



**MINISTRY
OF MINES
and PETROLEUM**

**MINING in
ETHIOPIA**

**INVESTOR
GUIDE**

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ACRONYMS

ASSM	Artisanal and Small-Scale Miners
CIRDI	Canadian International Resources and Development Institute
COMESA	Common Market for Eastern and Southern Africa
CFTA	Continental Free Trade Area
E-EITI	Ethiopia's Extractive Industry Transparency Initiative
EFCCC	Environment, Forest and Climate Change Commission
EIA	Environmental Impact Assessment
EIC	Ethiopian Investment Commission
EMDSC	Ethiopian Mineral Development Share Company
EMPBFC	Ethiopian Minerals, Petroleum and Bio-Fuel Corporation
EPA	Environmental Protection Agency
ERCA	Ethiopian Revenues and Customs Authority
GDP	Gross Domestic Product
GoE	Government of Ethiopia
GTP	Growth and Transformation Plan
GSE	Geological Survey of Ethiopia
IGAD	Intergovernmental Authority on Development
MoMA	Memorandum of Agreement
MoMP	Ministry of Mines and Petroleum
MoT	Ministry of Trade
PLC	Private Limited Company
SMEs	Small and Medium Enterprises
SDGs	Sustainable Development Goals
SOP	Sulphur of Potash
SUMM	Supporting the Ministry of Mines Project Ethiopia
TIN	Tax Identification Number
VMS	Volcanogenic Massive Sulfied
UNDP	United Nations Development Programme

01

WELCOME TO OUR

MINING INVESTOR GUIDE

WELCOME TO OUR

MINING INVESTOR GUIDE

Ethiopia is the ideal mining destination for companies looking to invest in a high-potential mining jurisdiction. With impressive mineral resources and a government committed to executing ambitious economic reforms, the building blocks are in place to create a world-class mining sector.

This guide is designed to provide the investor with a clear picture of Ethiopia's extraordinary mineral resources, their geology, and the nature of the opportunity for each commodity. It clearly sets out the legal and regulatory frameworks for mining and petroleum in Ethiopia. It also outlines the different players in Ethiopia's mining sector, federal and regional, and their respective roles.

Ethiopia's mining sector has undertaken a major reform programme in recent years. The reform is designed to make it easier than ever to invest in Ethiopia, encourage exploration and mining, and unlock the sector's full potential and value. The reform includes geodata management, transparency and ease of licensing process and the artisanal mining sector among others. Read more about this important work later in the guide.

The Ministry of Mines and Petroleum (MoMP) is the first port of call for all investors interested in Ethiopia's mining and hydrocarbon sectors. The MoMP can direct you to the most up-to-date geodata available, guide you to the right legislation and regulations for your business, and help you apply for any licences required. The MoMP also provides straightforward guidance on how to go about investing in Ethiopia's abundant natural resources.



02

A QUICK GUIDE TO

ETHIOPIA AS YOUR MINING DESTINATION OF CHOICE



2.

A QUICK GUIDE TO

ETHIOPIA AS YOUR MINING DESTINATION OF CHOICE

The country covers 1.14 million square kilometres and has a population of 105 million people, making it Africa's second-most populous nation.

Ethiopia has enjoyed international acclaim for its impressive and sustained economic growth and the visionary political leadership of Nobel Laureate, Prime Minister Dr Abiy Ahmed. Mining reform is high on Prime Minister Abiy's agenda, who intends for mining to comprise 10% of the country's Gross Domestic Product (GDP) by 2025. To achieve this, the Prime Minister has launched the 'Homegrown Economic Reform Agenda', which seeks to implement the following macroeconomic, sectoral and structural reforms.

HOMEGROWN ECONOMIC REFORM AGENDA	
MACROECONOMIC REFORMS	<ul style="list-style-type: none">• Strengthening public sector finances• Correcting foreign currency imbalances• Controlling inflation• Safeguarding financial stability• Improving access to finance and developing capital markets
MINING REFORMS	<ul style="list-style-type: none">• Formalising and supporting artisanal and small-scale mining• Reviewing gold pricing to reduce incentives for illicit trade• Addressing political and legal issues with local communities and incentivising miners to engage and invest in local communities• Addressing technical and institutional barriers against large-scale mining projects• Developing policies and institutional capacities to create a sustainable, inclusive mining sector with strengthened geological information and a diversified product base with a focus on industrial input

<p>1 ABUNDANT MINERAL POTENTIAL</p> <p>Apart from gold, Ethiopia's mineral potential is vast. With known occurrences of more than 30 metallic, industrial, agro- and construction minerals as well as rare gemstones.</p> <p>Ethiopia is also home to one of the oldest geological surveys on the continent, the Geological Survey of Ethiopia (GSE). Data provided by the GSE make both exploration and the acquisition of brownfield projects easier for investors.</p> <p>Available maps include:</p> <ul style="list-style-type: none"> ■ Geoscience and hydro-geology ■ Airborne geophysics ■ Ground gravity ■ Engineering geology and geohazard ■ Mineral exploration 	<p>in the sector through one office - the Grants and International Cooperation Office at the Ministry of Mines and Petroleum.</p> <p>The following information is available to potential investors in the Ethiopian mineral sector:</p> <ul style="list-style-type: none"> ■ Regulatory environment ■ Legal environment and compliance ■ Economic environment ■ Mining/Petroleum Investment Guide ■ Priority sub-sectors, designation and localisation ■ Environmental Impact Assessment ■ Mining/Petroleum licencing and permits ■ Investment promotion ■ Visa and duty-free process facilitation ■ Brokerage with local entrepreneurs in the mining sector <p>The MoMP also launched its newly upgraded website, which showcases the mineral development vision for Ethiopia.</p>
<p>2 ONE-STOP-SHOP</p> <p>In January 2020, 16 public and private offices signed an agreement to offer a one-stop-shop service. Key ministries include Revenue, Trade and Industry, Agriculture, Science and Innovation, Transport, and Mines and Petroleum (MoMP). This system is key to increasing Ethiopia's trade competitiveness and it will help offices to deliver simple, predictable, efficient and fast services. It will increase revenue and satisfaction of clients, reduce corruption, bring transparency and encourage export trade.</p> <p>The one-stop-shop coordinates and facilitates access to relevant government directorates and entities involved in regulatory, registration, permits and licencing. It aims to ensure that investors can go to the MoMP (physically or online) and receive all guidelines, administrative information and approvals they need to invest</p>	<p>3 INCENTIVES</p> <p>The investment policy in Ethiopia is generally established under the principles and practices of a free market-driven economy. The government has enacted a competitive legal and fiscal regime that has attracted many local and foreign mining companies, from exploration through to mining activities. The government provides a number of incentives to encourage private investment and promote the inflow of foreign capital and technology into Ethiopia. The incentives are both fiscal and non-fiscal, covering customs duty exemptions, income tax exemptions and export incentives provided to both domestic and foreign investors.</p>

SUMMARY OF PROVISIONS FOR INVESTORS	
LEGISLATIVE FRAMEWORK AND FISCAL REGIME	<ul style="list-style-type: none"> • 25% corporate tax rate and permits 10 years' loss carry-forward • Attractive royalties <ul style="list-style-type: none"> - 4% for industrial minerals - 5% for metallic minerals - 7% for gold - Petroleum royalties are negotiable • Formalising and supporting artisanal and small-scale mining • Retention of portions of foreign currency earnings and remittance of profits, dividends, principal and interest on a foreign loan out of Ethiopia • Exemption from customs duties and taxes on equipment, machinery and vehicles necessary for mining operations • 100% cost recovery for companies that successfully engage in mining operations (Tax Proclamation, Chapter 4)
MINERAL MARKETING	Guarantee licensee's right to sell minerals and petroleum products locally or abroad
DISPUTE RESOLUTION	Provide for dispute settlement through negotiation and arbitration
OWNERSHIP	<ul style="list-style-type: none"> • 55% government equity for minerals • Negotiable for petroleum
INVESTOR INCENTIVES	
MARKET FREEDOM	Company or mining licence holder has right to sell minerals domestically or overseas
COST RECOVERY	<ul style="list-style-type: none"> • All mineral exploration or pre-production costs are 100% recoverable • 100% recoverable costs with a ceiling of 65 to 70%
EXEMPTION FROM CUSTOMS DUTIES AND TAXES	The mining law provides exemption from customs duties and taxes on equipment, machinery, vehicles and spare parts necessary for the mineral operations for mineral and petroleum operations (please refer to petroleum and mineral laws on customs duties and taxes)
OPENING OF THE FOREIGN CURRENCY ACCOUNT IN ETHIOPIA	As per the mining law of the National Bank of Ethiopia, the opening and operation of a foreign currency account in Ethiopia is guaranteed

4 DELIVERY-ORIENTED GOVERNMENT

Ethiopia is rapidly executing high-value infrastructure investments, carefully designed to give the mining sector the space it needs to grow. These investments ensure that mining companies will have the infrastructure they need to mine at scale, access global markets, and import production inputs quickly and smoothly.

