

Over taxed?

Does the tax regime encourage new mines?

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Study background

We examined four African nations with a tradition of mining:

- Tanzania
- Burkina Faso
- Namibia
- Ghana

An assessment of the impact of the tax settings in each country on the decision to develop a new mine.

Our gold mine

Key assumptions

- Open pit with standard processing plant to produce gold doray
- Exploration costs - \$30m
- Two year approval process
- Development capex - \$150m
- 150,000 oz production p.a.
- Assumed real gold price - US\$1,175
- Cash costs - \$699/oz. AISC - \$957/oz
- Employs 1,100 local and 11 expatriate staff
- 25% IRR required to develop.

Key Findings

Would the mine be developed?

| Country | Project IRR (%) | Would the mine be developed? | Government revenue generated (\$m) |
|--------------|-----------------|------------------------------|------------------------------------|
| Tanzania | 24.9 | Maybe | 201 |
| Burkina Faso | 19.7 | X | 210 |
| Namibia | 26.7 | ✓ | 124 |
| Ghana | 25.0 | Maybe | 173 |

Source: PwC analysis

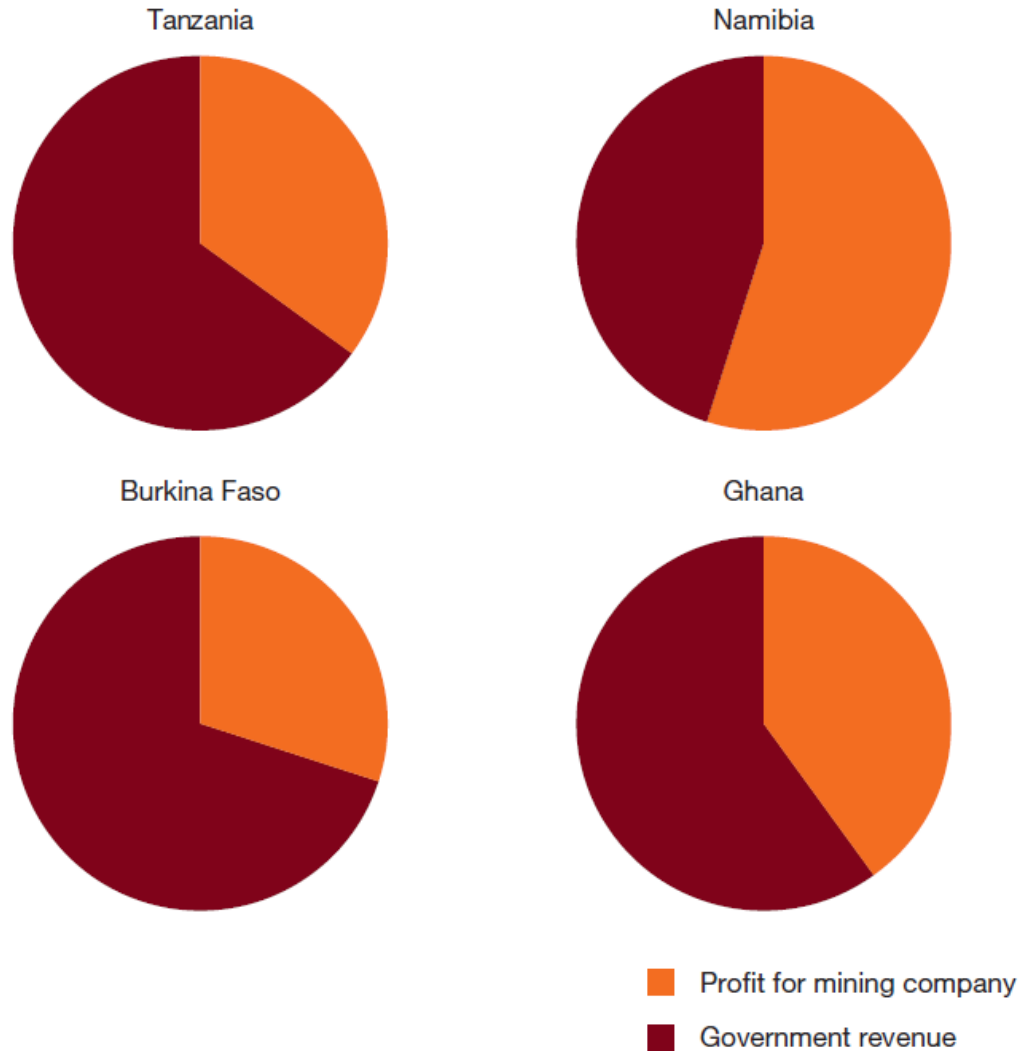
Key Findings (continued)

Other economic benefits to the host country

| Country | Life of mine capital expenditure (\$m) | Life of mine operating cash costs (\$m) | Local employment |
|--------------|--|---|------------------|
| Tanzania | 350 | 1,102 | 1,100 |
| Burkina Faso | Nil | Nil | Nil |
| Namibia | 350 | 1,102 | 1,100 |
| Ghana | 350 | 1,102 | 1,100 |

Source: PwC analysis - Red indicates project at risk due to IRR level

Sharing the pie



The mining multiplier effect



Every direct mining employee generates 3-5 jobs elsewhere in the economy



Every \$1 generated by mining, generates an additional \$3+ elsewhere in the economy

Our gold project therefore generates 3,300 – 5,500 additional jobs.

Summary

- ***Governments*** – are you willing to leave your share of pie at a level that encourages investment?
- ***Miners*** – are you willing to be transparent on costs and profits to build trust?
- ***Collaboration*** – are both parties willing to work together on innovative solutions to increase returns for the country and the miner?

Thank you



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