

## Economic Contribution

The Kwale Mine is having a significant impact on the country's economy. Kenya has traditionally relied on agriculture, floriculture and tourism to drive economic activity and exports. As the first globally significant, large-scale mining project in Kenya, it opens up a new sector of the economy, propelling minerals into the top four export earners. The Kwale Mine is the flagship for Kenya's mining sector. Perhaps its most important impact, however, is in the stimulus effect it is having in awakening international investor interest in Kenya's mineral potential.

Ernst and Young undertook an assessment of the direct, indirect and induced economic and tax contribution of the mine in financial year 2014/15.

Click [here](#) to see the full report.

### Direct economic contribution

<b>Capital investment</b>	The total invested in the development of the Project was US\$350 million. Of this, the direct spend in Kenya was about US\$100 million, contractors, machinery and equipment, goods, support services and employment during the construction phase.
<b>Export value</b>	At current mineral prices the export value from the Kwale Mine is US\$150 million per annum. Kwale's contribution doubles the value of Kenya's mineral exports and elevates the sector to the fourth most important export commodity above coffee.
<b>GDP contribution</b>	The Project adds an estimated US\$125 million to Kenya's GDP annually and generates a total of US\$205 million in economic output per year. Over the life of the mine the Project is expected to contribute close to US\$1 billion to GDP.
<b>Direct taxation contribution</b>	Through royalties and direct taxation the estimated tax revenues to the government over the mine life is around US\$225 million.
<b>Employment</b>	Over 800 people are currently employed by Base and its contractors. Of these 60% are from Kwale County and 95% are Kenyan. The Project supports an additional 2,600 jobs through indirect (supply chain) and induced (consumer spending) activity.

### Indirect and induced economic contribution

<b>Indirect tax contributions</b>	Employees' income tax contributions amounted to approximately US\$5 million in financial year 2014/15, while indirect and induced tax revenue contributed a further US\$5 million.
<b>Local content</b>	The mine depends heavily on local inputs, including spare parts, maintenance and operating consumables, transport, security and other outsourced supplies and services. This amounts to an estimated US\$375 million over the life of mine or US\$35 million per annum and represents 80% of non-labour operating costs. This supports the additional 2,600 indirect and induced jobs paying over US\$14 million in wages annually.
<b>Legacy projects</b>	Longer term benefits derived from the Project will have a significant influence on the socio-economic environment in the region. On completion of the Project, infrastructure to be handed over to local authorities, valued at US\$ 60 million, includes: <ul style="list-style-type: none"> <li>• The <b>Mukurumudzi Dam</b> and <b>Msambweni boreholes</b> will contribute enormously to the regions irrigation and water supply requirements.</li> <li>• The <b>132kV transmission line and substation</b> are a further step to realising the targets to establish the East Africa Power Pool.</li> <li>• The <b>mine access road</b> will assist with links from the current Mombasa - Tanzania highway to roads planned in the future further inland.</li> <li>• The <b>port facility</b> will be an important contributor to the industrial development of Likoni and the South Coast region.</li> </ul>

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<b>Community Development</b>	Base Titanium's Community Development Management Plan has been developed in consultation with affected communities through a process of identification and prioritisation and is aligned with the Kwale County Integrated Development Plan. By the end of financial year 2014/15 the company had invested over US\$ 5 million in the local community.
<b>Post-mining land use</b>	The Special Mining Lease specifies that, on completion of mining, the land will be rehabilitated for the benefit of the community. The Mine Closure Plan is the driver for identifying post-mining land use (small-scale farming, commercial farming, forestry, community wildlife sanctuary, etc.) with affected communities and other stakeholders. Consultation will be undertaken to inform our rehabilitation strategy in a timely manner.

## Wider developmental and investment impact

However, a larger and wider impact will be felt with the successful development and operation of the Kwale Mine serving as an example of what can be achieved through serious and responsible investment in what is currently a relatively unexplored minerals province, because Kwale:

- has high international visibility;
- serves as a positive example for successful mining investment in Kenya; and
- establishes a model for effective development of the mining industry in Kenya.

If well regulated by an equitable policy framework and legislative regime that provides competitiveness, guarantees stability and security of tenure, Kenya's extractives sector represents the biggest opportunity for substantial foreign direct and export driven investment over the next decade.



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