ENERGY

The 1,870 MW Gibe III hydropower project, which doubled Ethiopia's electricity output, was completed in 2016. Ethiopia is also developing what will be Africa's biggest hydroelectric power plant - the 6,000 MW Grand Renaissance Dam. This is due for completion in 2022.

RAIL

Further expansion is underway with a 656 km rail line connecting Ethiopia to the port of neighbouring Djibouti.

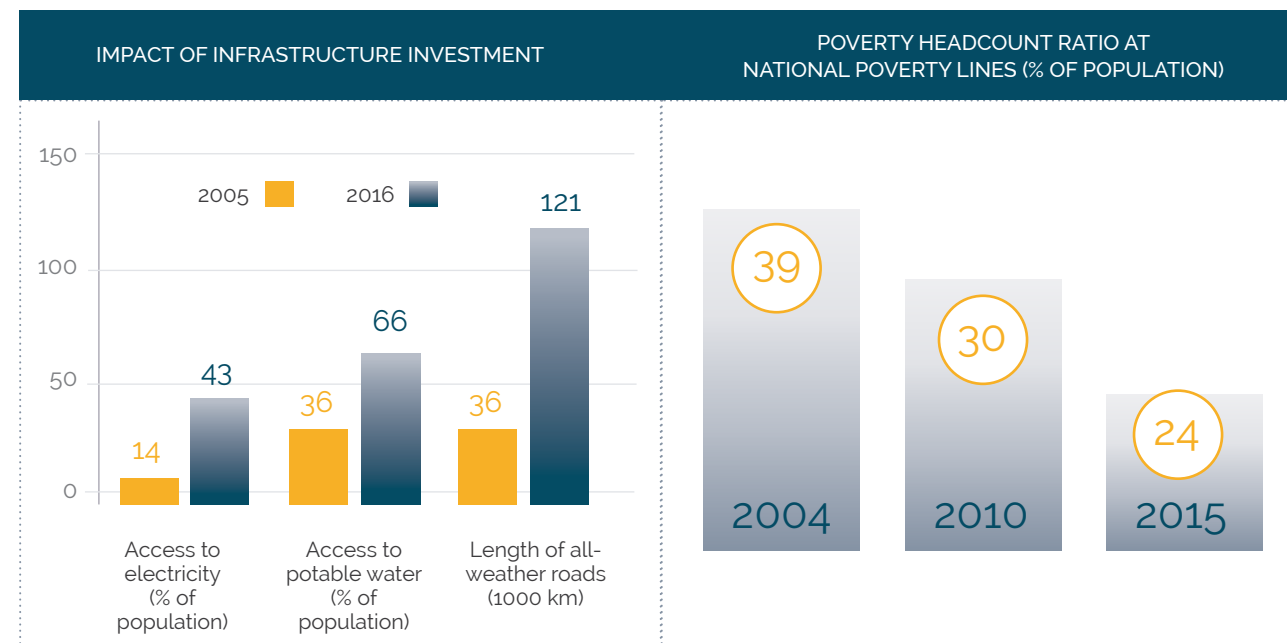
ROAD

Between 2010 and 2015, Ethiopia's road network more than doubled to reach 110,414 km.

AIR

Ethiopian Airlines is Africa's largest carrier with access to 120 international destinations, and Addis Ababa airport is now the largest hub on the continent.

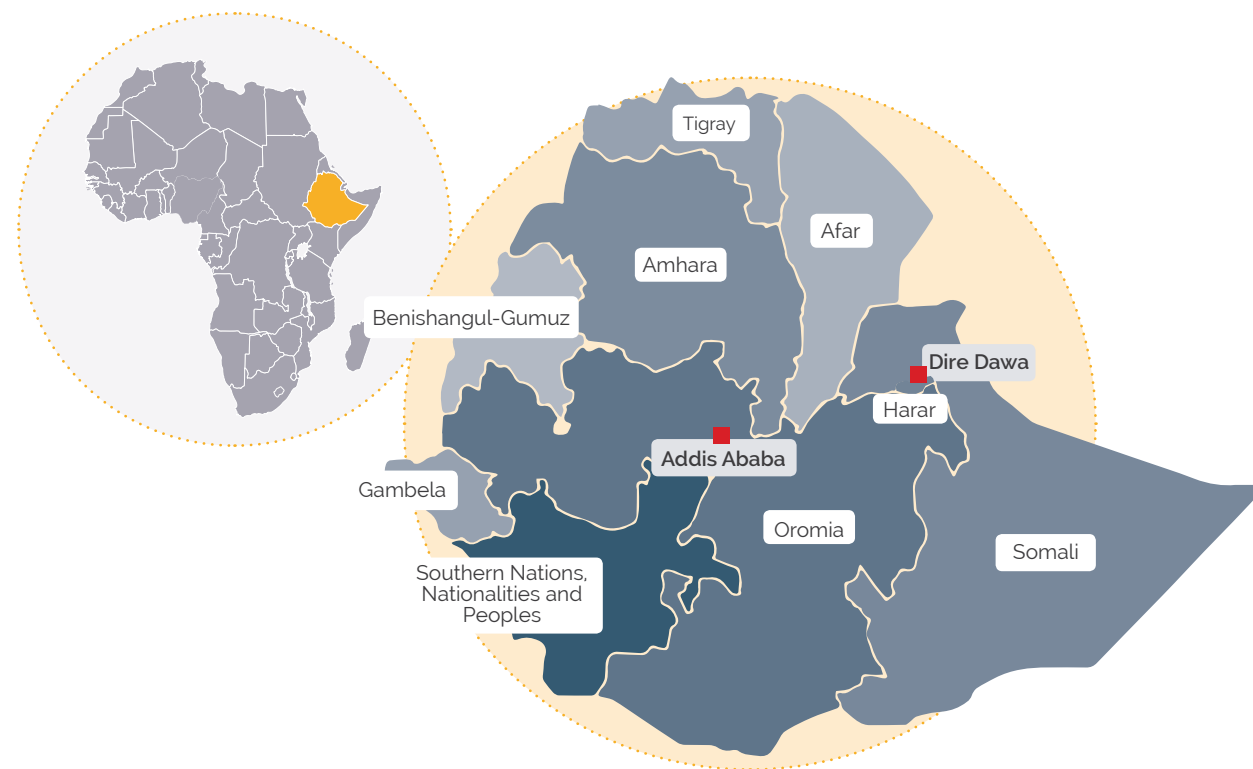
Since 2005, there have been significant improvements in access to electricity, potable water and roads (see chart below), which is decreasing Ethiopia's poverty headcount ratio.



03 ETHIOPIA AT A GLANCE

3. ETHIOPIA AT A GLANCE

Ethiopia is strategically located in the Horn of Africa, giving it prime transport links to key export markets.



Ethiopia shares its boundary with the North and South Sudan on the west, Somalia and Djibouti on the East, Eritrea on the North and northwest and Kenya on the South.

SURFACE AREA: 1.14 million km²

CAPITAL CITY: Addis Ababa

POPULATION: 105 million

GOVERNMENT:

- Federal Democratic Republic
- 9 National Regional States
- 2 Federally Chartered cities

OFFICIAL LANGUAGE: Amharic

3.1 A GROWING ECONOMY

Ethiopia is considered one of the world's most consistently high-performing economies, having registered an average GDP growth of 9% over the past decade. Due in large to Ethiopia's increased industrial output over that same period, its performance is planned and documented through the Growth and Transformation Plan (GTP), now in its second phase, the GTP II. The country's state-led growth and development programme is now mostly supported by the Homegrown Economic Reform Agenda (September 2019).

3.2 GTP II AND ETHIOPIA'S MINING SECTOR

The GTP II major goal is to realise the national vision of becoming a lower middle-income country by 2025 - achieved by sustaining rapid broad-based and inclusive economic growth, which accelerates economic transformation.

The GTP II outlines the Government of Ethiopia's deliberate interventions to increase the mining sector's revenues to USD3.7 billion by 2025. This includes strengthening the implementation capacity of the Ministry and regional states, attracting reputable and competent investors by undertaking international standard promotion work and funding the provision of reliable geological survey data.

To achieve this, the GoE will drive an import-substitution agenda by developing minerals that can be used as inputs for local industries and value-addition. Bio-fuel production and promotion of the downstream petroleum industry will also be prioritised. Reducing environmental impact of the sector will be central as will setting standards and regulations in fuel extraction, blending, storing, transporting and distribution processes in the country.

