This section sets forth a summary of the most significant laws and regulations that affect our business operations. Information contained in this section should not be construed as a comprehensive summary of laws and regulations applicable to us.

ZAMBIA

INTRODUCTION

The Zambian legal system is based on the common law tradition. Most of its private and public law has followed the English legal system or has been heavily influenced by it. Zambian civil procedure is influenced by English law and is reliant upon many of the English civil procedures and practices.

Zambia's mining industry is principally regulated by the government by the Mines and Minerals Development Act No. 7 of 2008 (the "Mines Act") which repealed and replaced the Mines and Minerals Act. The Mines Act established the office of the Director of Mines, who is the chief administrator and is responsible for issuing and renewing large and small-scale mining licenses and plays a general supervisory role, and the office of the Director of Geological Survey, who is responsible for issuing and renewing prospecting licenses and prospecting permits. Matters relating to mine safety are supervised by a Director of Mines Safety. The Mines Act also established a Mining Advisory Committee, which advises the minister on the general administration of the Act.

The principal laws regulating the mining industry are the Mines Act and the Environmental Management Act No. 12 of 2011 (the "Environment Act"). The primary regulatory body for the mining sector is the Ministry of Mines and Minerals Development. The Ministry has several departments that supervise activities within the sector. The Environment Act is administered by the Zambia Environmental Management Agency ("ZEMA").

All rights of ownership in searching for, mining and disposing minerals wheresoever located are vested in the president on behalf of Zambia. Any right, title or interest which any person may possess in or over the soil in, on or under which minerals are found is subject to the authority of the president.

GENERAL

Mining rights are acquired upon application in the prescribed form and following payment of a prescribed fee by either an individual or a company. Rights are granted on a first-come, first-serve basis to any applicant who is eligible to hold a mining right. The following persons are ineligible to hold mining rights in Zambia:

(a) a person that is under the age of 18 years;

(b) a person that is or becomes an undischarged bankrupt, having been adjudged or otherwise declared bankrupt under any written law, or enters into any agreement or scheme of composition with creditors, or takes advantage of any legal process for the relief of bankrupt or insolvent debtors; or

(c) a person that has been convicted, within the previous ten years, of an offense involving fraud or dishonesty, or of any offense under the Mines Act or any other law within or outside Zambia, and been sentenced therefore to imprisonment without the option of a fine or to a fine exceeding ZMK9,000,000 (equivalent of US$1,840).

A mining right or non-mining right cannot be granted to or held by a company:

(a) which is in liquidation, other than liquidation which forms part of a scheme for the reconstruction of the company or for its amalgamation with another company;

(b) unless the company is incorporated under the Companies Act of Zambia;

(c) which has not established an office in Zambia; or

(d) which has among its directors or shareholders any person who are undiscouraged bankrupts or have been convicted, within the previous ten years, of an offense involving fraud or dishonesty, or of any offense under the Mines Act or any other law within or outside Zambia, and been sentenced therefore to imprisonment without the option of a fine.

REGULATION OF EXPLORATION

A person may only prospect for minerals upon obtaining a large-scale prospecting license or small-scale prospecting permit which grant the right of exclusive exploration for various minerals as indicated on the license or permit within the prospecting area.

A prospecting permit, small-scale mining license, small-scale gemstone license and an artisan's mining right cannot be granted to a person who is not a citizen of Zambia or a company which is not a citizen-owned company. A "citizen-owned company" is defined as being a company in which at least 51% of its equity is owned by Zambian citizens and in which Zambian citizens have significant control of the management of the company.

A prospecting permit cannot be granted over an area in excess of 300 cadastre units (approximately 9 sq km) while a person or company cannot hold large-scale prospecting licenses with an accumulated total area of more than 149,700 cadastre units (approximately 4,491 sq km).

Further, the holder of a prospecting license is obliged by statute to comply with the following statutory requirements which are conditions attached to the license:

(a) commence prospecting operations within 90 days, or such further period as the Director of Geological Survey may allow, after the date of the grant of the license;

(b) give notice to the Director of Geological Survey of the discovery of any mineral deposit of possible commercial value within 30 days of the discovery;

(c) expend on prospecting operations not less than the amount prescribed or required by the terms and conditions of the license to be so expended;

(d) carry on prospecting operations in accordance with the program of prospecting operations;

(e) notify the Director of Geological Survey of the discovery of the mineral to which the prospecting license relates within a period of 30 days of such discovery;

(f) backfill or otherwise make safe any excavation made during the course of the prospecting operations, as the Director of Geological Survey may specify;

(g) permanently preserve and safeguard any borehole in a manner directed by the Director of Geological Survey, and to surrender to government without compensation, the drill cores, mineral samples, the boreholes and any water rights in respect therefore, on termination;

(h) unless the Director of Geological Survey stipulates otherwise, remove within 60 days of the expiry of the prospecting license, any camp, temporary buildings or machinery installed or erected, or make good any damage occasioned to the ground on account of such removal; and

(i) keep full and accurate records of the prospecting operations which should indicate:

  (i) the boreholes drilled;

  (ii) the strata penetrated;

  (iii) the minerals discovered;

  (iv) the results of any seismic survey or geo-chemical, geo-physical and remote sensing data analysis;

  (v) the result of any analysis or identification of minerals removed;

  (vi) the geological interpretations of records maintained on the above matters;

  (vii) the number of persons employed by the individual or company;

  (viii) any other prospecting work;

  (ix) the costs incurred; and

  (x) such other matters as may be prescribed by the Minister of Mines and Minerals Development (the "Minister") in a Statutory Instrument.

