

REPUBLIC OF NIGER

REGULATION OF MINING INDUSTRY (as of December 31, 2005)

There are four types of licenses available for companies and individuals interested in exploration and development of mineral resources.

A Prospecting Authorization gives the holder the right to search for one or a number of minerals. It is non-exclusive and confers to the holder any rights to an exclusive exploration permit within the limits and time validity of the Authorization. Prospecting Authorizations are valid for one year, renewable indefinitely for one-year periods. Only surface prospecting is permitted, including remote sensing techniques. The objective of the prospecting program must be stated in the application, although there are no fee or land holding requirements.

An Exploration Permit is valid for three years, renewable for two further three-year periods subject to certain land holding reduction criteria and field works. The area held under a permit cannot exceed 2,000 square kilometers (494,000 acres) in a rectangular block. An Exploration Permit confers to the holder the right to dispose of any minerals obtained during exploration and test work, and also confers the right to a Mining Permit if a viable reserve is discovered. Applications must stipulate the minerals sought (additional minerals can be included later), and a time and expenditure schedule. A variable fee (CFA F 300,000*) is tied to the permit, and holders are required to submit progress reports to the Government on their activities.

Northwestern currently has two exploration permits: the In Gall concession and the Irhazer concession. Each concession is 2,000 square kilometers in size.

A Mining Permit will be granted in the case of successful exploration, subject to the right of the Government to participate in the project. A “small mine” permit is valid for five years, renewable three times for five-year periods, while a “large mine” permit lasts for 20 years initially, renewable two times per period of 10 years. Further extensions are possible if commercial reserves remain. Companies applying for Mining Permits must conform to Nigerien Company law. The Government requires an initial 10% share in the mining project, free of all costs, which can later be increased to a maximum of 30% through share purchases.

The fourth type of license is the Authorization for Small-Scale Mining, and it concerns artisanal levels of production.

The Government of Niger has stated that it welcomes overseas private investment as a key to relaunching its national economy, and its mining code contains a number of incentives for potential investors. These include income tax holidays and many exemptions (customs duty exemption, exemption in some cases from value-added tax, the

right to remit dividends freely), equal opportunities for overseas and national investors, and guaranteed freedom from nationalization or expropriation.

Mining companies are subject to a number of fees and taxes:

- Annual area fees are related to the licenses except to the Prospecting Authorization.
- Mining royalties are payable at a rate of 5.5% of the final selling price of the mineral commodity produced. Royalties are, however, deductible from income tax, which is levied at a rate of 35% after the deduction of operating and production costs. Small mines enjoy a two-year income tax holiday, while for large mines this period extends to five years from the start of commercial production. Dividends distributed to shareholders attract a 16% capital gains tax. Other charges include stamp duty, public notary fees, value added tax and social security contributions for employees.

Customs duties are not charged on equipment imported for use for direct mining operations, or temporarily for exploration programs. Mineral products may be exported free of duty.

* Niger uses the CFA francs, which is tied to the Euro and is fully convertible (1 Euro = 656 CFA F). Foreign exchange regulations are very liberal, although with the requirement that overseas transactions must be authorized by the Ministry of Finance and made through a registered bank.