THE PLAN HAS FOUR PILLARS:

1 Lower middle-income economy:

To achieve and maintain a real GDP growth rate of 11% within a stable macroeconomic environment.

2 Regional hub for innovation and manufacturing:

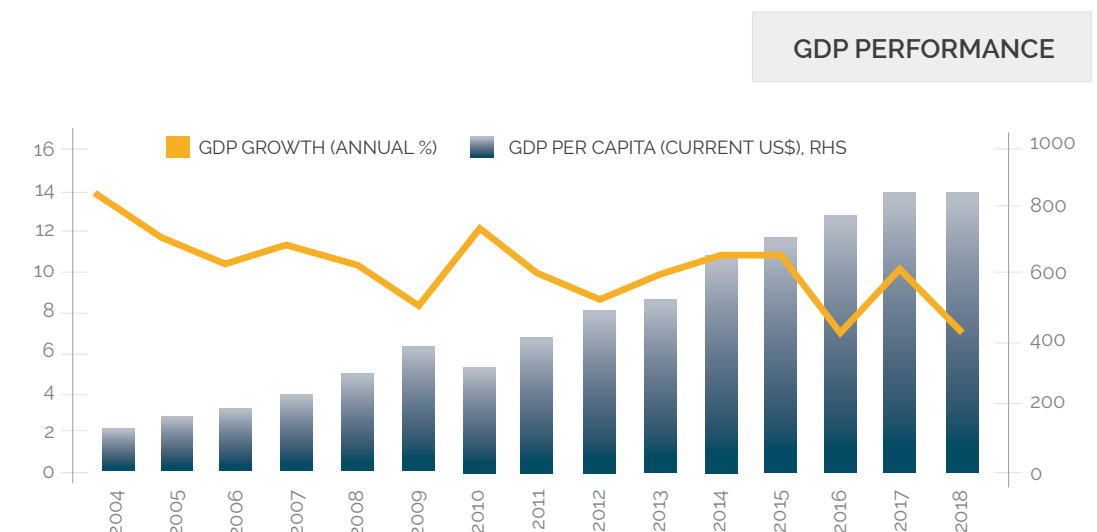
To develop domestic manufacturing, engineering and fabrication capacity which will improve productivity, quality and international competitiveness. It also seeks to spur structural transformation to reposition Ethiopia as a regional leader in technological innovation and manufacturing.

3 Public participation and local ownership:

To build upon and solidify the ongoing public mobilisation and organised participation. This is to ensure the Ethiopian public become both owners and beneficiaries of the outcomes of Ethiopia's development.

4 Political stability:

To strengthen Ethiopia's democratic institutions.



04

REFORMING THE MINING SECTOR

4.

REFORMING THE MINING SECTOR

The Government of Ethiopia has set out a clear “Pathway to Prosperity” through the new Homegrown Economic Reform Agenda, enabling Ethiopia to reach the status of a middle-income country by 2030.

THE GoE HAS LAID OUT CLEAR AMBITIONS FOR THE MINING SECTOR:

- Amount of foreign exchange earned through export and import substitution increasing from
US \$265 MILLION to US \$17 BILLION
- Amount of local income earned from the sector increasing from
US \$400 MILLION to US \$90 BILLION
- Number of FDI companies in the sector increasing from
US \$160 MILLION to US \$500 MILLION
- Number of quality jobs created in the sector organisations, companies and SMEs increasing from
200, 000 to 1,6 MILLION

THE REFORM PROGRAMME IS FOCUSED ON:

1. Implementing strategy and improving policy
2. Revising the legal framework
3. Developing institutional capacity
4. Developing human resources
5. Enhancing facilitation through information and technology

4.1 NATIONAL PLAN FOR JOB CREATION

Ethiopia’s National Plan for Job Creation (2020–2025) targets mining as a key sector to achieve its goal to create 14 million jobs by 2025, to absorb the currently unemployed and to ensure that jobs are waiting for new entrants to the labour market.

Mining has untapped potential in Ethiopia due to several institutional and technical constraints. Strategies to improve pricing, formalise Artisanal and Small-Scale Miners (ASSM) miners and improve large-scale miners’ relationships with local communities in the sector are underway to unlock the sector’s potential for direct and indirect job creation.

Reforms in Ethiopia’s mining sector are well underway. MoMP is already several years into its own ambitious reform programme.

Strategy 1

- Building a robust policy framework and an enabling environment by formalising ASM;
- Providing government support for business development;
- Enforcing the existing legal framework to promote artisanal miners;
- Improving the ease of access to licences and finance for SMEs, and large-scale miners working in mining value-addition.

Strategy 2

Improving horizontal and vertical integration in the mining sector, by:

- Promoting and marketing Ethiopia’s mining potential to the international market;
- Improving access of artisanal miners to licenced buyers, providing competitive prices for gold and similar precious stones;
- Encouraging the formation of Micro, Small and Medium Enterprises to aggregate artisanal miners’ production;
- Creating incentives for artisanal miners supplying to licenced buyers.

Strategy 3

Designing tailor-made skills development programmes, by:

- Creating a fellowship programme targeting professionals in the mining sector;
- Developing SME skills and readiness to provide auxiliary services and products to large-scale firms;
- Integrating training on mineral exploration methodologies into business development support to formalise SMEs;
- Providing vocational training in value-addition practices.

Strategy 4

Designing and implementing innovative flagship projects/programmes (for instance - introducing lease capital for the purchase of equipment) as part of formalisation support, and support geo-chemical atlas mapping.

THE CASE FOR MINING SECTOR REFORM FOCUSES ON FIVE AREAS:	
INTERVENTION	ACTIVITIES UNDERWAY
IMPLEMENTING STRATEGY AND IMPROVING POLICY	<ul style="list-style-type: none">• Development of Mineral and National Petroleum Policy• Formalisation of ASSM activities
REVISING THE LEGAL FRAMEWORK	<ul style="list-style-type: none">• Review of the Mining Operation Proclamation and Regulations• Review of the Petroleum Operation Proclamation• Review of the Transaction of Precious Minerals Proclamation
DEVELOPING INSTITUTIONAL CAPACITY	<ul style="list-style-type: none">• Restructuring of Ministry of Mines and Petroleum to improve coordination between federal and regional mining bureaus, simplifying licencing process• Establishment of the Mineral Excellence Centre
DEVELOPING HUMAN RESOURCES	<ul style="list-style-type: none">• Right-sizing of staff complement to attract and retain talent• Partnering with higher education institutions to build capacity
ENHANCING FACILITATION THROUGH INFORMATION AND TECHNOLOGY	<ul style="list-style-type: none">• Operationalisation of a modern and sophisticated cadastre system• Digitisation of existing maps and existing data

Highlights of the MoMP’s progress with reforms since 2016 include:

1 Implementing strategy and improving policy

- Development of a GIS portal and integration of geoscience data into the upgraded national cadastre system.
- Refreshing Ethiopia’s Mineral Development Policy.
- Developing Ethiopia’s National Petroleum Policy.
- Delivering an ASSM national strategy roadmap, which will see the formalisation of the sector for better management.
- Streamlining federal and regional licences and licencing systems to improve consistency, via in-depth consultations with the regional mining bureaus.

2 Revising the legal framework

- Completing a substantive review of all legal instruments regulating the mining sector in Ethiopia.
- Developing a framework for a Gender Equality and Mainstreaming Strategy to integrate gender concerns in policies, legislation, strategies, plans and budgets.
- Introducing an investor engagement strategy and one-stop-shop mechanism.

3 Developing institutional capacity

- Restructuring of organisational levels inside the MoMP and the GSE to meet current industry needs and enhance service delivery.
- Establishing the Mineral Excellence Centre at the MoMP and creating an e-learning/training platform.

05

ABOUT ETHIOPIA'S MINERALS

5.

ABOUT ETHIOPIA'S MINERALS

Ethiopia's terrain primarily consists of rocks from four geological periods: the Proterozoic, Mesozoic, Tertiary and Quaternary periods.

5.1 ETHIOPIA'S GEOLOGY

The oldest rocks to be found in Ethiopia are from late Proterozoic age (900-540Ma), and cover slightly less than 25% of the country. Mainly, these rocks are exposed in the northern, western and southern parts of Ethiopia. A scattering of such rocks, however, can be also found in Harar in the east.

Ethiopia's Proterozoic basement sits partly in the Arabian-Nubian shield that continues north into Sudan, Egypt and Saudi Arabia and south into the Mozambique Belt, which comprises much of the geological basement throughout eastern and southern Africa.



Mesozoic (251-66Ma) and some slightly older marine, continental and sedimentary rocks cover another 25% of the country. These Mesozoic formations include rocks like sandstone, shale, limestone and gypsum. Eastern Ethiopia contains exceptionally large areas of these kinds of rock - most notably in the Ogaden Basin. There are also two sedimentary basins in the centre and to the north of the country.

