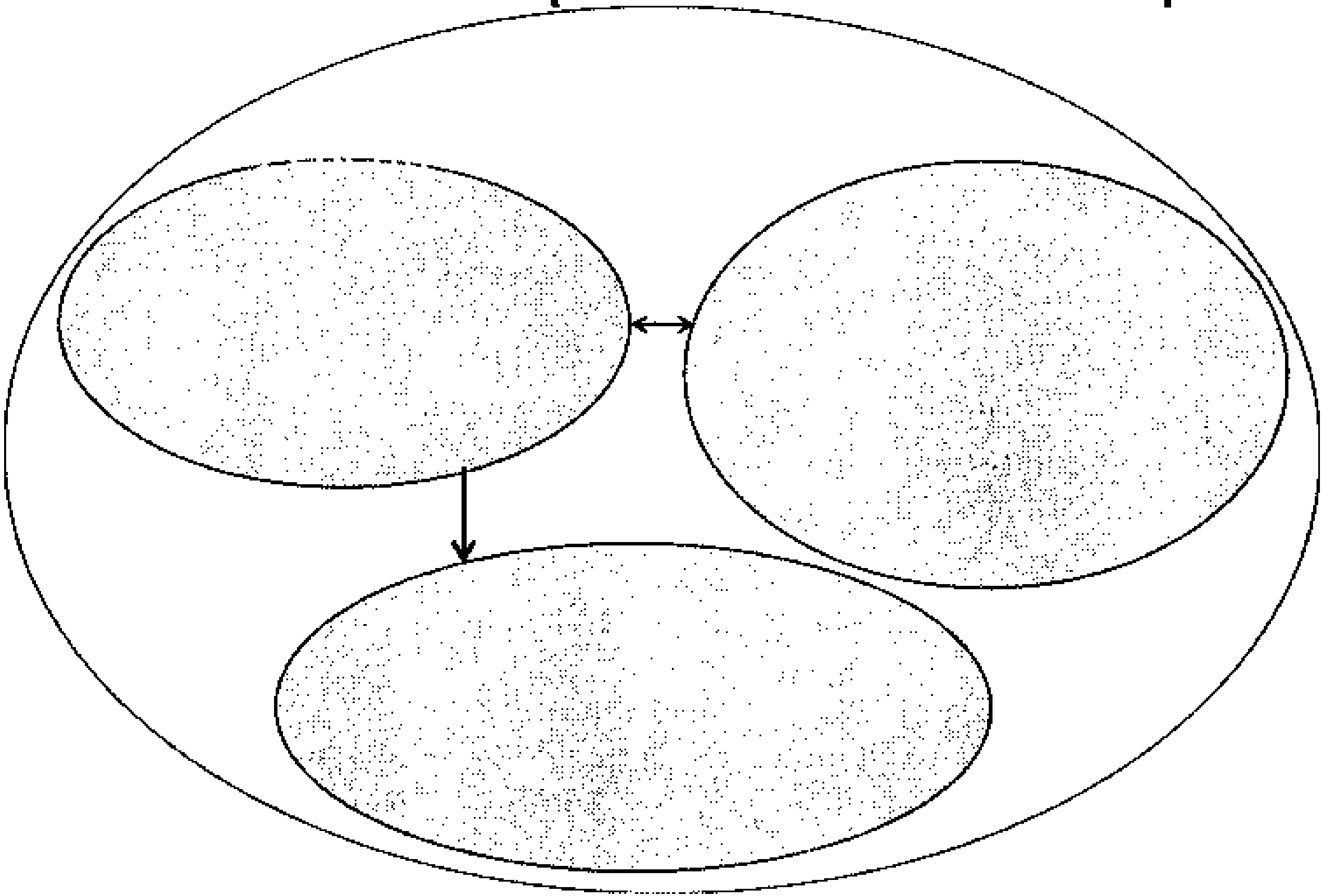
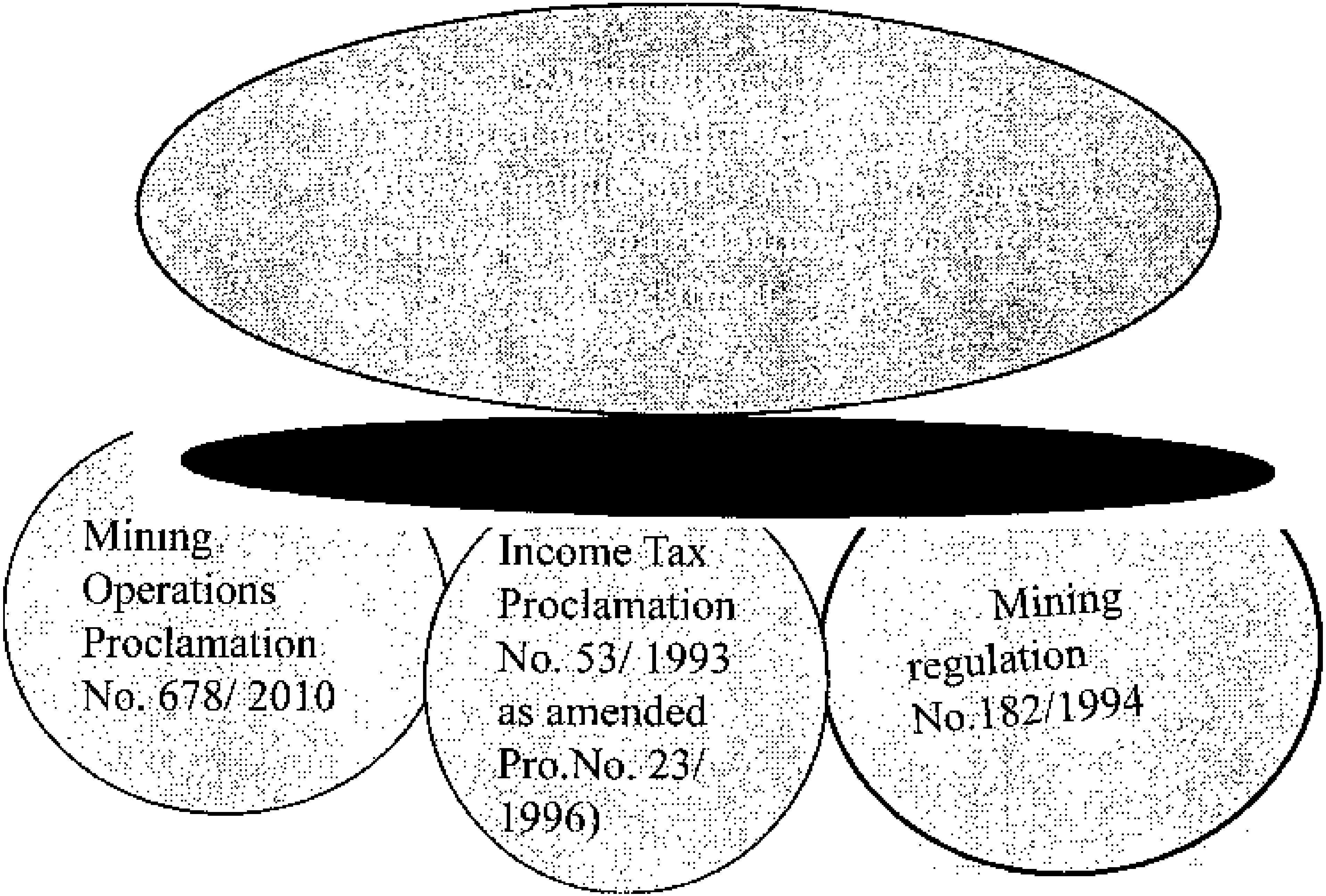
Institutional setup of Mineral Sector of Ethiopia



