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TAX CONVENTION SIGNED BY CANADA AND UKRAINE

March 4, 1996... Minister of Finance of Canada Paul Martin announced that a Convention between Canada and Ukraine for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income and on capital was signed in Kyiv. The Convention was signed on behalf of Canada by Ambassador Christopher Westdal and on behalf of Ukraine by the Minister of Finance Petro Hermanchuk.

The Convention is patterned to a large extent on the model double taxation convention prepared by the Organization for Economic Co-operation and Development. Under the Convention, a general rate of withholding tax of 5 per cent will apply to dividends paid to a parent company and on branch profits and of 10 per cent on interest and royalties. The rate of withholding tax on other dividends is set at 15 per cent. The Convention also provides for a number of exemptions in the case of interest and for an exemption on computer software.

The Convention will enter into force after Canada and Ukraine have notified each other of the completion of the procedures required by law for its bringing into force and its provisions will have effect, in the case of the withholding tax, from the sixtieth day following the day of entry into force and, in the case of other taxes, for taxation years beginning on or after the first day of January following the date of entry into force.

Roman Hruby, Trade Commissioner Eastern Europe Division (DFAIT), responsible for commercial relations with Ukraine, said that: "This Double Taxation Agreement is part of the framework of commercial agreements that Canada has negotiated and signed with Ukraine. This Agreement helps to make Ukraine more attractive for Canadians who are interested in conducting business in Ukraine. It should do much to encourage the development of Canada-Ukraine commercial relations."

CANADIANS START DIAMOND DRILLING IN NOVOHRAD VOLYNSKY

Feb. 3, 1996... Three Canadian companies have begun drilling for diamonds in north-west Ukraine. According to Dalton DuPasquier, president of Vancouver-based Prior Resources Ltd. and Consolidated Newgate Resources Ltd., a minimum 15 hole diamond

drill program will take place near Novohrad Volynsky, located halfway between Zhytomyr and Rivne.

The geological area, often referred to as the Ukrainian Shield, is similar to the pre-Cambrian rock of the Canadian Shield which has produced diamonds such as those recently uncovered in Labrador and the NW Territories. Recent till samples taken in this area of Novohrad Volynsky contained two gemstone quality white diamond deposits.

Mineral surveys have revealed promising chemical indicators suggesting the area contains diamond-bearing geological formations known as kimberlites.

Ironically, during the previous Soviet era, officials in Moscow had ignored Ukrainian geological surveys indicating the potential for diamond exploration.

DuPasquier said that under the Soviet Union, Ukraine's diamond potential was ignored by Moscow officials who ordered Soviet Ukrainian officials to concentrate on iron and coal production - not diamonds. "This area has been underdeveloped for years," he said.

This is that first step in determining whether a profitable diamond mine can be established.

Lee Barker, president of Toronto-based Southern Era Resources Ltd., the third company involved in the project, confirmed that early indicators are good. "The chemical composition of the indicators in the areas in which we will be drilling in are similar to those in productive diamond deposits," he said.

Representatives of Prior Resources, Consolidated Newgate and Southern Era Resources were in Ukraine last fall to select drill hole locations in conjunction with geologists for the government of Ukraine and the state firms Heoprohnost and PivnichUkrHeolohia (North Ukraine Geology). Prior Resources will have the right to earn up to 45% in the project.

Locations were based on airborne and ground geophysics as well as diamond indicator mineral results. There they found indicator minerals with the chemical make-up suggesting the sources are diamond bearing kimberlites. Two clear white gemstone quality diamonds in excess of 0.5mm were found in the till samples.

DuPasquier said that as a result of one-and-a-half years of research work and mineral surveys, the companies have identified two 100 square kilometre areas where initial work will begin. They are expected to spend US\$250,000 on this drilling program and another \$500,000 next year. After the exploratory work is completed, a joint venture with Ukraine is expected to be formed. Money for the exploration work is being raised on



UKRAINIAN NEWS

Diamond drilling kimberlites were found on a site in northwestern Ukraine in the first drill hole by Vancouver-based Prior Resources Ltd.

three Canadian stock exchanges. Prior Resources is listed on the Alberta exchange, Consolidated Newgate on Vancouver's and Southern Era on Toronto's.

Prior, Newgate and Southern Era have the exclusive rights to diamond exploration in Ukraine as the result of a protocol approved by the Cabinet of Ministers.

SASKATOON-BASED SAVELIA OPENS VARIETY STORE IN LVIV

Nov. 21 1995... Canadian partners of the joint venture variety store which Saskatchewan Premier Roy Romanow officially opened outside Lviv, Oct. 5, have been identified. They are the principals of the Saskatoon-based investment firm Sobrama International.

Sobrama owns 90 per cent of the Savelia store along with a Ukrainian partner who has 10 per cent. The store sells a wide variety of groceries and household items such as tableware from both Ukraine and Western Europe.

Because of its Canadian connection, the store can also accept prepayment from Canadians of Ukrainian origin, which will allow their relatives to shop for what they want.

