

# HEADS OF AGREEMENT

Deed of Agreement dated March 19th 2009

**BETWEEN:**

**OOO "CTIO"**

(Limited Liability Company registered in Russian Federation)

**AND:**

**String Transport Systems Pty Ltd "STS"**

(Registered in NSW Australia, Australian Company Number 129 604 351)

## **1. PURPOSE OF AGREEMENT**

- 1.1 This Heads of Agreement records the intention of the organizations listed above to for the STS to order and for the OOO "CTIO" to construct the transportation system to transport mining bulk commodities "The System".
- 1.2 This co-operative initiative has the support of PT Priamanaya Djan International – Jakarta/Indonesia an STS client.

## **2. TERM OF THE AGREEMENT**

- 2.1 This Heads of Agreement commences on 19<sup>th</sup> March 2009 and continues until the formal purchase agreement is entered in or until the parties agree to terminate the agreement.

## **3. ROLE OF THE PARTIES**

- 3.1 OOO "CTIO" will construct mining haulage transportation system capable of transporting 40 million tonnes of coal per year over the distance of 266 kilometres.
- 3.2 STS will finance the construction as per the schedule agreed upon in the formal purchase agreement. STS will fully own the system.
- 3.3 STS will fully own the system and will operate it for its own benefit.
- 3.4 Prior to entering into the formal purchase agreement OOO "CTIO" will demonstrate the proposed technology under a bankable feasibility study. This will involve construction of full scale demonstration line of the proposed system demonstrating specified characteristics.

#### 4. SYSTEM'S SPECIFICATIONS

4.1 The system must comply with the following specifications which must be demonstrated within the framework of the bankable feasibility study.

- Combined capital cost including all components of the system must not exceed USD \$ 1.2 million per kilometer.
- Combined operational and maintenance costs not exceeding USD \$ 0.03 per tonne/kilometer.
- Capacity to transport 40 million tonnes per year over the distance of 266 kilometers.

#### 5. CONDITIONS

5.1 This document is intended to be the conditionally legally binding contract. The contract is subject to:

- OOO "CTIO" successfully completing bankable feasibility study.
- And
- STS successfully securing finance based on the bankable feasibility study.

#### 6. SCOPE OF THE PROJECT

6.1 Subject of this document leading to signing of the formal purchase agreement, the formal purchase agreement will be for the construction, putting into operation and ongoing maintenance of the commercial transportation system for coal.

The system's characteristics are:

Length	266 kilometers
Capacity	40 million tonne per annum
Capital cost	USD \$ 319,200,000
Operational & maintenance cost	USD \$0.03 per tonne/km

#### 8. ENTIRE AGREEMENT

8.1 This Head Agreement constitutes the entire agreement between the parties and superseded all prior representations, agreements, statements and understandings relating to its subject matter, whether verbal or in writing.

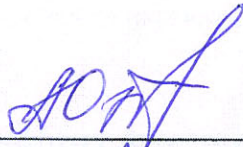
#### 9. NOTICES


9.1 A notice or other communication is properly given or served if the party delivers it by hand, posts it or transmits it by electronic mail/facsimile, to the address of the relevant officer, marked to their attention.

**10. TERMINATION**

10.1 This Heads of Agreement may be terminated during the term of the Agreement by the joint decision of both parties.

SIGNED, for and on behalf OOO "CTIO":

Anatoly Unitsky  \_\_\_\_\_

Victor Uzlov  \_\_\_\_\_

SIGNED, for and on behalf of the String Transport Systems Pty Ltd

Vladimir Romachko  \_\_\_\_\_