

CLARIFICATION OF FINANCIAL OBLIGATIONS OF KOIDU LIMITED TO SIERRA LEONE (Press Release)

Date : April 14, 2016

Freetown, 13th April 2016. The attention of the National Minerals Agency has been drawn to publications in social and other media claiming that Koidu Limited is exempted by law from paying “any tax whatsoever” in Sierra Leone.

The NMA wishes to make the following clarifications on the financial obligations of Koidu Limited:

Koidu Limited, a company registered and licenced to do mining in Sierra Leone, is a subsidiary of OCTEA Ltd. a company registered in the British Virgin Islands.

Clause 16 of the 2010 Mining Lease Agreement between The Republic of Sierra Leone and Koidu Holdings S.A. clear states as follows:

CLAUSE 16 – LIMITATION ON AGGREGATE FISCAL IMPOSTS

16.1 For the duration of this Agreement, no taxes (including, but without limitation, Income Tax, additional Profits Tax, Surtax, Minor Taxes, Profits Tax, Turnover Tax, Sales Tax, Export Tax, Import Tax, value added Tax, withholding tax and employment related tax), royalties, duties, excise, charges, levies, fees, dues, contribution, payments or imposition of any kind whatsoever payable to the Central, regional or local Governments authorities or agents or to any Chiefdom or Tribal Authority or to any other Agency of the Lessor shall apply to the Lessee, or any affiliate company or Agent of the Lessee or the employees of the Lessee or any affiliate company of the Lessee, **other than**:

16.1.1 Annual rent and Surface rent payable in accordance with Clauses 1.5.1 and 15.2 and their subsections.

16.1.2 Income Tax payable in accordance with clause 15.3 and its subsections.

16.1.3 Royalties payable in, accordance with clauses 15.4 and 15.5 and their subsections.

16.1.4 Withholding taxes payable in accordance with clause 15.8

16.1.5 Charges on imports payable in accordance with clause 15.9 and its subsections.

16.1.6 Import Inspection Fees payable in accordance with Clause 15.10 and its Subsections;

16.1.7 Community Development Fund contributions in accordance with clause 15.13;

1.6.1.8 Profit sharing in accordance with Clause 15. 14;

16.1.9 Taxes deducted from emoluments of employees of the Lessee as required under the- Income Tax (PAYE) Rules as provided in the Income Tax Act, payroll taxes payable under the Payroll Taxes Act and required payments under NASSIT.

This simply means that the company must pay all rents, taxes, royalties, fees and other charges outlined in Clauses 16.1.1 to 16.1.9, and these include Annual rent and Surface rent, Income Tax, withholding tax, import duties, community development funds contribution, NASSIT Contribution, etc. Clause 16.1 merely exempts the company from minor and additional taxes above a specified limit, which are not covered by 16.1.1 to 16.1.9. This Clause, known as stabilization clause, is standard to all mining agreements across the world, and it is intended to remove uncertainty and guarantee mining companies a stable fiscal regime within a limited period.

It is therefore misleading for anyone to state that Koidu Limited is exempted from paying tax in Sierra Leone.

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