Duration and tenure

Large-scale prospecting licenses and small-scale prospecting permits are granted for periods of two years and five years respectively. While small-scale prospecting permits are non-renewable, large-scale prospecting licenses may be renewed for a further period of two years, provided that the license holder has complied with the provisions of the Mines Act and the conditions of the license, and has agreed to relinquish at least 50% of the initial prospecting area at first renewal and at least 50% of the balance at second renewal.

The Director of Geological Survey may renew the license for a further period not exceeding one year to enable the holder to complete a feasibility study into the prospects of mineral exploitation, however a large-scale prospecting license cannot be held for a period exceeding seven years.

In the event that the holder of a large-scale prospecting license applies for a mining license over a prospecting area, the prospecting license continues to be effective until the date of renewal of the prospecting license or grant of the mining license, or the date on which such application is refused.

Transfer

A holder of a prospecting license who intends to transfer a large-scale prospecting license or any interest therein is required to notify the Minister, not less than thirty days before the intended transfer.

The holder of a prospecting license is required to provide in the notification to the Minister, details regarding the transferee as would be required in the case of an application for a mining right and the transferee is required to complete an application for a mining right as if the proposed transferee were applying for a mining right. Where the Minister is satisfied that the proposed transferee is not disqualified from holding a prospecting license under the Mines Act, the Minister may approve the transfer of the large-scale prospecting license and notify the applicant accordingly. Upon transfer of a prospecting license, the transferee assumes and becomes responsible for all the rights, liabilities and duties of the transferor under the prospecting license for the unexpired period of the license.

A holder of a small-scale prospecting permit who intends to transfer, assign, encumber or deal with the permit in any manner, is required to apply to the Director of Geological Survey for approval therefore, providing prescribed particulars concerning the proposed transferee, assignee, or other party concerned.

If the application and proposed transferee meet the requirements of the Mines Act, the Director of Geological Survey may grant approval for the transfer, assignment, encumbrance or other dealing with the exploration permit for the unexpired period of the permit.

REGULATION OF MINING OPERATIONS

Mining operations can only be undertaken under the authority of a large or small-scale mining license granted pursuant to the Mines Act.

Mining rights are granted on a first-come, first-served basis following successful application by a holder of a prospecting license and following payment of a prescribed fee.

A mining license grants wide and exclusive rights to mine, exploit and dispose of various minerals in a mining area as indicated on the license. The area covered by a large-scale mining license cannot exceed 7,485 cadastre units (approximately 225 sq km).

A holder of a large-scale mining license holder is required to comply with the following statutory obligations:

(a) develop the mining area and carry on mining operations with due diligence and in compliance with the holder's program of mining operations and environmental management plan;

(b) take all reasonable measures on or under the surface to mine the mineral to which the license relates;

(c) implement the local business development proposals attached to the license;

(d) employ and train citizens of Zambia in accordance with the proposals attached to the license;

(e) to comply with the proposed forecast of capital investment attached to the license;

(f) demarcate the mining area and keep it demarcated in the prescribed manner;

(g) maintain at the holder's office:

  (i) complete and accurate technical records of the operations in the mining area;

  (ii) copies of all maps and geological reports, including interpretations, mineral analysis, aerial photographs, core logs, analysis and test results obtained and compiled by the holder in respect of the mining area;

  (iii) drill cores in respect of the mining area;

  (iv) accurate financial records of the operations in the mining area and such other books of account and financial records as the Director of Mines may require; and

(v) where the holder is engaged in any other activity not connected with the operations under the mining license, separate books of account from the operations under the license;

(h) permit an authorized officer at any time to inspect the books and records maintained in pursuance of (g) above and deliver to the Director of Mines, without charge, copies of any part of the books and records as the Director of Mines may require;

(i) keep and preserve, as the Minister may prescribe, records in relation to the protection of the environment; and

(j) furnish the Director of Mines with a copy of the annual audited financial statements within three months of the end of the financial year showing the profit or loss for the year and the state of the financial affairs of the holder at the end of each financial year.

A small-scale license may be upgraded to a large-scale mining license at the discretion of the Minister.

Duration and tenure

Large-scale and small-scale mining licenses are granted for a term not exceeding twenty-five years and ten years respectively, and are renewable for similar terms. Holders of mining licenses are further required to obtain an operating permit annually in order to conduct mining operations.

The Director of Mines may reject an application for renewal on any of the grounds specified by the Mines Act which may include instances where the applicant is in breach of any condition of its license or the Mines Act.

Transfer

A large-scale mining license or any interest therein may not be transferred, assigned, encumbered or dealt with in any other manner without the approval of the Director of Mines.

If a license holder wishes to transfer, assign, encumber or deal in any manner with a large-scale mining license, the license holder is required to apply to the Minister giving prescribed particulars concerning the proposed transferee, assignee, or other party concerned. However, the right or interest transferred is only for the unexpired period of the license.

Where an application and proposed transferee meet the requirements of the Mines Act, the Minister is required to grant approval to the transfer, assignment, encumbrance or other dealing with the large-scale mining license or interest therein.

A small-scale mining license or any interest therein may not be transferred, assigned, encumbered or dealt with in any other manner without the approval of the Director of Mines, to whom an application to transfer the license should be made giving the prescribed particulars concerning the proposed transferee, assignee, or other party concerned.

Where an application and transferee meet the requirements of the Mines Act, the Director should grant approval to the transfer, assignment, encumbrance or other dealing with the small-scale mining license or interest therein for the unexpired period of the license.

PRE-EMPTION RIGHTS

The State does not have pre-emption rights over areas that are subject to a mining right.