The remaining 50% of the country is covered by Tertiary (65 - 2.6Ma) and Quaternary (2.6Ma - present time) volcanic and sedimentary rocks. These originate from the formation of the Ethiopian rift, a subsection of the greater East African rift. The Ethiopian rift runs from northeast to southwest across Ethiopia. As such, the Ethiopian highlands are underlain mainly by thick sequences of flood basalt that erupted 65-13 million years ago, while the rift valley itself is covered mainly by Quaternary (<2.6Ma) volcanic rocks and associated sedimentary rocks. Quaternary sediments also occur in other parts of the country and tertiary sediments in the far east.

5.1.1 About the GSE

The Geological Survey of Ethiopia (GSE) is an autonomous institution, with accountability to the MoMP. It is responsible for carrying out basic geological mapping, mineral exploration and related geological activities. The GSE also provides services such as data dissemination, and drilling and laboratory analysis.

The GSE was established in 1968 as a department, becoming autonomous in 1982 as the Ethiopian Institute of Geological Surveys (EIGS), before finally being established in its current form in 2000. The GSE has completed a geological and hydro-geological mapping at a scale of 1:250000, for the entire country, and identified several targets for metallic, industrial, energy and construction minerals. This work provides the critical foundation for mineral exploration and mining development projects in Ethiopia. The GSE also plays a role in developing critical skills in the field of geo-science.

We invite you to visit the GSE's Data Catalogue online where you can find the following information:

- High-quality geological maps at 1:2000000 scale (100% complete);
- Ground gravity maps at 1:500000 scale (100% complete);
- Geoscience and hydro-geology maps at 1:250000 scale (100% complete);
- Engineering geology and geohazard mapping at 1:250000 (50.54% complete as of end 2019);
- Airborne geophysics maps (30% complete as of end 2019);
- Mineral exploration maps at various scales.

The GSE is working to improve the quality of data it can make available to investors. Under the GTP II, the GSE aims to achieve the following by 2025:

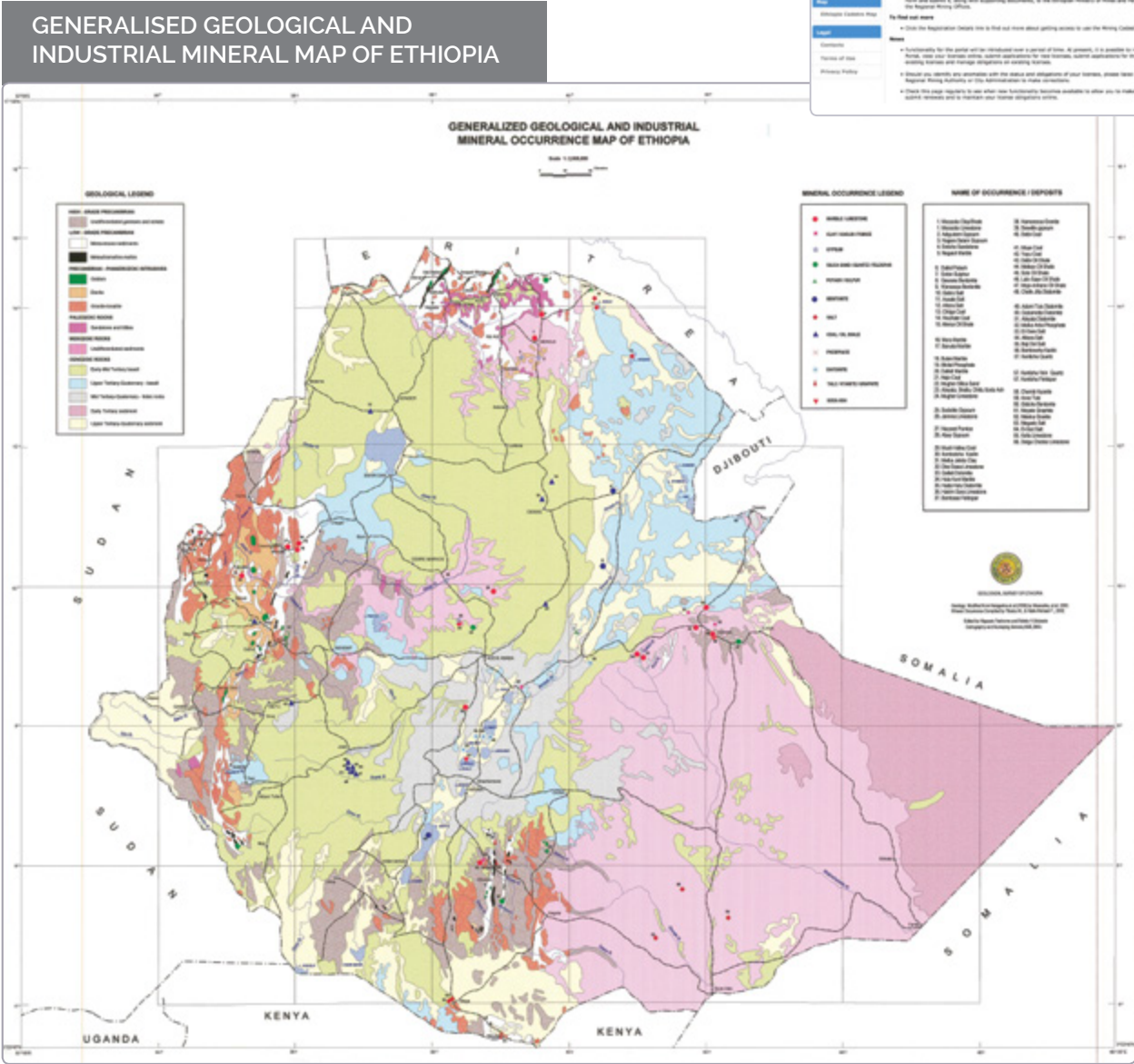
- To increase its airborne geophysics survey coverage from 30% to 100%;
- To increase its geohazard study coverage (at a scale of 1:250,000) from the current 42% to 100%;
- To make rapid progress mapping the whole country at a scale of 1:100,000 (The GSE has completely mapped Ethiopia at a scale of 1:250,000);
- To geochemically map the entire country at a scale of 1:1,000,000 scale and provide a Global Geochemical Baseline.

5.2 ETHIOPIA'S MINERAL POTENTIAL

Ethiopia has known occurrences of more than 30 minerals. These include:

- Metallic minerals (gold, platinum, iron, nickel, chromite and base metals);
- Energy minerals (lithium, graphite, tantalum and coal);
- Cement raw minerals (limestone, gypsum, clay, pumice);
- Fertiliser raw minerals (potash and phosphate);
- Ceramics raw minerals (kaolin, feldspar);
- Glass raw minerals (silica sand);
- Dimension stones (marble, granite, limestone, sandstone, diatomite, bentonite, soda ash, salt, graphite and sulphur);
- Gemstones (opals, emeralds, sapphires).

- Detailed information and maps of Ethiopia's mineral potential are available on the MoMP website. The meta data of the mineral exploration reports, conducted by GSE and foreign exploration companies, can be obtained from GSE's meta data catalogue that is available online at: <http://catalog.gse.gov.et/gsemdportal/srv/eng/catalog.search#/home>
- More interactive maps on the geology and mineral potential of Ethiopia will become available soon on GSE's portal at: <http://gis.gse.gov.et/geoportal/home/gallery.html#c=organization&o=modified>
- Pdf reports and various format maps will be available for download from: <http://repository.gse.gov.et/home/>
- The mining cadastre portal has an updated 1:2,000,000 scale geological map of Ethiopia and mineral occurrence points along with the various licences operated in the country. More updated geological maps at 1:250,000 scale and updated mineral points will be available soon on the dynamic map at: <https://ethiopian.portalminingcadastre.com/MapPage.aspx?PageID=a16a9300-7c58-4f81-9e5c-g7e13b22b0c6>



