

*Terms of Flotation of Companies.*

15. Any prospector having complied with the foregoing clauses of these regulations shall be entitled to act as follows:—

- (a.) To form a new company on the terms hereinafter set forth, and for this purpose such prospector shall be entitled to three months' absolute protection of the leased ground.
- (b.) Should the prospector be desirous of the Kauri Freehold Gold Estates floating any lease he may have obtained under these regulations, and the Kauri Freehold Gold Estates (Limited) be satisfied and willing to undertake such flotation, they will, on the flotation of the said lease into a new company, and the registration of such new company, hand over to the prospector for all his right, title, or interest in the said lease one-fifth of the capital in the new company to be formed in fully paid-up shares, and the Kauri Freehold Gold Estates (Limited) shall endeavour to float the said new company at the earliest possible date, but shall not be liable to any action for damages should they fail to do so.
- (c.) Should the prospector be unable to find the necessary funds for taking up a lease under these regulations, then upon his application to the company, and notifying them that he has a discovery of some value, the company may employ the said prospector for the purpose of opening up and proving his reported find. On the company being satisfied that the said discovery is of value, and should they then proceed to form a company to work the said discovery, then, upon the formation of such new company, the prospector shall be entitled to 5 per cent. of the capital of the new company in fully paid-up shares, or to such cash payment as may be mutually agreed upon in full payment for such discovery. But the Kauri Freehold Gold Estates (Limited) shall not be absolutely bound to form any such company.
- (d.) By mutual consent between the company and the prospector any of the foregoing conditions *re* formation of a new company may be varied.

16. If any block pegged out and taken up as aforesaid shall prove to contain payable gold or silver, the lessee shall, within twelve calendar months from the date of issue of the license to him, form such a new company as is hereinafter mentioned. If within the said period of twelve calendar months the lessee shall not have formed and registered a new company in manner herein-after mentioned, then all the rights of the lessee over such block shall immediately thereupon absolutely cease and determine, unless the company shall agree to extend the time for flotation of such new company.

17. New companies to be formed as aforesaid may take over a number of blocks or a single block. A sum equal to one-fifth at least of the nominal capital of such new company shall be provided for working-capital, but in no case shall the working-capital be less than £25,000 in respect of each block to be taken over by the company, unless the parties hereto otherwise agree in writing.

18. The Kauri Freehold Gold Estates (Limited) shall be entitled to an amount equal to one-fourth of the nominal capital of each intended new company, and the same shall be paid and satisfied at the time of completion in fully paid-up shares of such intended new company to which no liability is attached, or the same may be satisfied either in cash or in cash and fully-paid shares of such intended new company as the parties hereto may mutually agree. The completion of the purchase by the intended new company shall be fixed for a date not exceeding three months from the date of incorporation of such new company.

19. It shall be provided that any new company intended to be formed shall not have power to issue preference shares or debentures, or to mortgage or charge its property, without the previous consent in writing of the Kauri Freehold Gold Estates (Limited).

20. The company shall be entitled to a sum equal to one-fourth of the net profits, after paying actual working-expenses, arising from the working of any block pegged out or taken up by the lessee from the date on which the same was pegged out or taken up as aforesaid until a new company is formed in manner aforesaid, and has taken over such block. Such profits shall be accounted for and paid to the company every six months from the pegging-out of the said block.

21. Until the lessee shall form a new company or companies as aforesaid the lessee shall keep proper books, containing accurate and full details of the expenses and profits of working each block pegged out or taken up. A certified copy of the accounts shall be submitted to the company in New Zealand or London, as the company may direct, once in every six calendar months, reckoned from the date of pegging out, and the company shall have the power to appoint auditors or agents to examine and check such accounts as and when it thinks proper, and for this purpose the lessee shall allow the company or its auditors or agents to inspect the said books and accounts, and make extracts therefrom or copies thereof.

22. The lessee, in working any of the said blocks under the provisions of this agreement, shall observe and perform all the laws, rules, and regulations of the Government of New Zealand, and especially shall not permit any fire to spread or cause injury to the timber within the block so leased, or outside the boundaries of same, if the said lessee can prevent it; and in the event of any breach of this regulation the said lessee shall be liable for any damage done by such fire.

23. The lessee shall pay all Government royalties (if any) and other duties and outgoings which are now or may hereafter become payable in respect of any blocks pegged out or selected as aforesaid, and shall indemnify the company therefrom.

24. The lessee shall not assign or part with his lease until the assignee has entered into a direct covenant with the company to observe and perform the obligations and provisions hereof on the part of the lessee to be observed and performed. Such covenant shall be prepared by