Indiana Resources Limited: New Tanzanian Mining Legislation

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West Perth - <u>Indiana Resources Limited</u> (ASX: IDA) (Indiana or the Company) would like to acknowledge the recent passage of three supplementary bills, the Natural Wealth and Contracts (Review and Renegotiation of Unconscionable Terms) Act 2017, the Natural Wealth and Resources (Permanent Sovereignty) Act 2017 and the Written Laws (Miscellaneous Amendments Act) 2017 (together, the Proposed Legislation).

Indiana understands that to a large extent, the Proposed Legislation is designed to address the mining and export of precious metals and metal concentrates from existing operations in Tanzania, which have been the focus of a recent review conducted by Presidential Committees. As an exploration company, a large number of the new provisions of the Proposed Legislation are not expected to impact Indiana, as they appear to be targeted at producers of metals and metal concentrates.

The Proposed Legislation is complex and should be considered in its entirety. Draft copies of the three supplementary bills are available on the Company's website under the Investors tab and on the website of the Tanzanian Parliament. A non-exhaustive summary of key aspects of the Proposed Legislation, based on the drafts that are currently available, as they relate to Indiana is set out in the following table.

Legislative Change / Potential Impact

In all mining operations under a Mining Licence or Special Mining Licence, the Government shall have at least a 16% free carried interest in the capital of the mining company.

Indiana is an explorer in Tanzania and does not have a Mining License or Special Mining Licence. The Ntaka Hill Nickel Project, is under a Retention License to 2019 with a 5-year renewal period. This requirement is similar to most jurisdictions around the world, where governments are required to hold a free carried interest in a project. The level varies from country to country.

Having the government as a shareholder, will mean that the company and the government will be aligned in their desire to see the project successfully developed for the companies and countrys mutual benefit.

The Government shall be entitled to acquire, in total, up to 50% of the shares in a mining company, commensurate with the quantified value of tax incentives incurred by the Government in favour of the mining company.

As the Government has not incurred any tax incentives in favour of Indiana, nor is Indiana seeking the Government to incur any tax incentives in favour of Indiana, the Company believes that the Government's acquisition of such an interest is not applicable to Indiana.

There is an increase in the royalty rate for certain minerals (including gold and copper) from 4% to 6%. In addition, under the terms of the new Finance Act, which has already been approved by Parliament, a 1% clearing fee has been added on the value of all minerals exported from Tanzania from 1 July 2017.

As an exploration company, the increase in royalty rates does not impact Indiana's activities in Tanzania, though it does raise hurdle rates associated with future project development decisions.

Any earnings from mineral developments must be retained in the banks and financial institutions established in Tanzania. The Proposed Legislation does not restrict repatriation of profits in accordance with the laws of Tanzania.

The proposed legislation is not expected to restrict the ability of the company to pay costs, both capital and operating', nor to repatriate dividends or profits. There are many local and international banks established in Tanzania.

The Government may renegotiate existing Mine Development Agreements ("MDAs") based on such agreements being unconscionable.

Neither Indiana nor its Tanzanian subsidiaries has any MDAs which apply only to Special Mining Licenses. The Company holds only Prospecting Licenses and a Retention License, which do not require an MDA.

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Proceedings or disputes that relate to the extraction, exploitation, acquisition or use of natural wealth and resources must be adjudicated in Tanzania in accordance with the laws of Tanzania

The Proposed Legislation purports to remove the ability of the Company to settle disputes by international arbitration.

Mineral rights holders must participate in the growth of the Tanzanian economy by investing a portion of the returns from mining, and satisfy further provisions on local content, corporate social responsibility ("CSR") and the requirement for mineral rights holders to make an integrity pledge

Indiana has a +20-year track record of maximising the use of locally produced goods and services. Indiana is committed to providing employment and training opportunities for Tanzanians. Indiana operates an active CSR program and maintains a leading practice Code of Conduct. As a result, the Company does not anticipate any issues in meeting such requirements.

No raw resources shall be exported for beneficiation outside Tanzania

Indiana is an exploration company for gold, as well Indiana holds the Ntaka Nickel Project. Gold projects generally produce a semi refined product to 98% purity on site, and Ntaka nickel has always contemplated producing a high-quality nickel concentrate product.

Indiana has been an explorer and potential developer of mineral resources projects in Tanzania since 1995.

During that time, it is estimated, that Indiana has invested in excess of \$90 million US dollars in exploration expenditure and employment in Tanzania. This investment has resulted in the discovery of two world class projects that may become significant contributors to the GDP and welfare of the people and country of Tanzania.

Indiana over the past 20 years has won numerous awards for paying tax and for its local social programs. This has included employment of hundreds of people within Tanzania, investment in schools and local infrastructure as well as a focus on training and uplifting of our Tanzanian professional staff.

Indiana acknowledges that it appears that the Proposed Legislation is aimed at operating mines and the perception that Tanzania has not fully benefitted from the extraction of minerals within its country. This perception is not limited to Tanzania – it is a global phenomenon, where national communities believe they are not sharing in the wealth of the minerals extracted from their country. We, as an exploration and mining industry, still have much to do to convey to these national communities the benefits that we bring to them at both a local and national level.

Indiana believes that Tanzania has significantly benefitted from the presence of companies like Indiana who come to Tanzania and explore for long periods of time. During our recent drilling program, Indiana had only one expatriate involved in the program, it was otherwise completely run by local Tanzanian professionals.

Indiana remains committed to exploring and developing in Tanzania and contributing to the unlocking of the mineral resources of Tanzania for the benefit of all Tanzanians. Notwithstanding that commitment, with the current uncertainty associated with the Proposed Legislation, the Company has decided that for the time being, it is prudent to cease its exploration activities until it is able to fully engage with the Tanzanian Government to understand the full impacts of the proposed Legislation.

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