COMMODITY	RESERVES	UNIT	LOCATION
Gold	>200	metric tonnes	Around Adola, Myale, Metekel, Tulu kape, Dul, Odagodere, Benshangul, Akobo, Tigray
Coal	>360	million metric tonnes	Around Moye, Delbi, Yayu, Chilga, Gojeb, Mush, Sar wiha kunzila, Wuchale, Haik, Dese, Mersa, Arjo, Mendi, Kindo halal, Morka, Jeren, Lalosapo
Tantalum	19435	metric tonnes	Around Adola/Keneticha
Platinum	12.5	metric tonnes	Around Yubdo, Oromia
Iron	68.4	million metric tonnes	Around Bikilal, Melka arba and others
Nickel	17	million metric tonnes	Around Adola
Manganese	207563	metric tonnes	Around Afar/ Inkafala
Limestone	>900	million metric tonnes	Around Mekele, Abay, Butajira, Ogaden, Denakil, Diredawa, Harar
Gypsum	57.4	million metric tonnes	Around Tigray, Oromia, Amhara
Clay	21.6	million metric tonnes	Around Mossobo, Diredawa, Melka jebdu, Debrebirhan, Burayu
Potash	1.3	billion metric tonnes	Around Afar
Phosphate	181	million metric tonnes	Around Bikilal, Melka Arba
Marble	100	million metric tonnes	Around Daletti, Mora, Baruda, Bullen, Hulakuni, Tigray
Granite	70	million metric tonnes	Most parts of the country
Silica sand	3.4	million metric tonnes	Most parts of the country
Feldspar	500	thousand metric tonnes	Most parts of the country
Quartz	400	thousand metric tonnes	Most parts of the country
Dolomite	2	million metric tonnes	Most parts of the country
Kaolin	>20	million metric tonnes	Most parts of the country
Datomite	>120	million metric tonnes	Most parts of the country
Bentonite	172	million metric tonnes	Most parts of the country
Soda ash	460	million metric tonnes	Most parts of the country
Salt	4.3	billion metric tonnes	Most parts of the country
Sulphur	6	million metric tonnes	Most parts of the country
Graphite	460	thousand metric tonnes	Most parts of the country
Kyanite	>10	million metric tonnes	Most parts of the country
Talc	118,175	metric tonnes	Most parts of the country

5.2.1 Gemstones

Beautiful gemstones are loved and admired across the globe, and Ethiopia has them in abundance. This includes opal, emerald, sapphire, amazonite, amber, ruby, tourmaline, aquamarine, chrysoprase, peridot, and various types of quartz, agate and jasper.

Ethiopia has become a significant producer of opal, sapphire and emerald in recent years, bringing the total reported gems to over 40. New discoveries are on the rise, including the recent colour-change gem-quality chrome grossular green garnet reported in the Journal of Gemology (2018).

1 OPALS

Since the first discovery of opals in Mezzezo, thousands of people have become engaged in the sector, supporting their livelihoods but earning and contributing very little to the economy, much less than its potential. This is mainly because of the fragmented and ill-posed value chain of the opal and the gemstone/ mineral mining and trading activities rampant throughout the country. Ethiopia is now entering a new age of development and a strong focus, coupled with pragmatic strategy on earth's resources such as gemstones, is appropriate and timely. It is by and large necessary to develop a roadmap that addresses the gap in skills development and entrepreneurship and to add value along the full value chain (Mine to Market). TVET programmes that give opportunities to develop capabilities of lapidary and jewellery design and bench-scale manufacturing are important interventions. The coloured gemstones sector has enormous potential within both the local and international markets. This, linked with an age-old practice of making jewellery with silver and gold and cultural and historical designs of Ethiopia, is an important asset towards building a vibrant gems and jewellery industry.

The major strengths of the gemstone sector of Ethiopia - aside from having great potential and variety - includes increased popularity in the world market, growing tourism and an emerging middle-class. In addition, Government is committed to improve and reform the industry based on international practice.

One of the most striking varieties of opal, discovered for the first time in the early 1990s, was the Mezezo Opal (orange, reddish brown). Specimens from Mezezo (Shewa) consist of nodules of a reddish-brown volcanic rock with orange, reddish brown or "chocolate" brown precious opal inside.

Opal from this area occurs in a wide range of body colours. Much of the opal has a brown, red or orange body colour; however, yellow, white and clear body colours are also found. It is found in stratified igneous rocks of rhyolite, tuff and ignimbrite. Precious opal mined in Ethiopia began entering the gem and jewellery market in 1994, four years after the discovery of the Shewa opal.



Later, the most important Wegel Tena white opal (in Wollo, northern part of Ethiopia) appeared on the market as the Wollo Opal. This opal has a vivid play-of-colour flashing from a body colour of clear, white, yellow, orange or brown. This deposit still produces large amounts of white and crystal precious opal and occasionally some black material. In 2013, yet another source was discovered in Wollo, at the Stayish mine near the town of Gashena. This discovery has yielded mostly dark and black opal, along with some white and crystal opal and has been actively producing since 2013. The black opal deposit is set in a distinct opal-bearing layer in a mountainous area at an altitude of around 3,000 metres. It lies approximately 700 km northeast of Addis Ababa, more than 100 km from the historic town of Lalibela by road, and about 30 km north of the white opal deposit.

Like the white opal, the black opal is found at the contact zone between the volcanic rock series and the underlying clay-rich layer (tuff). The layer is one in a sequence of repeating volcanic ash and ignimbrite layers. Field observations at different locations show that the opal-bearing layer is contained in a single stratum extending for tens and even hundreds of kilometres along the mountain belt. The opal-bearing clay layer is about 60 cm thick and contains opal of various quality and colours. The black opal is retrieved from flat tunnels up to 15-20 metres long that are dug horizontally into the mountain slope by local villagers. The material generally comes in nodules (G&G, Winter 2014, V 50 No.4). The ash layers (seam) can be traced along the valley walls over several kilometres.

2 EMERALDS

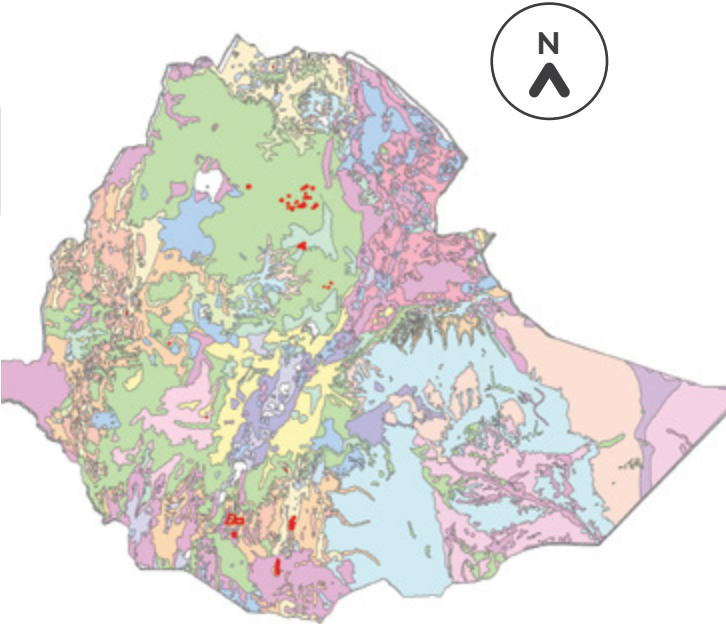
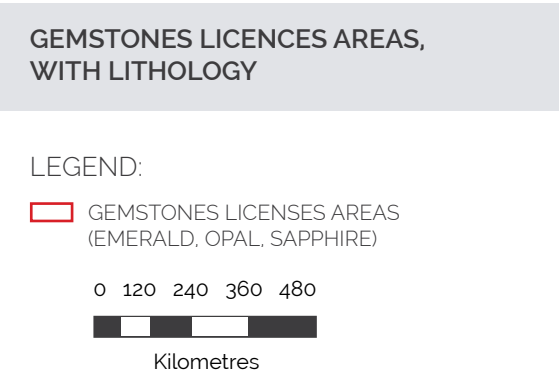
A new emerald deposit located in the Seba Boru (Kenticha greenstone belt) of Southern Ethiopia near the mining town called Shakiso.

Estimated fine gem-quality material currently coming out of the deposit might be averaged from 3 to 4 carats. The gem-quality crystals so far produced do not require clarity enhancements, including oiling, making the Ethiopian emerald distinct. The emeralds are of medium-green-saturated and mica-schist-hosted material in pegmatite veins which show gemmological features comparable to rough emeralds from Zambia, Russia and Brazil.

The Ethiopian emerald is described by dealers as having colour a little more “open and vivid” and more of a minty colour that glows. It is on par with Zambian and Brazilian emeralds in the international market as far as price is concerned. The new discovery is an important clue for conducting systematic scientific studies along the entire belt, in particular south of the Kenticha greenstone belt.

3 SAPPHIRES

In February 2017, the news of discovered sapphire deposit in northern Ethiopia in a place called Chilla (near Aksum, the historic city of Ethiopia) was reported to the trade community. Several sites were mined by artisanal miners in the nearby localities and produced rounded crystals of sapphires. The colour of sapphires ranged from dark to light blue, and many contained fine rutile particles and occasionally exhibited a green or yellow colour, sometimes combined with blue in bicolour. Most of the sapphires do not require heat treatment.