Therefore, as long as a person obtains the necessary consent, they are free to transfer, assign, encumber or deal with their mining rights in any other manner they deem fit, subject to the requisite regulatory approvals.

ENVIRONMENT

Regulatory Framework

Environmental protection is governed by the Environment Act which repealed the Environmental Protection and Pollution Control Act (the "Repealed Act"). The Environment Act provides for integrated environmental management and the protection and conservation and the sustainable management and use of natural resources.

The Environment Act also provides for the continued existence of the Environmental Council of Zambia ("ECZ") which was established under the Repealed Act and has since been renamed as ZEMA which is mandated to among others, administer, monitor and enforce measures for the protection of the environment and the prevention of pollution under the Environment Act.

Any developer seeking to undertake any project that may have an effect on the environment is required to obtain the written approval of ZEMA. The implementation of such project must be in accordance with any conditions attached in granting such approval.

A developer seeking to undertake prospecting, exploration or mining operations is required to prepare and submit an environmental project brief.

Where ZEMA in consultation with the Ministry of Mines, is satisfied that a project is unlikely to have significant impact on the environment or that the project brief discloses sufficient mitigation measures, ZEMA will issue their approval subject to certain conditions, where applicable.

If, however, ZEMA considers that the project is likely to have an adverse impact on the environment, it may direct that an Environmental Impact Statement ("EIA") should be prepared by the developer. The EIA would be required, even if the developer is undertaking any project as part of a previously approved project. Failure to submit a project brief or EIA or to comply in any way constitutes an offense that is punishable either by way of fines or imprisonment.

The approved project brief is referred forms the basis of the Environmental Management Plan. Holders of mining rights are, as a condition to the license, required to execute the environmental management plan and conduct mining operations only upon meeting the requirements of the Environment Act and obtaining an annual operating permit.

The holder of the mining right (meaning the entity in whose name a mining right is registered) is strictly liable for any harm or damage caused to the environment by mining operations or mineral processing operations. This entails that the mining right holder is liable for the harm regardless of any absence of intent or causation on their part. Liability also attaches to the person who directly

contributes to the act which results in the harm or damage where there is more than one person responsible for the harm or damage, liability is joint and several. This means that a plaintiff has the option of suing both the holder of the mining right and the person directly causing the damage or either of the two.

Environmental Protection Fund

It is a requirement under the Mines Act and a condition to the grant of a mining right for mining right holders to make cash contributions to the Environmental Protection Fund ("EPF") on an annual basis based on the results of an EPF audit undertaken every year.

The rehabilitation cost estimate is required to be lodged with the EPF as a cash contribution over a period of five years.

There are certain concessions that may be granted against the lodgment of the full cash contribution. The concession applicable depends on the developer's environmental performance and classification. The concessions applicable are as follows:

(a) category 1 - 95% of the full rehabilitation cost;

(b) category 2 - 90% of the full rehabilitation cost; and

(c) category 3 - 80% of the full rehabilitation cost,

Instead of lodging the full assessed cost in cash over a period of five years, a mine developer is, depending on its performance, entitled to the concessions set out in (a) to (c) above such that only 5% in the case of category 1, 10% in the case of category 2 and 20% in the case of category 3, of the full assessed cost is payable in cash.

The table below sets out the cash contributions payable as result of the concessions:

	Category 1	Category 2	Category 3
Concession	95%	90%	80%
Cash contribution (of which 20% is to be lodged every year over a period of 5 years)	5%	10%	20%

In order to grant a concession against lodgment of the full assessed cost in cash, the Ministry of Mines and Mineral Development requires that mine developers lodge a bank guarantee or bond to secure the payment of the balance of the assessed cost (i.e. the concession amount). The concession amount may be secured by way of standby letters of credit or bank guarantee.

The amount payable in cash depends on the category under which the mine is classified. The developer is required to lodge 20% of the cash amount each year.

However the cash contribution must be deposited with the EPF over a period of five years. In the case of new projects, the cash contributions must be lodged beginning from the year the mining operation is commissioned, while in the case of existing mines, upon the submission of an acceptable environmental management plan.

Proof of financial capability to complete the rehabilitation of the mining area is a pre-requisite for classification under category 3. Although new projects are generally supposed to be classified under category 3, they can upon demonstration of capability be rated as category 2.

Our Zambian legal adviser has advised that the classifications of NFCA, SML, Luanshya and CCS are Category 2, except for Luanshya's decommissioned and closed area which is Category 3. The aggregate amount of cash contribution paid by the Group for each of 2008, 2009 and 2010 was US$825,811, US$153,146 and US$910,219, respectively, while the amount for 2011 is still under review and evaluation by the relevant competent authorities, and will be paid once it is fixed.

Notwithstanding the establishment of the EPF, the responsibility of land rehabilitation works, mine closure works and the costs associated with such works rests with the mining company and not the government. Rehabilitation works must be undertaken upon closure of the mine, the mining company is entitled to a refund from the EPF contributions less any monies owed to the government.

The EPF is designed to protect the government against the risk of having to expend its own resources on the rehabilitation of a mining area in the event a holder of a mining license fails to do so. The EPF also serves as assurance to the Director of Mines Safety that a mining right holder will execute the environmental impact statement in line with the Environmental Management Plan.

HEALTH AND SAFETY

In Zambia, matters relating to health and safety in the mines are regulated by the Mines Act and the Occupational Health and Safety Act 2010 (the "OHS Act"). The provisions of the Acts are supplemented by the provisions of Mining Amendment Regulations 1973 (the "Mining Regulations") which provide guidelines for officials and employees in the mining industry in respect of health and safety.

