

ANNEX

TERMS OF AGREEMENT BETWEEN THE GOVERNMENT OF CANADA AND THE GOVERNMENT OF NORWAY CONCERNING THE LOAN TO NORWAY OF THREE PRESTONIAN CLASS FRIGATES

MAIN GOVERNING CONDITIONS

1. Three Prestonian class Canadian frigates shall be loaned by the Government of Canada to the Government of Norway. The ships shall be loaned to the Government of Norway free of any loan charges.
2. The ships shall be commissioned as units of His Majesty's Royal Norwegian Navy and shall remain in commission during the period of loan except as may be required for refit and repair or as may be otherwise mutually agreed between the respective Chiefs of the Naval Staff of the Royal Canadian Navy and the Royal Norwegian Navy.
3. The Government of Canada will hand the ships over to the Government of Norway with such stores, ammunition and fuel, as agreed between the respective Chiefs of the Naval Staff of the Royal Canadian Navy and the Royal Norwegian Navy, and in the case of each ship an inventory of stores, ammunitions and fuel shall be prepared jointly to record these details. The Government of Norway will pay the Government of Canada the cost of all consumable stores, ammunition and fuel required at Canadian prices in effect on the date of handover.
4. The Government of Norway shall assume complete responsibility for the operation and maintenance of the ships from the date of handover, and, subject to paragraphs 5 and 6 below, all risks, damage, and expenses of whatsoever nature met or incurred in relation to the ships during the period of loan shall be assumed by the Government of Norway.
5. In the event of a ship or ships becoming missing, lost, or a constructive total loss due to the Government of Norway's negligence, the Government of Norway shall pay compensation to the Government of Canada. The amount of compensation to be paid in respect of each ship shall be established by negotiations between the Governments of Canada and Norway. In all cases of loss not due to the Government of Norway's negligence, the Government of Norway shall not be required to pay compensation to the Government of Canada.
6. The Government of Canada reserves the right to modify the ships with such new equipment as, in the opinion of the Government of Canada, is desirable. The Government of Canada will assume the cost of procurement of such equipment, including normal supporting spare parts, and delivery to a suitable Norwegian naval base. The Government of Norway shall bear the cost of installation of the equipment. The cost of major structural alterations required by such installation shall be paid for by the Government of Canada.
7. The Agreement may be terminated for any ship or ships on receipt of six calendar months' notice by either Government.