5.2.2 Metallic minerals

FOCUS ON ETHIOPIA'S GOLD RESOURCES

The exploitation of placer gold in Ethiopia dates back at least 3,500 years and large quantities of gold have been produced to date. Mineral exploration began in the late 1890s by foreign companies. However, modern mineral exploration started in 1968.

Since the establishment of the Geological Survey of Ethiopia (GSE), various geological mapping and mineral exploration projects have been undertaken by the government, both on its own and with the assistance of donor organisations. The Ethiopian government has created a favourable business environment to attract mining investors. As a result, a number of companies have been participating in gold exploration activities dating back to the mid-1990s.

In southern Ethiopia, the Lega-Dembi and Sakaro are the only primary gold mines. However, a number of others gold mines, including Tulu Kapi, Dish and Jilaye (in western Ethiopia), Okote (southern Ethiopia) and Meli (northern Ethiopia), have reached advanced stages of exploration. Precambrian occurrences are being explored and exploited in the southern, western and northern greenstone belts of Ethiopia. Precambrian rocks are the most important repositories for gold deposits. Most gold deposits and occurrences in Ethiopia are genetically related to Orogenic type, though Skarn-related, Intrusive-related, Epithermal and Volcanogenic Massive Sulfid (VMS) types are currently identified. Apart from the deposits of epithermal gold, all of these targets belong to Ethiopia's greenstone belts.

Potential gold deposits are located within Ethiopia's various Greenstone Belts.

MINERAL POTENTIAL OF ETHIOPIA: METALLIC MINERALS

WESTERN and SW BELT

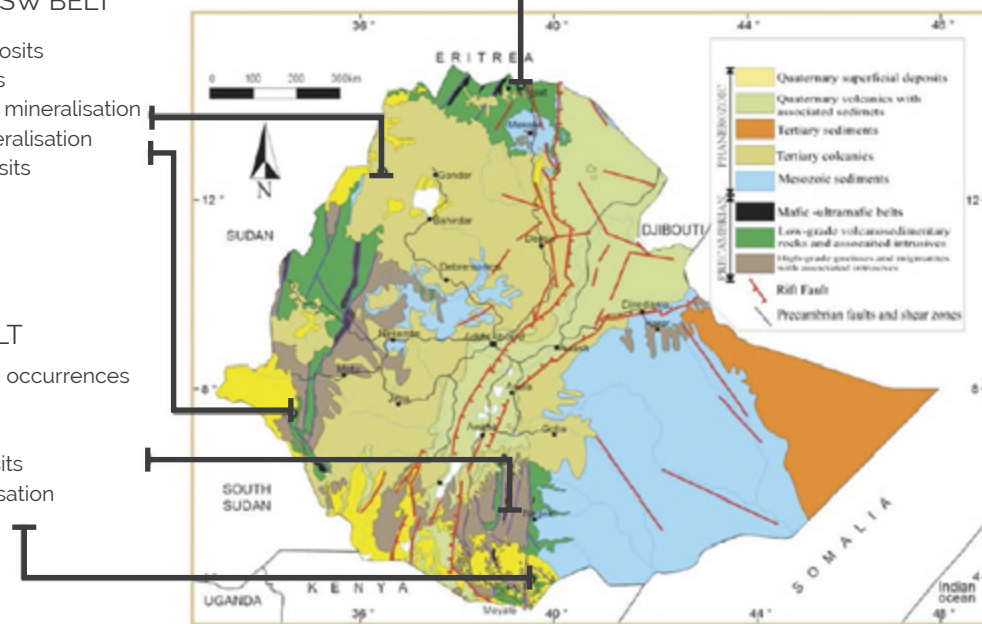
- Primary gold deposits
- Platinum deposits
- Iron deposits and mineralisation
- Base metals mineralisation
- Placer gold deposits

SOUTHERN BELT

- Gold deposits and occurrences
- Nickel
- Tantalum
- Placer gold deposits
- Chromite mineralisation

NORTHERN BELT

- Primary gold mineralisation
- Base metals mineralisation
- Placer gold occurrences and deposits



1 SOUTHERN GREENSTONE BELT

The Southern greenstone belt includes the separate Adola-Kenticha, Ageremariam, Arero and Moyale areas, which are associated with gold mineralisation.

■ ADOLA-KENTICHA BELT

Predominantly known as the Adola belt, the Adola-Kenticha belt comprises the primary gold deposits and occurrences of Lega-Dembi, Sakaro, Okote, Wollena, Kumudu, Megado-Serdo, Dawa-Digati, Bore, Abab River, Haranfama (northern Kenticha) and many others. The Adola belt is a major Neoproterozoic shear belt within the Pan-African orogeny, which hosts major primary gold deposits confined in metavolcano-sedimentary assemblage.

■ HAGEREMARIAM AND ARERO GREENSTONE REGION

This region hosts pyrite-bearing gold in meta-basic and metaultrabasic rocks as well as gold-bearing quartz veins in intermediate to acid alkaline intrusive rocks.

■ MOYALE GREENSTONE REGION

This region consists of the Haramsam, Hassamte and Chamuk gold prospect areas underlain by meta-granodiorite, amphibolites, gabbroamphibolite, and gabbro and amphibolite schist, which hosts auriferous quartz veins.

2 WESTERN GREENSTONE BELT

The western greenstone belt stretches more than 600 km from Akobo-(south-east), and its average width varies from 50 to 200 km. This belt comprises chlorite, sericite and graphitic schist, phyllites, quartzites, and andesitic to rhyolitic volcanics, hosting auriferous veins and alteration zones.

The belt comprises major regions of Gambela, Western Wollega, and Benishangul-Gumuz, which include gold prospects at Chamo, Akobo, Guraferda, Gezana, Tumet, Godare, Baro, Ankori, Tulu Kapi, Tulu Kami, Dimma, Baruda, Oda Godare, Mengie, Ashashire, Dul, Gambella mountain, Indaka, Bekoji Motisha, Suken, Egambo, Kilaji, Wombera, Metekel (Jilaye), Guba and other sites.

■ GAMBELA REGION

The Akobo narrow greenstone sub-belt is a high-potential target for gold exploration. Akobo's geological setting comprises mafic schists, meta-ultramafic rocks, meta-sedimentary schists, and undifferentiated schists and gneisses.

■ WESTERN WOLLEGA REGION

Gold deposit prospects include Tulu Kapi, Ankori, Tulu Kami, Laga Baguda, Chokorsa, Kata, Nejo, Yubdo, Oda-Godere, and many others. In these areas, gold bearing quartz veins are hosted in schists and syenite, as carbonate veins, and in auriferous zones within sheared metavolcanics interbedded with chert and carbonate lenses.

■ THE TULU KAPI AND ANKORE AREA

This area is underlain by metasediments, consisting of sandstone, phyllites and quartzites at the central part, followed by metamorphosed intrusive units including granites, syenites, and diorite-granodiorites to gabbro in the western and eastern parts of the area. There are also talc schists, chlorite schists and mica schists. The gold is specifically hosted in the mafic and felsic syenite units. The gold mineralisation in the Tulu Kapi main area is associated with sheared, altered syenite unit. KEFI Minerals Ltd's Tulu Kapi Project has reached an advanced exploration stage. It has established probable reserves of 16.9 Mt @1.82 g/t (totalling 986,000oz Au) and indicated and inferred resources of 24.9 Mt @2.34 g/t (totalling 1,900,000oz Au).

■ BENSANGUL-GUMUZ REGION

This region consists of meta-volcanic and meta-sedimentary sequences, mafic-ultramafic mega lenses and minor intrusions, as well as composite mafic to felsic plutonic complexes of batholithic dimensions. Gold deposit and occurrence prospects include: Galesa (Tambish, Cholo, Jilaye, Fite, Abaydar), Ablarus, Epar, Dull, Ashashire, Dish, and other areas. The gold deposits and occurrences in the Gelasa area are genetically related to the skarn type gold deposit, amounting to more than 40 tonnes at an average of about 3 g/t Au. The Ablarus and Epar gold mineralisations are related to quartz mica schist and metagabbro, and the sericitised metagranite shows low grade mineralisation ranging from an average of 0.4 g/t to 1.19 g/t gold. There is also a probability of gold occurrences related to intermediate dyke/sill swarms, skarns and brecciated, hematite quartz veins with minor occurrences in which sulphides (pyrite, pyrrhotite, chalcopryite, arsenopyrite) are disseminated.



3 NORTHERN GREENSTONE BELT

The third major greenstone belt in northern Ethiopia comprises several meta-volcano sedimentary belts and sub-belts, bounded by mafic-ultramafic rocks, hosting gold and base-metal occurrences. The primary gold occurrences of Terakimti, Adi Zeresenay, Zager, Asgede, Mia Koka and Niraqqe as well as the base metals of Tsehafe Emba and others are identified. Volcanogenic Massive Sulfide (VMS) type of gold deposits, the southward extension of Bisha VMS gold deposit being mined in Eritrea, has currently been discovered at Meli and Daro, and gold mining from the secondary enrichment of overlying gossan body has already started at Meli by Ezana Mining Ltd.