The regulatory bodies responsible for mine safety and health are the Occupational Health and Safety Institute established under the OHS Act and the Mines Safety Department under the Ministry Mines and Natural Resources. These institutions administer, monitor and enforce measures relating to health and safety contained in the OHS Act and the Mines Act and the Mining Regulations.

Under the OHS Act, the mines are under a duty to ensure the health, safety and welfare of the employees and place and maintain employees in environments adapted to the employee's physical, physiological and psychological ability. A breach of the provisions of the OHS Act will attract a fine or a term of imprisonment.

In respect of the Mines Act and Mining Regulations, the Director of Mines or the Director of Geological Survey is required, in deciding whether or not to grant any mining right or mineral processing license, takes into account that there is no harm to human health. The grant of such mining right or mineral processing license is required to include such conditions as may be prescribed, by way of statutory instrument, in relation to the protection of human health.

The holder of the mining right (meaning the entity in whose name a mining right is registered) is strictly liable for any harm caused to human health by mining operations or mineral processing operations. This entails that the mining right holder is liable for the harm regardless of any absence of intent or causation on its part. Liability also attaches to the person who directly contributes to the act which results in the harm or damage where there is more than one person responsible for the harm or damage, liability is joint and several. This means that a plaintiff has the option of suing both the holder of the mining right and the person directly causing the damage or either of them.

PROPERTY RIGHTS

Expropriation

Under the Zambian Constitution, property of any description cannot be compulsorily acquired unless under the authority of an Act of the Parliament which provides for payment of adequate compensation. One exception to this provision allows for the possession or acquisition of any mineral, mineral oil or natural gas, or any right accruing by virtue of any title or license for the purpose of searching for or mining any mineral, mineral oil or natural gas. Where however, there is a failure to comply with any provision of the law relating to such title or license, the exercise of such rights or the development or exploitation of any mineral, such property may be compulsorily repossessed without payment of adequate compensation. The repossession must nevertheless be in accordance with the provisions of the Mines Act, failing which the repossession may be deemed unconstitutional and subject to challenge in the courts of law.

Cancellation/ suspension of a mining right

The Directors of Mines or Geological Survey may cancel a mining license on the grounds that the license holder:

(a) contravenes a condition of the mining right;

(b) fails to comply with any requirements of the Mines Act relating to the mining right;

(c) fails to comply with a direction lawfully given under the Mines Act;

(d) fails to comply with a condition on which any certificate of abandonment of the mining area is issued or on which any exemption or consent is given under the Mines Act;

(e) is convicted on account of safety, health or environmental matters;

(f) in the case of large-scale mining license, has failed to carry on mining operations in accordance with its proposed plan of mining operations and the gross proceeds of sale of minerals from the mining area in each of any three successive years are less than a half of the deemed turnover applicable to that license in each of those years;

(g) is convicted for giving false information on recovery of ores and mineral products, production costs or sale; or

(h) is considered by the Director to be using wasteful mining practices and fails to cease such practices or remedy any damage causes thereby within the time specified by the Director.

The Director cannot cancel a mining right on any of the grounds in (a) to (c) above unless notice of default has been issued to the mining right holder and such mining right holder has failed to remedy the default following the expiration of a period of 60 days.

Before the Director can exercise his power to cancel or terminate a mining right, he is required to refer the matter to the Mining Advisory Committee (the "MAC") for consideration. The MAC is

under the obligation to consult any person who is likely to be affected by the termination or cancellation of the license. The Director is not, however, bound the advice of the MAC.

A mining right holder aggrieved by the decision of the Director with respect to the cancellation of a mining right can appeal to the Minister and, subsequently, the High Court of Zambia. The Mines Act does not provide guidance as to the status of the mining right during the period that the appeal is pending determination nor the stage at which a mining license is finally deemed to be cancelled.

Surface rights and access

There is a distinction under Zambian law between a surface right and a mining right, which distinction may affect how a mining right is exercised.

Surface rights and mining rights are clearly distinct concepts administered under separate and distinct legal frameworks. Surface rights may only be granted under the Lands Act (the "Lands Act"), under which the term 'land' is defined to exclude any mining right as defined in the Mines Act and include any interest in land whether virgin, bare or with improvements. All land (as defined under the Lands Act) is vested perpetually in the President of Zambia in trust for the people of Zambia who are generally granted a leasehold tenure of up to 99 years.

A mining right on the other hand, may only be granted under the Mines Act which vests all such rights in the President on behalf of the people of Zambia.

Where surface rights independent of the mining right pre-date the mining right, the mining right holder is entitled to exercise such rights with the consent of the surface right holder. The mining right may not be exercised on any land which is the site of, or which is within 180 metres of, any inhabited, occupied or temporarily uninhabited house or building unless the consent of the owner of such land is obtained. We hold surface rights to land on which our material operating areas are located and our mining rights are exercised, and do not require consent from a third-party surface right holder to exercise our mining rights at our currently operating and producing mines. For further details, see the section entitled "Business — Land and Buildings".

In the event of the owner of such land unreasonably withholding consent to access the area as a result of which a dispute arises, the Director of Mines may require that the matter be settled by arbitration.

The surface right holder is entitled on demand, to fair and reasonable compensation from the mining right holder for any disturbance of such surface right referred to above and failure to pay such compensation by the mining right holder has to be referred to arbitration. A demand for compensation does not, however, entitle the surface right holder to prevent or hinder the exercise by the mining right holder of access to the area pending the determination of the compensation to be paid. A claim for compensation is statute barred if not made by the surface right holder within three years from the date such claim accrued.

