

All Amounts in United States Dollars

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To: Bulyanhulu Mine Tour Presentation

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The modern and competitive legal and fiscal regime developed with World Bank funding and adopted by the Government in 1997 and 1998 was a result of the stated Government policy to make Tanzania attractive to mining investors.

1. GOLD MINING AND DEVELOPMENT AGREEMENT

The Bulyanhulu Mine is governed by a Gold Mining and Development Agreement ("Mining Agreement"), entered into with the Government of Tanzania on August 5, 1994 and subsequently amended on June 22, 1999 and October 29, 1999.

Its principal features include several benefits for Kahama Mining Corporation ("KMCL"), among which:

- stabilisation of the fiscal regime over the 25 year term of the Mining Licence, including royalty rates, income tax, withholding tax, customs duties and value added tax treatment;
- the right to enter into loan agreements to finance the mine construction, and to assign its rights under the Mining Agreement as security for loans and to pledge its shares as collateral for project financing;
- the right to export and sell all mine production;
- the right to open and maintain bank accounts in any foreign currency outside of Tanzania and to freely dispose of any sums deposited without restrictions;
- the right to retain abroad the proceeds of sale of minerals and loans and dispose of such sums as it sees fit; and
- no carried interest on equity since the Government relinquished its 5% interest in October 1999.

2. SPECIAL MINING LICENCE

The Bulyanhulu Mine is also governed by a Special Mining Licence (SML 44/99) granted on February 7th, 2000 pursuant to section 39 of the Mining Act, 1998. The Special Mining Licence replaced the Mining Licence issued under the old Mining Act of 1979. The Special Mining Licence was granted after submission by KMCL and review by the Government of:

- the Feasibility Study;
- Mining Plan;
- Environmental Management Plan; and
- Training and Localization Plan.

The Special Mining Licence guarantees until August 7th, 2024 the exclusive right:

"to search for, mine, dig, mill, process, refine, transport, use and market gold and other minerals found to occur in association with gold in and vertically under the Mining Licence area and execute such other works as are necessary for that purpose."

The Mining Licence covers 51.48 square kilometres.

FISCAL

KMCL enjoys the benefits of the specific fiscal regime designed by the Government to foster the development of the mining sector in Tanzania.

Its key components may be summarized as follows:

- a 3% royalty of the FOB value of contained metals, net of transportation, treatment and refining costs and by-product credits;
- corporate income tax of 30%;
- the right to keep tax records and file income tax returns in US dollars;
- a depreciation allowance of 100% in year of expenditure for prospecting and development capital expenditures;
- an additional depreciation allowance of 15% of the balance of unredeemed development capital expenditures;
- the right to carry forward indefinitely any losses arising from the deduction of prospecting and development capital;
- a 10% withholding tax on dividends;
- a 0% withholding tax on interest paid offshore on loans in foreign currency from third parties; otherwise a 15% withholding tax on interest paid to related parties;
- a 3% withholding tax on payments in respect of technical services (whether onshore or off-

shore) provided by Barrick or by subcontractors to KMCL under the Technical Services Agreement;

- a withholding tax on Management fees of 3% of payments offshore, to the extent that they do not exceed 2% of operating expenses claimed as a tax deduction, with the balance subject to 20% rate;
- a withholding tax on Professional Fees, and on rent of 20% of payments offshore;
- 0% customs duty on the import of mining equipment and supplies by the mine operator or subcontractor until the first anniversary of commercial production; and 5% maximum duty thereafter;
- Relief from VAT for services for exclusive use in mining activities, and for goods that would be eligible for relief from customs duty if imported; and otherwise a general rate of 20%; and
- no export tax duty or other charge on mineral products; under the VAT law any exports are zero-rated for VAT purposes, accordingly the export of minerals will be subject to a 0% VAT rate.

GOVERNMENT AFFAIRS

KMCL maintains frequent contact with various government ministries to review and resolve current issues relating to the company, its operations and commitments. Some of those contacts are at the highest level of government, allowing discussions on policy issues affecting KMCL.

Since the Mining Agreement and the Mining Act, 1998 require that periodical reports and information be submitted to different ministries, KMCL inter-relates with the Administration and is particularly careful to maintain its compliance status at a high level.

The Chamber of Mines offers KMCL the opportunity to develop and discuss issues of common interest with other miners and also to request the Chamber to make representation to the Government on those subjects on behalf of the mining industry. KMCL is an active participant in all activities of the Chamber.