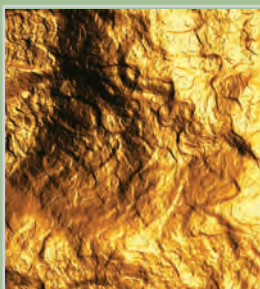




INVESTING IN ETHIOPIA: MINING



Ethiopia's mining sector is undergoing an enormous transformation with an increase in opportunities for investment. A wide variety of mineral resources are available in Ethiopia, according to recently conducted geological studies. Gold production is considered to have huge potential. Meanwhile, additional explorations have confirmed the presence of deposits of platinum, tantalite, soda ash and phosphate rock. Petroleum and other metallic, industrial and chemical minerals have also been identified. Ethiopia's mineral wealth, combined with its skilled and highly motivated workforce, provide the makings for a thriving and profitable mining sector.

Current mining operations

Ethiopia's revenue from mining operations is expected to surge in coming years following the granting of 24 new concessions in 2006-2007. The Government has made development of Ethiopia's mineral wealth one of its leading economic objectives. Mining operations within the country are expected to be an important economic catalyst for the Government's export-orientated development strategy. The goal is to bring the minerals sector up to 10 percent of GDP within 10 years. Ethiopia currently enjoys the participation of both foreign and domestic investors in exploring and mining as a result of the conducive fiscal and legislative environment. Nineteen local companies and 11 foreign companies have been granted prospecting, exploration and mining licenses. These are for gold and base metals, platinum, industrial and construction minerals, notably, potash, diatomite and high-quality ceramics raw materials. Companies from America, Canada, China, Guyana, Italy, Norway and South Africa are operating within Ethiopia, and intensive exploration programs are being conducted for precious stones such as diamonds, sapphires and other gemstones.

An improved climate for investment

New economic policies initiated by the Government have created a much-improved investment climate for mining. The mineral sector was opened up to private investors in 1991, stimulating large investments, advanced technology and trained manpower. Liberalized Mining and Income Tax Proclamations in 1993 and supporting Mineral Operations Regulations in 1994 helped Ethiopia create an environment conducive to private capital investment by local and foreign companies in the mining sector. The new Mining Proclamation provides the license holder with a number of incentives such as low royalties, exemption from customs duties and taxes on equipment, machinery, vehicles and spare parts necessary for mineral operations, and a 10-year loss carry forward. The Mining Proclamation is a positive step forward by the Government, which has recognized the role of private investment in capital formation, technology acquisition and the marketing of minerals, and has worked to privatize this sector.

Gold resources

Ethiopia is blessed with an abundance of natural minerals and resources. Gold is considered to possess the most potential for mining investment, and the Government estimates that production could rise to 30 tons per year given sufficient income. Ethiopia produced an estimated 8,600 pounds of gold in fiscal year 2004-2005 (valued at \$90 million) compared to 7,590 pounds in fiscal year 2003-2004. One story that illustrates the Government's commitment to encouraging private investors in the mineral sector is the Legedembi primary gold mine, which was recently privatized by signing a sales contract with National Mining Corporation, a foreign-owned mining company.

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