The holder of a surface right or occupier thereof which is subject to a mining right can only retain, in a case where there is no building or structure on a pre-existing surface right, the following rights unless an access agreement between the mining right holder and the surface right holder provides otherwise:

(a) the right to use and access water;

(b) the right to graze stock; and

(c) the right to cultivate the surface of the land.

Such rights cannot, however, be exercised in such a way by the surface right holder that interferes with the proper working of the mining right and any buildings or structures on such surface right can only be erected by the surface right holder with the consent of the mining right holder.

Mineral exports, sales and processing

In the case of a holder of a mining license, the right to undertake mineral processing is an incident of the right to carry on mining operations.

In the absence of a mining license, a person intending to undertake mineral processing must apply to the Director of Geological Survey for a mineral processing license. Once granted, the mineral processing license entitles its holder to exclusive rights to carry on mineral processing operations over the area covered by the license.

The sale of minerals recovered in the process of mining operations is a right incidental to a mining license. However, an export permit is required for all exports of minerals, ores or mineral products.

The government has the right to check actual volumes of minerals declared by mining companies before exportation.

IMMIGRATION

Foreign employees working in mining and other sectors in Zambia must hold a valid employment permit. Employment permit applications must be completed and approved before arrival into the country. Other permits of importance include a temporary employment permit, investors permit and business permit.

INVESTMENT

Investment in Zambia is largely promoted by the Zambia Development Agency (the "ZDA") created pursuant to the Zambia Development Agency Act (the "ZDA Act"). There are various incentives available to investors who hold investment licenses, permits or certificates of registration issued by the ZDA under the ZDA Act.

Incentives under the ZDA Act are largely limited to priority products, priority sectors, rural enterprises and businesses operating in Multi-Facility Economic Zones, which do not include mining. Thus, investment licenses in theory are not granted to mining companies.

Notwithstanding the foregoing, an investor in the mining sector may in practice enter into an Investment Promotion and Protection Agreement ("IPPA") with the government, under which various incentives may be provided through the ZDA's declaration of its investment as an identified sector under the ZDA Act.

The ZDA board screens all investment applications for which incentives are requested and usually makes its decision within 30 days of submission. Applicants have the right to appeal investment board decisions.

TAX

Taxation in Zambia is governed by the Income Tax Act, Customs and Excise Duty Act, the Property Transfer Tax Act and the Value Added Tax Act.

Income Tax Act

Under the Income Tax Act, corporate tax on mining companies holding a large-scale mining license and carrying on mining of base metals is generally charged at 30% per annum. In addition to income tax, there is a variable profit tax payable which is intended to capture any windfall gains that may arise in the mining sector (and which replaced the windfall tax) payable at a rate not exceeding 15%. Companies that do not hold large-scale mining licenses and do no carry out mining activities are charged the usual corporate tax at 35% per annum. Withholding tax at a rate of 15% is also charged on dividends, rentals, royalties, bank interest, and management and consultancy fees.

Customs and Excise Duty Act

Exports of copper and cobalt are levied at 35% of income under the Customs and Excise Duty Act, while other mineral and "non-traditional" commodities attract a levy of 15%. Further, exports of companies listed on the Lusaka Stock Exchange are levied at 30% of taxable income.

Value Added Tax Act

Export of goods from Zambia is considered to be a zero-rated supply. The tax authorities may require evidence that the export of goods from Zambia is by or on behalf of a taxable supplier.

Royalties

Mineral royalties are payable at the rate of 3% of the gross value of industrial and energy minerals produced and 3% of the norm value of base metals produced. Mineral royalties for precious metals and gemstones is payable at the rate of 6% of norm value and gross value respectively.

Tax relief

Investment in mining and prospecting attract the following income tax deductions:

(a) capital expenditure allowances of 25% on plant, machinery and commercial vehicles, 20% on non-commercial vehicles, and 5% on industrial buildings;

(b) prospecting expenditure deductions, under special circumstances;

(c) mining expenditure deductions, under special circumstances;

(d) mining expenditure on a non-producing mine; and

(e) mining expenses incurred by a mine or irregular production close to the end of its life.

A holder of a mining right is exempt from customs and excise duties and VAT in respect of all machinery and equipment required for exploration or mining activities.

Remission

There is no restriction in respect of the amount of profits, dividends, or royalties that may be externalized by mining companies, although a withholding tax of 15% is levied as noted above. Our

Zambian subsidiaries are entitled freely to repatriate to Ireland any dividends and any other distributions subject to Zambian withholding tax deductions currently at the rate of 15%. However, in the opinion of our Zambian counsel, pursuant to the Convention between the Republic of Zambia and Ireland for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Tax on Income, distribution of dividends to CNMH, an investment holding company incorporated under the laws of the Republic of Ireland, from its Zambian subsidiaries are exempt from such withholding tax save for instances where CNMH has a permanent establishment in Zambia. Our Directors confirm that CNMH has no permanent establishment in Zambia, and therefore are of the view that no provision for withholding tax on the Group's undistributed profit in Zambia is required to be made in the preparation of our financial information.

Tax stability agreements

Prior to the enactment of the Mines Act, investors were able to enter into Development Agreements with the Government under which concessions where provided generally in the form of suspensions or reductions of all applicable taxes and tax stability periods. Following the enactment of the Mines Act, however, the Development Agreements ceased to be binding on the Republic and the Minister of Mines and Minerals Development could no longer enter into any agreement relating to the grant of mining rights. The Zambian Government is currently in discussions with previous holders of Development Agreements in order to resolve disputes precipitated by their abolishment.