Legal Framework



The main issues addressed in the mining legislations are:

- Invite private investment in all kinds of mineral operations
- Provide a one-year exclusive prospecting license, three years exclusive exploration licenses, with two renewals of one year each and an exclusive mining license for twenty years with unlimited renewals of 10 years each.
- Requires adequate health and safety of employees and environmental protection and environmental impact study.
- Guarantee the licensee's right to sell the minerals locally or abroad.

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- Provide exemption from customs duties and taxes on equipment, machinery and vehicles necessary for the mining operations.
- Guarantees the opening and operation of a foreign currency account in bank in Ethiopia;
- retention of portion of foreign currency earning; and remittance of profits, dividends, principal and interest on a foreign loan etc. out of Ethiopia.
- Require royalties of 2 to 8% advalorem on production site.
- Income Tax is 35% on taxable income and no tax on export of mineral commodities
- Provide for dispute settlement through negotiation & international arbitration.
- loss carry forward is permitted.

Fiscal regimes

- *Royalty: 2-8%*
  - *Precious Minerals---------------------8%*
  - *Semi precious mineral --------------- 6%*
  - *Other metals-----------------------------5*
  - *Industrial Minerals--------------------4%*
  - *Salt---4%*
  - *Construction Minerals----------------3%*
  - *Geothermal------------------------------2*

- *Income Tax---35%*
- *Government free Equity participation ---------------5%*
- *Dividend Tax* ---10%
- **VAT is applicable, and duty tax is also applicable for consumable goods during mining stage.**

Types of licenses issued as per the legislation

Reconnaissance		**up to 18 months**	non- exclusive
Exploration		**up to 10 years (3 years initial, 2 renewals of 1 year each (maximum of 5 times)**	❖Exclusive
Retention		Up to 6 years & exclusive (3 years initial & one time renewal for 3 years)	❖Discovery of mineral deposit of commercial significance within exploration area ❖Existence of adverse market conditions or ❖Unavailability of processing technology
MINING	Artisanal	Max. of 3 years & exclusive (2 renewals of 3 years each)	Reserved for nationals & revocable if the deposit requires advanced exploration & mining methods
	Small Scale	10 years initial & exclusive (renewals of 5 years)	Demonstration of continued economic viability of mining the deposit.
	Large Scale	20 years initial & exclusive (Renewal of 10 years)	Demonstration of continued economic viability of mining the deposit.

Mineral Investment opportunity in Ethiopia

- To explore gold and related base metals mainly in the potential areas of ***northern, western*** and ***southern greenstone belts*** in unoccupied areas;
- To explore tantalite in the ***pegmatite bearing Precambrian basement rocks*** in the vicinity of the active tantalite mine in the southern greenstone belt or elsewhere.
- ***Exploration & Development for iron and phosphate occurrences*** in the ***mafic*** and ***ultramafic intrusions*** in the vicinity of Bikilal and Melka Arba & other regions

- ***Exploration for platinum group elements (PGE)*** in the ***ultramafic rocks*** of the Western Greenstone Belt in the vicinity of the Yubdo platinum deposit or elsewhere;
- Development of the Yubdo platinum deposit that ceased mining due to recovery problem
- ***Exploration for epithermal gold and associated metals*** in or near areas of Tertiary volcanism more specifically in the Ethiopian Rift Valley,
- ***Engage in joint venture*** with the already licensed local and/ or foreign companies,
- Engage in Value Addition of Minerals
- Due to the growth of investment in the mineral sector, there is also high potential to involve in the service business for the Mineral industry