicated in Clause 1 above, provided that, absence of such modification, amendment or addition, or failure to agree on any of these if suggested by any of the parties, shall not render this Agreement invalid or unenforceable.

14. Arbitration

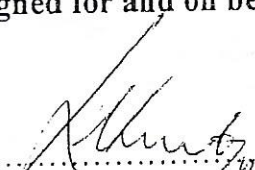
In the event of dispute arising out of this Agreement both parties shall meet and resolve such dispute amicably.

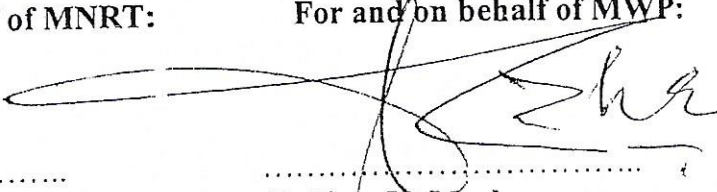
In case the dispute or conflict can not be resolved amicably, each Party shall appoint its own legal representatives but arbitration shall be governed by the laws of Tanzania.

IN WITNESS WHEREOF the parties hereto have executed this Agreement as of the date first above written.

Signed for and on behalf of MNRT:

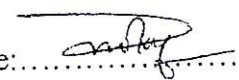
For and on behalf of MWP:


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Dr. Ladislaus C. Komba
Permanent Secretary,
Ministry of Natural Resources
and Tourism.


.....
Godfrey K. Mocha
Director,
Mufindi Wood Plantation and Industries
Limited (MWP)

PERMANENT SECRETARY
MINISTRY OF NATURAL RESOURCES
AND TOURISM, DAR ES SALAAM
In the presence of:

Name: JACOB N. MOKIWA

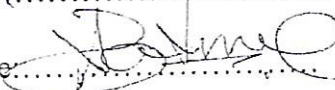
Signature: 

Qualification: LEGAL OFFICER

Address: 9372 DSM

In the presence of:

Name: P. LEMA

Signature: 

Qualification: BUSINESSMAN

Address: BOX 1679 DSM