CURRENCY EXCHANGE, EXCHANGE CONTROLS AND REPATRIATION OF PROFITS

Following the liberalization of Zambia's economy in the early 1990s, the Exchange Control Act and ancillary regulations were suspended in January 1994. As a result, there are no exchange control restrictions in Zambia, and consequently there is no requirement to obtain approvals for the purpose of transferring funds. There is equally no restriction against repatriation of profits.

There is a restriction, however, on 'over-the-counter' cash transactions of foreign currencies in bureau de changes, which limits such transactions to US$5,000 (or equivalent) per person per Business Day. This directive, however, does not affect normal bank transactions or transfers.

EMPLOYMENT

The Employment Act is the principal law governing employment in Zambia but there are specific laws governing various aspects of employment law, such as the Minimum Wages and Conditions of Employment Act which sets minimum conditions applicable to certain categories of employees, Industrial and Labor Relations Act, the Workers Compensation Act and the National Pension Scheme Act.

Zambia also applies common law principles and doctrines of equity to employment matters, subject to statutory law.

Employment contracts

The terms of an employment contract are principally determined by the agreement of the parties, which must comply with the minimum terms and condition prescribed by statute.

The law recognizes oral and written contracts, as well as collective agreements in the case of unionized employees.

Oral contracts

Oral contracts, which include daily, weekly and monthly contracts, are recognized under the Employment Act and may not exceed a period of six months. They may be terminated by either party through verbal or written notice, such notice period depending on the length of the contract. A party to an oral contract may also terminate the contract by payment of a sum equal to an employee's wages. Thus, for example, one month's salary would be paid in lieu of notice for a monthly contract.

All employers who engage employees on oral contracts are required by law to maintain a register containing vital information such as employees' name, sex, nationality, date of engagement and type of contract, failing which the employer will have committed an offense under the Employment Act. Further, where a dispute arises pertaining to the conditions of the oral contract, an employee's statement as to the nature of the terms and conditions shall be receivable as evidence of such terms and conditions where the employer fails to produce such a register.

Written contracts

Every contract exceeding a period of six months must be in writing and executed by the parties signing or affixing a thumb or fingerprint thereto. Contracts of Foreign Service and any contract for the performance of specific work which cannot be completed within six months are also required to be in writing.

A written contract must contain the full names of the employer and employee, the name of the business and place of engagement, date of engagement, date of commencement, wages payable under that contract, and the nature of employment. Written contracts can be terminated by expiry of the term, death of the employee, or in any other manner in which a contract may be lawfully terminated, for instance by giving notice of termination or payment of salary in lieu of notice.

Written contracts can either be for a fixed period or permanent, i.e. until an employee reaches retirement age.

Obligations of employers in relation to statutory deductions

An employer is under an obligation to make deductions from the wages payable to employees in respect of pension contributions to the National Pension Scheme Authority ("NAPSA"). Under the National Pension Scheme Act (the "NAPSA Act"), every person, firm, institution or association registered as a taxpayer with employment contracts must register as a contributing employer.

Contributions must be accompanied by supporting documentation showing an employee's identity, length of employment and earnings. It is an offense under the NAPSA Act for an employer to fail to remit contributions to NAPSA, the penalty for which is a fine and/ or imprisonment.

Similarly, employers have an obligation to subscribe to and make contributions to the Workers Compensation Fund, which was established to provide for the compensation of workers disabled by accidents occurring or diseases contracted in the course of employment, as well as to dependants of workers who die as a result thereof.

An employer may also deduct a reasonable amount from an employee's wages to cover any amount in repayment of a loan made by the employer to the employee or in such instances where loss of property has been occasioned by the employee's wilful neglect.

Union Membership

Under the Industrial and Labor Relations Act, every employee has the right to be a member of a trade union within the sector, trade, undertaking, establishment or industry in which that employee is engaged.

Employees also have the right to take part in the activities of a trade union and are entitled to leave of absence for the purpose of attending union meetings, which should not be unreasonably withheld by the employer. The only employees exempted from union membership are members of the armed and security forces and judiciary.

According to the law, every person employing 25 or more employees eligible to be members of a trade union must register with the Commissioner of Labor within three months from the commencement of operations. Furthermore, it is the obligation of the employer to enter into a recognition agreement with a trade union within three months of registration with the Commissioner of Labor.

The law places a limitation on the formation of new trade unions in industries where trade unions are already in existence, thereby ensuring that each industry will be represented by the most representative trade union in the industry concerned. At industry level, the most representative trade union is the body which constitutes the majority of members.

However, where there are employees who offer specialized services requiring specific representation by a trade union, the most representative body shall be considered to be between the competing representations.

PRC

Laws and Regulations Related to Overseas Investment by PRC Enterprises

In China, we are, indirectly through CNMC, subject to governmental supervision and regulation of the following four agencies of the PRC government:

The State-Owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會) ("SASAC") is responsible for monitoring the PRC government's investment in state-owned enterprises and supervising the preservation and increment in value of state-owned assets.

The National Development and Reform Commission (國家發展和改革委員會) ("NDRC") is responsible for setting and implementing the major policies concerning China's economic and social development policies and approving investments exceeding certain capital expenditure amounts.

The Ministry of Commerce (商務部) ("MOFCOM") is responsible for supervising and monitoring foreign trade (import and export) and foreign investment, examining and approving the establishment of foreign invested enterprises, setting up qualification criteria for all kinds of Chinese enterprise to obtain foreign trade rights or to be engaged in international forwarding business and approving Chinese companies to acquire ownership right, controlling right or to participate in the management of an overseas non-financial enterprise by setting up new overseas establishments, or by mergers and acquisition.