The gold deposits and occurrences of the northern greenstone belt are principally hosted in quartz veins of sheared intermediate meta-volcanic porphyry, in a carbonised talc-tremolite-epidote schist, as well as in sericite-chlorite and quartz sericite schists in addition to the sporadic occurrence of graphite.

4 RIFT VALLEY OF ETHIOPIA

A low-grade epithermal gold deposit was discovered at Tendaho, in the Afar region of eastern Ethiopia. Geothermal drilling revealed highly silicified zones returning grades of 1 g/t gold. Currently foreign investors are exploring how to best define targets of epithermal gold in the rift system of Afar Region. Other parts of the Rift Valley possess very low-grade gold occurrences, including those reported at Gedemsa caldera, near Adama town, Epar, Dull, Ashashire, Dish and other areas. The gold deposits and occurrences in the Gelasa area are genetically related to the skarn type gold deposit, amounting to more than 40 tonnes at an average of about 3 g/t Au.

The Ablarus and Epar gold mineralisations are related to quartz mica schist and metagabbro, and the sericitized metagranite shows low grade mineralisation ranging from an average of 0.4 g/t to 1.19 g/t gold. There is also a probability of gold occurrences related to intermediate dyke/sill swarms, skarns and brecciated, hematite quartz veins with minor occurrences in which sulfides (pyrite, pyrrhotite, chalcopyrite, arsenopyrite) are disseminated.

ALL ETHIOPIAN EXPLORATION MINING LICENCES

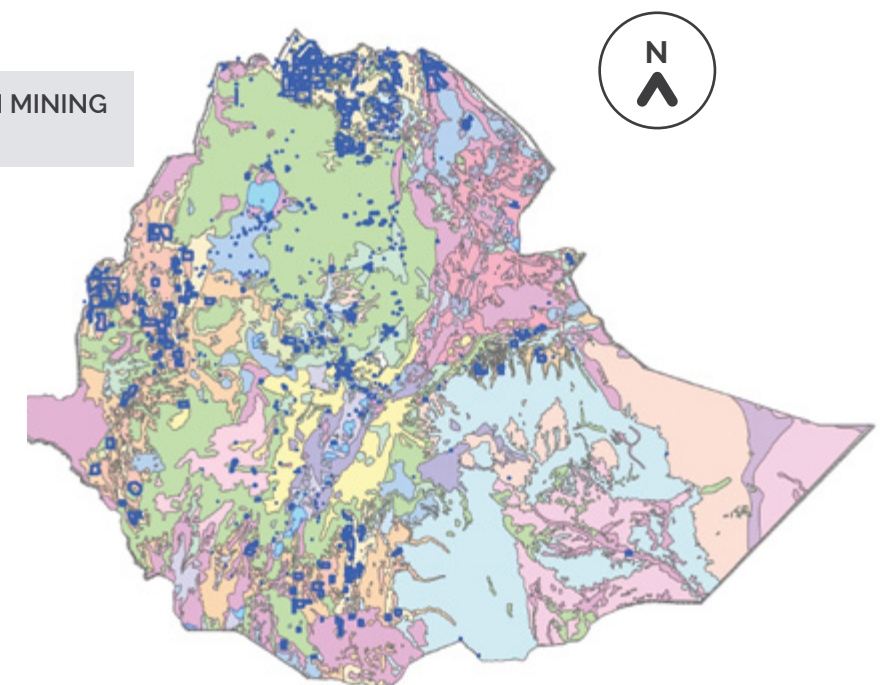
LEGEND:

ALL ETHIOPIAN LICENCES

0 120 240 360 480



Kilometres



5 PLACER GOLD

Placer gold has long been considered a prime source of income for local people. Systematic placer gold exploration and prospecting activities have been carried out in different parts of the country, particularly in the Adola area of southern Ethiopia since the Italian aggression during World War II. The Ethiopian government issued a proclamation in 2010, establishing a system to encourage traditional and artisanal mining, which has helped to attract foreign investment.

Some significant localities of placer gold, which were recently studied by the GSE, include:

■ ADOLA-HAGEREMARIAM AREA

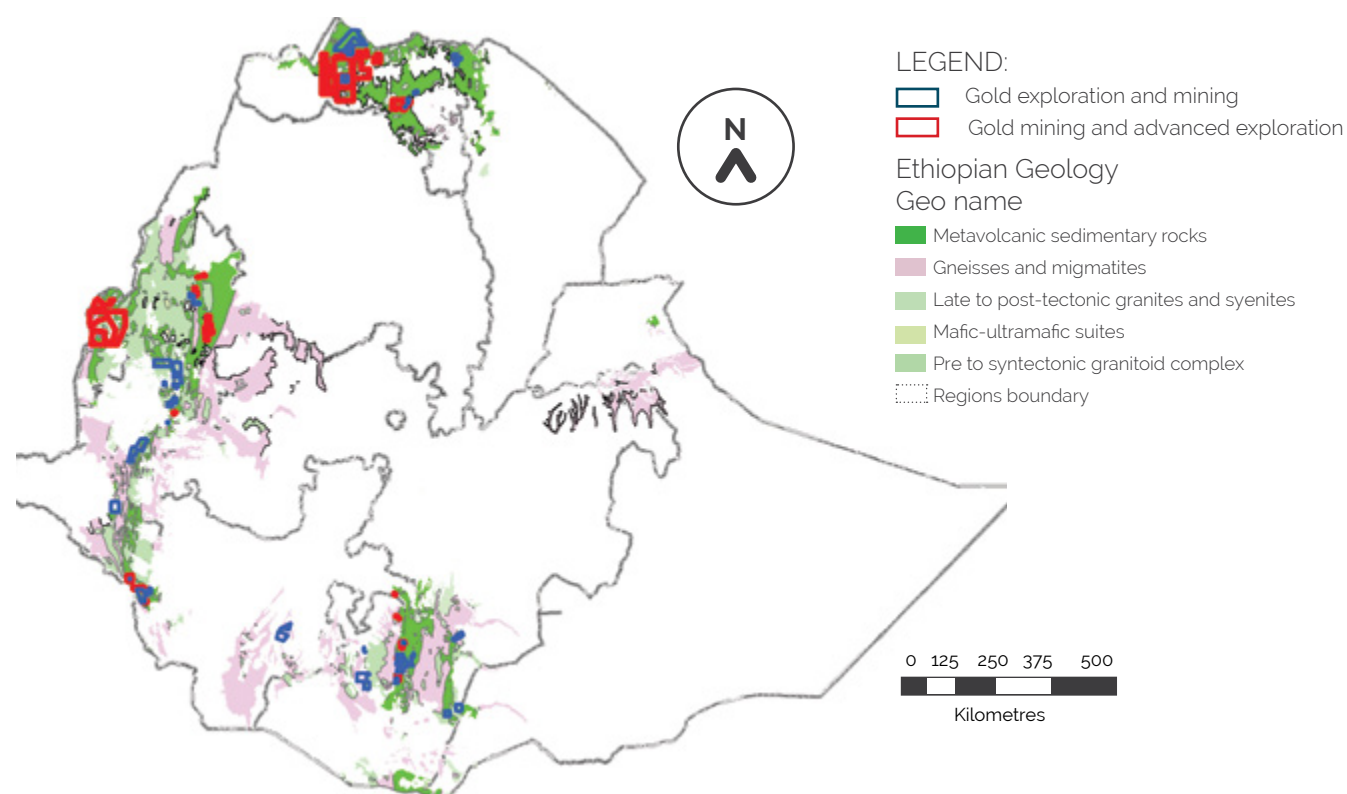
Haranfam, Dembloko and Abaya (lower Mormora River), Meleka (Busa-Idra and Haro Dida), Genale Korcha, Barsisa Kochore, Gidicho, Ababa River basin (Abab Gumi and Ababa-Ankora), Raro River basin, Kilenso-Babicho, Meleka and Ropi (Kedida 1,2 and Tritra), Medano and Dogo, Burkuke, Logita and many others.

■ GAMBELLA-WESTERN WOLLEGA-BENISHANGUL-GUMUZ

Placer gold has traditionally been mined in several localities of Akobo Basin, Godare, Guba, Mangie, Sirba, Sirkole, Tumet, Dabus and others.



GOLD EXPLORATION MINING LICENCES



5.2.3 Industrial minerals

FOCUS ON ETHIOPIA'S POTASH RESOURCES

Considering Ethiopia's vast mineral potential, potash has garnered some of the greatest interest. Today, 95% of the world's potash is mined for use in fertilisers, while the rest is used for feed supplements and industrial production.

