

MEMORANDUM OF AGREEMENT

of the

Financial Production Consortium
(Ben-Tovim, Ashton, Bateman)

for the industrial development of the

LOMONOSOV DEPOSITS IN THE ARKHANGELSK REGION

for

SEVERALMAZ

1 The following protocol records the agreement reached during meetings held between the parties in Cape Town during 30th April 1995 and 1st May 1995.

2 The parties were represented as follows:

Ben-Tovim Group	-	Gershon Ben-Tovim
Ashton Mining	-	Jürgen Rohwedder
Bateman Projects	-	Roger Falls

3 It was agreed that a consortium would be formed between the parties for the execution of the scope of work agreed from time to time for the development of the Lomonosov diamond deposits in Arkhangelsk, Russia, as per the license agreements ARX 10242BE dated 26 January 1994 and/or APX 10292-57 dated 14 January 1994, issued by Severalmaz, and as per the agreement of joint activity signed between the Ben-Tovim Group and Severalmaz on 22 February 1995.

The scope of work is envisaged to include:

- the preparation of business plans and studies
- the design, supply and construction of all the mines, plants and relevant infrastructure
- the operational management of the facilities for the owners as a contractor
- the marketing of the diamonds (if applicable)
- any other scope of work agreed to by the Consortium from time to time.

This would be a mutually exclusive arrangement between the above parties although it is recognised that additional parties (e.g. financiers, diamond marketers) may be invited to join the Consortium.

(Handwritten signatures)

4 All parties agreed to provide for absolute confidentiality and a separate and specific confidentiality agreement will be signed by all parties and individuals involved with the project. The confidentiality agreement will ensure that the information and data provided by Seversalmaz, the business plan and study content to be submitted by the Consortium and the know-how and technical data made available by Bateman throughout the project period, will be treated as confidential information.

5 The objectives and business issues regarding the Consortium's proposal to Seversalmaz are outlined in the appended documentation.

5.1 Agreement on joint activities between Seversalmaz and Ben-Tovim group dated 22 February 1995.

5.2 Protocol of meetings between Bateman, Ashton, Ben-Tovim and Messrs. Solomon Smolyarzh and Vitaly Fortygin representing 58% of the shareholders of Seversalmaz dated 25th April 1995.

5.3 Proposal by the Financial Production Consortium to Seversalmaz for the industrial development of the Lomonosov diamond deposits into a modern, economic and ecologically acceptable diamond mining, treatment and marketing business, dated 2nd May 1995.

6 The above parties agreed to co-operate with each other exclusively for the performance of the functions of providing the appropriate, cost effective, diamond mining and treatment facilities, the financing, the operations management and the marketing of the diamonds for the Lomonosov diamond operations for Seversalmaz.

Ashton Mining will provide geological, mining engineering, operating management, ecological and environmental engineering, finance and marketing for the venture.

Bateman will provide technology and know-how, engineering design, project and construction management services for the studies and for the execution of the project as per the agreed scope of work.

Ben-Tovim Group will be the operator/contractor and facilitator providing legal, commercial and operations management services for the project.

Within 7 (seven) days of the site visit, currently arranged for mid May, the parties will clearly define their relevant scope of work and the associated obligations and commitments and will also assign their responsible officers appointed to manage the work to be done.

7 Bateman agreed to manage the techno-economic studies and to prepare the business plan using the appropriate Bateman, Ashton and Ben-Tovim resources and Arkhangel'skgeologia resources (where appropriate) to do so cost effectively

C. 7. 2
M

... project budgets agreed from time to time between

All approved work done during the development of the project by any of the parties will be chargeable at cost and will be reimbursed from project funds to the parties within 60 (sixty) days of the formal go-ahead of the project and availability of the necessary funding for the project.

- 9 All parties agree to carry their own costs at risk during the marketing for the project, but approved and substantiated costs relevant to the development of the project will be reimbursed from project funds on go ahead of the project as per Clause 8 above.
- 10 Provided that the project is a sound and viable project compared to similar diamond industry projects, and only if Ashton and/or Ben-Tovim Group do not choose to proceed with the project for arbitrary reasons, then Bateman will have recourse to Ashton and/or Ben-Tovim for reimbursement of costs incurred by Bateman as defined above, within 60 (sixty) days.
- 11 All parties would execute the project work on an "open book", reimbursable cost basis, and all third party supplier and contractor costs will be chargeable to the project at cost.

Bateman's services will be provided based on a reimbursable cost plus fee contract to be signed between the Consortium and Bateman.

Bateman reimbursement will be at cost rates for all services rendered to the project, this cost rate defined as a multiplier of 2,0 based on the individuals total remuneration package and based on 1 950 hours per annum.

A schedule of rates will be prepared for the personnel assigned to the project by Bateman.

Budgets and regular updates thereof will be prepared by Bateman for the services rendered.

All direct costs including travel, accommodation, printing, communications etc., would be payable at cost.

Bateman's know-how and profit fee for the project would be 4% of the final constructed value of the project.

Monthly payments for services rendered, direct costs and fee will be made within 30 days of submission of invoices. Such payments will be made in US Dollars, or other agreed hard currency, and free of exchange into a Western European bank account.

C.D.T.
[Handwritten signatures and initials]

Bateman shall not release part or all of its know-how and profit fee as an investment in the Consortium for periods longer than the project period. Terms and conditions for this investment option need to be agreed between the parties prior to the expiry date of the option which will be the date of the project go-ahead.

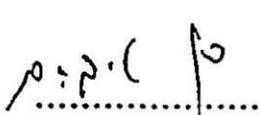
- 12 Based on the above terms Bateman agrees to perform the services agreed to from time to time for the scope of work required to be done for this project.
- 13 Bateman will provide appropriate performance and process guarantees for the services rendered and for the plant designed by Bateman.
- 14 The parties agree to meet at least monthly to review the progress of the project. Formal reports on technical, commercial, contractual and scope matters will be presented and agreed upon at these review meetings.
- 15 The Consortium will be called the "Financial-Production Consortium" and the members of the parties named in Clause 2 will be the founding members. They, or their alternates, will attend the review meetings which will be chaired by Mr. Gershon Ben-Tovim.

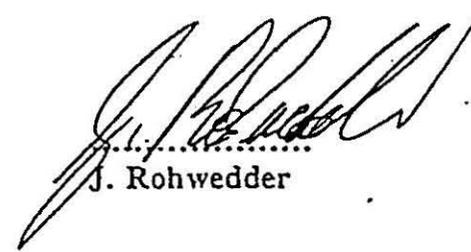
SIGNATURES :

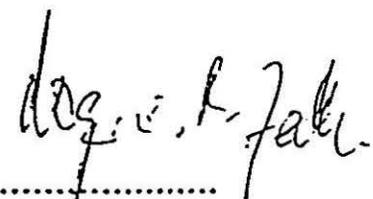
For Ben-Tovim Group

For Ashton Mining

For Bateman


.....
G. Ben-Tovim


.....
J. Rohwedder


.....
R. E. R. Falls

8 May 1995

RF724.