The State Administration of Foreign Exchange (國家外匯管理局) ("SAFE") is responsible for supervising and management of foreign exchange income and expenditure and registration in relation to foreign and overseas investment.

Regulation of SASAC in Relation to Investment by Central Enterprises

The Interim Measures for Supervision and Administration of Investment by Central Enterprises (《中央企業投資監督管理暫行辦法》) promulgated by SASAC on June 28, 2006 (the "Interim Measures") and its implementing rules stipulate that SASAC has the authority to supervise and administer the investment activities of central enterprises, including fixed-assets investments, property acquisitions and long-term equity investments. Under the Interim Measures and its implementing rules, a central enterprise meaning an enterprise in which the State Council contributes to the registered capital and SASAC acts on behalf of the State Council to perform the contributor's duties, shall incorporate its primary investment activities in its annual investment plans which shall be submitted to SASAC within the prescribed time limit for filing or approval. With respect to the wholly state-owned companies that have established a board of directors according to the relevant provisions of SASAC, SASAC will implement the filing for their investment projects according to the annual investment plans of the enterprises, and with respect to the wholly state-owned enterprises and the wholly state-owned companies that have not yet established a board of directors, SASAC will implement the filing for investment projects in the main industry according to the annual investment plans of the enterprises, and will implement the assessment and approval for the investment projects in the minor industry by making assessment decisions within 20 working days. Additionally, if an enterprise adds any project other than those in its annual investment plans, it shall promptly submit a report to SASAC with regard to such supplemental investment project. It shall also promptly report any significant investment matters to SASAC.

On December 31, 2008, SASAC issued the Notice of SASAC Regarding Strengthening the Administration of Overseas Investment by Central Enterprises (《國務院國有資產監督管理委員會關於加強中央企業境外投資管理有關事項的通知》), further specifying that overseas acquisition projects shall be officially reported to SASAC at least twelve working days prior to execution of legal documents. Relevant information relating to overseas investment projects shall be copied to SASAC simultaneously when it is submitted to State Council or competent agencies thereof for approval, assessment or filing.

On June 14, 2011, SASAC published the Interim Measures for Supervision and Administration of Overseas State-owned Assets of Central Enterprise ("Notice 26") (《中央企業境外國有資產監督管理暫行辦法》) and the Interim Measures for Administration of Overseas State-owned Property Right of Central Enterprise ("Notice 27") (《中央企業境外國有產權管理暫行辦法》), both of which simultaneously became effective on July 1, 2011. Notice 26 stipulates the specific duties and responsibilities of SASAC and central enterprise and the relevant requirements for administration of overseas enterprises with respect to their capital injection and continuing operation. It also provides for the reporting procedures, content and time limit for overseas enterprise to observe in case of any material events. Notice 27 concentrates on administration by SASAC and the central enterprises of registration and transfer of overseas state-owned property right, specifically setting forth the basic procedures, transfer price, transfer method, and consideration payment with respect to such transfer of property right. In accordance with provisions of Notice 27, in the event that the central enterprise or any of its subsidiaries needs to establish an offshore company for the purpose of listing, reorganization, transfer or business operation, it shall be approved by the central enterprise and be reported to SASAC in written form. In addition, if an overseas enterprise wholly owned or controlled by a central enterprise or any subsidiary thereof plans to list on a foreign stock exchange,

it should be approved by the central enterprise in accordance with relevant securities regulatory laws and be reported to SASAC in written form. Under Notice 27, in the event that the central enterprise conducts an asset reorganization within its group entities, with the transferor being the central enterprise and its directly or indirectly owned overseas enterprise, and with the transferee being the central enterprise and its directly or indirectly owned domestic or overseas enterprise, the bottom price for the transfer could be determined either by the assessed or the audited net asset value.

Regulation of NDRC in Relation to the Overseas Investment Project

In accordance with the Interim Measures for the Administration of Examination and Approval of the Overseas Investment Projects (《境外投資項目核准暫行管理辦法》) promulgated by NDRC and effective on October 9, 2004, overseas investment projects involving resource development or use of large amount of foreign exchange shall be subject to the examination and approval of the State. Resource development projects such as exploitation of crude oil and mines, in which a Chinese party's investment exceeds 30 million dollars, shall be subject to approval of NDRC, or be submitted to the State Council for approval on basis of NDRC's examination in cases where a Chinese party's investment is in excess of 200 million dollars. For a resource development project invested by a central enterprise with an investment less than 30 million dollars and other overseas investment project with an investment less than 10 million dollars, the central enterprise will make investment decisions in its sole discretion and shall then file its decisions with NDRC. An approval for the application of change shall be obtained if, after the overseas investment project is approved by NDRC or its provincial-level counterpart, any of the construction scale, main construction contents, main products, construction sites, investors or equity interests held by investors changes, or the amounts invested by the Chinese party exceeds 20% of the amounts originally approved.

On February 14, 2011, NDRC published the Notice of NDRC on Delegating Powers on Examination and Approval of Overseas Investment Projects to Authorities at Lower Levels (《國家發改委關於做好境外投資項目下放核准權限工作的通知》), which regulates that resource development projects with a Chinese party's investment exceeding 300 million dollars and other overseas projects with Chinese party's investment exceeding 100 million dollars, which are both implemented by a central enterprise, shall be subject to examination and approval from NDRC, while other overseas investment projects (excluding special projects) implemented by a central enterprise can be decided by the enterprise itself independently and shall then be submitted to NDRC for archival filing.

