

INVEST IN ETHIOPIA

MINING: INVESTMENT OPPORTUNITIES

Ethiopia's mining sector is undergoing a huge transformation as opportunities for investment have opened up. The development of Ethiopia's mineral wealth is one of the Government's leading economic objectives which serves as one of the catalysts for the export-orientated development strategy in place. Geological surveys indicate that Ethiopia is endowed with a variety of mineral resources.



Metallic minerals include gold, which is the most developed with a huge potential of exploration. A proven reserve of natural gas, in the amount of 12.6 trillion CC, has been found which is ready for commercial exploration, whilst deposits of platinum (and other PGE), tantalite, iron, copper, lead, zinc, nickel and other base metals do exist. Petroleum and gemstones have also been identified. Industrial and construction minerals such as quartz, feldspar, mica, kyanite, kaolin, talc, chromites, graphite, magnesite, industrial olivine, marble, and granite, potash, rock salt, soda ash, sulphur, silica sand, diatomite and bentonite have been identified and some are under production. Such mineral wealth, in combination with a skilled and highly motivated workforce guarantees a thriving and profitable mining sector. The Mining Proclamation recognises the significant role of private investment in capital formation, technology acquisition and marketing of minerals.

Current mining operations and investments

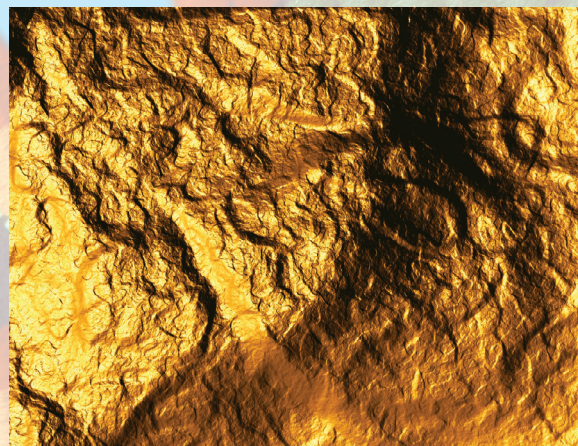
Gold is considered to be the mineral with the most potential for mining investment and the Government estimates that production could rise to 40 tonnes a year given sufficient income.

Legedembi primary gold mine, which has been transferred from public to private ownership, is the largest gold mine, while there are about 8 mines in the Gambella, Somali, Tigray, Amhara,

Gambela, Benishangul and Suothern People's region. Export of gold provides more than US\$ 360 million in 2010. Revenue from gold exports is expected to increase as the price of gold is growing in the international market. Under this background, foreign and local investment is expected to grow.

As a result of the conducive fiscal and legislative environment, the country is now enjoying the participation of both foreign and local investors in exploration and mining. To date the Ministry of Mines and Energy has granted 119 exploration licences of which 86 are foreign and 33 on joint venture basis and 52 mining licences of which 24 are foreign and 17 are on joint venture and 11 locally owned. The total number of licences issued has reached 171 granted to 86 companies. These are for gold and base metals, platinum, industrial and construction minerals, notably, potash, diatomite and high quality ceramics raw materials. Intensive exploration programmes are also being conducted for oil and gas, precious stones such as diamonds and sapphires and other gemstones in different parts of the country.

Foreign companies already investing in Ethiopia's mining sector come from all over the world including the UK, China, South Africa, Canada, USA, Guyana, Italy and Norway. In 2009 foreign investment in the mining sector reached to US\$ 1 billion.



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Investment incentives

The mineral sector, which is open to private investors, attracts huge investment, advanced technology and trained manpower. The mining sector policy and strategy has created a conducive environment for both local and foreign companies in the development of the mineral sector. The Investment Code of 2002 (as amended in 2003), Council of ministers Regulation 2003 (as amended in 2008), the Mining and Income Tax Proclamations of 1993 (as amended in 1996 and 1998) as well as the supporting Mineral Operations Regulations of 1994 facilitate for enhanced private sector investment. These laws and regulations provide the license holder with a number of incentives such as:

- Exemption from custom duties and taxes on equipment, machinery, vehicles and spare parts necessary for mineral operations.
- Low royalties.

Investment guarantees

- 10-year loss carry forward.
- Remittance of profits and dividends, principal and interest payments on external loans, payments related to technology transfer, proceeds from the sale of share or liquidation of an enterprise.
- As the member of the World Bank Multilateral Investment Guarantee Agency (MIGA), World Intellectual Property Organization (WIPO), the International Convention on Settlement of Investment Disputes between States and Nations of other States (ICSID) and having Bilateral Investment Promotion and Protection Agreement with the UK, investors enjoy strong guarantees for their investment in the country.



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