Regulation of MOFCOM in Relation to Overseas Investment

On March 16, 2009, MOFCOM published the Measures for Administration of Overseas Investment (the "Measures") (《境外投資管理辦法》) which took effect on May 1, 2009 and stipulates the examination and approval procedures of MOFCOM for Chinese enterprises to make overseas investment. Under the Measures, a Chinese enterprise shall submit a set of required application documents to MOFCOM for its approval, and when the application for setting up overseas establishment is approved, the applying enterprise will obtain a license for overseas investment from MOFCOM or its provincial-level counterpart and shall subsequently go through procedures of foreign exchange, banking, customs and foreign affairs in accordance with requirements of competent agencies, and shall inform its approved overseas enterprise to register with the local Economic and Commercial Section of China Embassy or Consulate. If any of the application matters relating to the overseas enterprise as registered that has been approved changes, the applying PRC enterprise shall go through registration procedures with competent commercial authorities in light of such changes. It shall also handle filing procedures if its approved overseas enterprise makes further investments.

Regulation of SAFE in Relation to Overseas Direct Investment

Regulations on Foreign Exchange Administration of the Overseas Direct Investment of Domestic Institutions (the "Regulations") (《境內機構境外直接投資外匯管理規定》) promulgated by SAFE on July 13, 2009 and effective on August 1, 2009 stipulates the foreign exchange administration and the relevant procedures for outward remittances of funds, outward remittances of upfront expenses relating to a proposed investment project, inward remittances of funds and foreign exchange settlement in relation to overseas direct investment. In accordance with the Regulations, PRC institutions can make overseas direct investments with their self-owned foreign exchange funds, domestic foreign exchange loans consistent with relevant regulations, foreign exchange purchased with RMB, tangible or intangible assets, and other foreign exchange assets examined and approved by the competent foreign exchange administrations, and profits generated from the overseas direct investments of PRC institutions may also be retained overseas for the purpose of overseas direct investment. Under the Regulations, a domestic institution is required to register or file with the local foreign exchange administration for its overseas direct investments and for the assets and relevant rights and interests generated from such investments. It will handle the procedures for outward remittances of overseas direct investment funds at the designated foreign exchange banks by producing to the banks the approval document and the foreign exchange registration certificate for overseas direct investment issued by the competent foreign exchange authorities. Additionally, in cases where a domestic institution sets up, or acquires the equity interest in, an overseas enterprise which is not yet registered with the local counterparts of SAFE with the profits or revenues retained abroad generated from its overseas direct investment or from capital reduction, equity interest transfer, liquidation of its registered overseas enterprise, it shall complete the foreign exchange registration procedures for the said direct investment activities. If any of the basic information of the registered overseas enterprises changes, such as any modification of the corporate name, terms of business, cooperative partners, methods of cooperation, or any capital increase or reduction, equity transfer or exchange, or merger or split, the domestic institution shall go through foreign exchange registration procedures for such overseas direct investment in light of the said changes; if any significant matters occur such as making long-term equity or debt investment, or providing external guarantees which do not involve a change in the capital of the overseas enterprise, the domestic institutions shall go through filing procedures for the overseas direct investment with regard to the said significant matters.

Laws and Regulations Related to PRC Enterprise Income Tax

Resident Enterprise Treatment

On March 16, 2007, the Fifth Session of the Tenth National People's Congress (中華人民共和國第十屆全國人民代表大會第五次會議) passed the Enterprise Income Tax Law of the PRC ("EIT Law") (《中華人民共和國企業所得稅法》), which became effective on January 1, 2008. Under the EIT Law, enterprises are classified as "resident enterprises" and "non-resident enterprises." Pursuant to the EIT Law and its implementing rules, enterprises established outside China whose "de facto management bodies" are located in the PRC are considered "resident enterprises" and subject to the uniform 25% enterprise income tax rate on their worldwide taxable income. According to the implementing rules of the EIT Law, "de facto management body" refers to a managing body that in practice exercises overall management control over the production and business, personnel, accounting and assets of an enterprise.

On April 22, 2009, the State Administration of Taxation ("SAT") (國家税務總局) issued the Notice on the Issues Regarding Recognition of Chinese-Controlled Enterprises Registered Abroad as PRC Resident Enterprises Based on the De Facto Management Body Criteria (《關於境外註冊中資控股企業

依據實際管理機構標準認定為居民企業有關問題的通知》), which was retroactively effective from January 1, 2008. This notice provides that an overseas incorporated enterprise that is controlled domestically will be recognized as a "tax-resident enterprise" if it satisfies all of the following conditions: (i) the senior management responsible for daily production and business operations are primarily located in the PRC, and the locations where such senior management execute their responsibilities are primarily in the PRC; (ii) strategic financial and personnel decisions are made or approved by organizations or personnel located in the PRC; (iii) major properties, accounting ledgers, company seals and minutes of board meetings and stockholder meetings, etc., are maintained in the PRC; and (iv) 50% or more of the board members with voting rights or senior management habitually reside in the PRC. An overseas incorporated enterprise that is controlled domestically may apply for recognition as a tax resident enterprise by itself, or in cases where such an enterprise does not apply for the recognition, the principal taxation administration governing the major investor of such enterprise may primarily determine whether such enterprise is a tax resident enterprise or not, in accordance with information it acquires, and then report to the SAT for confirmation. Any stock dividend, bonus dividend and other equity investment gains received by a domestically controlled overseas incorporated enterprise that is recognized as a tax resident enterprise, from other tax resident enterprises in the PRC shall be exempted from income tax.