Potash was known to be mined in Ethiopia as early as the 14th century, from one of the world's largest deposits, located in Dallol. There are extraordinary deposits of evaporite, particularly in the Danakil Depression. Prospectors have been aware of the Danakil Depression's potential since the early 1900s, and efforts to launch small-scale production were made prior to World War II.

Much of the geological setting of the Afar region of northeastern Ethiopia is dominated by Quaternary lacustrine sediments and volcanic rocks of the East Africa rift valley. Interbedded volcano-sedimentary series (SRRS) occur on both sides of Danakil depression and the central section is covered by a thick evaporite succession (the salt formation), which is partially covered by Quaternary volcanic rocks. The salt formation in the depression is composed of a thick evaporite succession of gypsum, anhydrite, interstratified halites and potash salts, as well as shale.

In Danakil Depression, the potash deposit occurs within the evaporite sequence, confined to the limits below sea level. The salt formation is about 450 square miles in surface area.

The gypsum beds form the outer most units of the evaporite sequence. The deepest hole drilled in salt recorded the sequence to a depth of 1 km. Several potash horizons are recognised, although only the upper most ones have been exposed. Previous activities carried out by various companies have revealed the presence of two ore bodies at Dallol - the Crescent and Musely ore bodies.

The Crescent ore body is 1 km southwest of Mt. Dallol. It has an irregular shape, covering a relatively flat lying area of about 1 km long and 100 m wide. The deposit surrounds a bubbling spring of magnesium chloride (named Black

Mountain) and occurs at depth of 300 feet, mainly in the form of carnallites and some sylvite with a maximum thickness of 200 feet.

The Musely ore body is located 4.5 km west of Mt. Dallol, close to a large alluvial formed at the mouth of Musely canyon. It extends over a length of about 4 km and is about 1.5 km in width along the trend of NNE. Musely's largest potash deposit was extensively explored during the 1960s, within a thick sequence of halite. The potash-rich interval consists of sylvite (upper most), carnallite, and basal kainite. This interval was explored at Musely by drilling at 300 m spacing, by shaft-sinking (90 m) and by working some 800 m underground to evaluate minability. Drilling indicates the presence of a potash bearing horizon of 500 m depth, in line with what was found by the underground and shallow drilling work.

During earlier investigations, the ore reserve was estimated at over 12 million tonnes, based on the cut-off value of 25% KCl. However, there are currently companies with successful ongoing potash operations. Yara Dallol and CIRCUM Minerals Ltd are two companies operating in the Danakil Depression. Both have undertaken feasibility studies in recent years, with significant reserves of natural resources for the production of Sulphur of Potash (SOP) identified in their allocated exploration areas. The current resource drill covered about 40% of concession area. Seismic data confirm continuity of the potash layers throughout the rest of the area. This suggests an overall resource potential size of 11 to 12 billion tonnes of potash-bearing salt beds, making the Danakil depression potentially one of the world's largest undeveloped potash mineral deposits.

POTASH MINERAL RESOURCES				POTASH PROVEN and PROBABLE RESERVES			
CATEGORY	TONNAGE (MT)	KCL (%)	KCL (MT)	CATEGORY	KCL IN RES. (MT)	CONVERSION FACTOR (%)	KCL (MT)
MEASURED	1,229.9	18.8	231.7	PROVEN	191.0	23.765	45.3
INDICATED	1,603.8	18.3	294.1	PROBABLE	263.1	23.765	62.4
MEASURED and INDICATED	2,883.7	18.6	525.8	TOTAL	454.1	23.765	107.8
INFERRED	2,098.5	17.5	366.5				
TOTAL	4,932.2	18.1	892.3	Apart from columbite, a number of lithium minerals such as lepidolite and spodumene are found. Furthermore, small amounts of beryl and sulphides occur			

FOCUS ON ETHIOPIA'S TANTALUM RESOURCES

Today tantalum capacitors are used in almost every kind of eletronic device, and the increasing penetration of the smartphone market means tantalum demand is only set to grow in the coming years. Ethiopia is already the sixth biggest producer of tantalum in the world with the potential to dramatically increase its standing.

The known potential prospects of tantalum and niobium occurs in the Kenticha granite pegmatite field, with an area of 2,500 km², in the Neoproterozoic greenstone basement of Southern Ethiopia. The tantalum-bearing pegmatite deposit in Kenticha Field is exposed over a 2.5 km-long and 40 to 70m-wide area occurring in a package of steeply dipping serpentinites and talc-tremolite schists. The thickness of the pegmatite varies. In locations where both hanging and foot wall contacts are exposed, thickness ranges from 40 to 70 metres. The upper part of the orebody is strongly weathered to a variety of clay minerals. The tantalite occurs in grain size from a few millimetres up to about 5 cm. Weathering has affected the feldspar and most of the lithium-bearing minerals, whereas the tantalite is unaffected by the weathering.

The deeper part of the ore body is hardrock, non-weathered pegmatite. This ore body has about the same tonnage as the weathered orebody, but has not yet been exploited. The Kenticha pegmatites display complex zoning.

Apart from columbite, a number of lithium minerals such as lepidolite and spodumene are found. Furthermore, small amounts of beryl and sulphides occur.

Mining of tantalum niobium, which focused principally on the main Kenticha pegmatite site, 50 km south east of the gold mining town Shakiso, contributes to about 10% of world consumption. Other rare metal-bearing pegmatite (Bupo, Kilkile, Dermidama) lie along the northern and southern extension as well as in the eastern sub-parallel trends of Kenticha pegmatite.

The rare metal-bearing pegmatite with the main Kenticha deposit has proved to be a world-class ore reserve of tantalite with subordinate niobium, lithium beryllium-bearing minerals in addition to high-quality ceramic grade quartz-feldspar, and other industrial minerals. The complex ore is associated with a primary granitepegmatite body and to a lateritic mantle of weathering developed over the primary pegmatite.

In general, three types of the deposit have been recognised:

- Tantalite-bearing granitepegmatite with complex Ta-Nb-Li-Be mineralisation.
- Lateritic-type Ore: The mantle of weathering developed over pegmatite and granite.
- Elluvial, delluvial and alluvial placer ore: The weathered ore developed over the primary ore of pegmatite represents the huge rare-metal resources of the Kenticha deposit.

Ethiopia has been mining and exporting tantalite via the newly named Ethiopian Mineral, Petroleum and Biofuel Corporation (EMPBC). About 100-120 t of Ta2O5 per equivalent concentrate containing 50–60 wt.% of Ta2O5 are delivered to the metallurgical industries which are providers of Nb and Ta for 60 wt% production of the capacitor. The mine is estimated to contain primary ore with a probable reserve of approximately 17,000 tonnes containing 0.017% Ta2O5. The probable reserve of primary ore is 2,400 tonnes at a grade of 0.015% Ta2O5. Ethiopia hosts important rare metals, in particular tantalum mineralisation, however it has not been fully utilised. EMPBC plans to increase the production of tantalum through its successive expansion projects and to improve the quality of the products. EMPBC also wishes to work in joint venture with investment in exploration, development, mining of mineral resources and production of value-added materials from tantalite concentrate in Ethiopia.

5.3 ASM IN ETHIOPIA

Ethiopia's long history of artisanal mining spans three millennia. The gold deposits in Ethiopia's rivers, for example, have been exploited for thousands of years by small-scale miners.

Today, ASM happens all around the country and still plays an extremely important role in Ethiopia. However, much artisanal mining activity remains informal, and historically the sector has not benefitted from much formal support or regulation from the Government.

Due to this, developing and formalising the ASM sector has become a high priority for both Ethiopia's Homegrown Reform Agenda and for the MoMP. Significant reforms are underway to transform ASM activity into a sustainable livelihood which will enable Government to increase revenue from the sector, create responsible and inclusive small enterprises to engage safely and legally in the mining sector, create jobs and pave the way for the collaborative coexistence with large-scale mining that has led to sustainable development.

5.3.1 Ethiopia's Artisanal, Special Small-Scale Mining National Strategy

Ethiopia has recently put in place a comprehensive ASSM National Strategy for all strategic minerals mined at the artisanal level. The aim is to modernise the process and make the mining sector an attractive jurisdiction for large-scale investment. The strategy plays a vital role in advancing the development of the sector to contribute in a more meaningful way and increase its overall contribution as well as assist in capturing revenues in a systematic manner.

Its primary objective is to formalise the artisanal mining sector and promote responsible, inclusive and productive operations that contribute to sustainable development.

To achieve this, the Government of Ethiopia has adopted a coordinated approach to deliver on the following key objectives:

- 1 Strengthen ASSM governance so that it is an attractive and conducive jurisdiction for investment as part of the formal economy. Three aspects of good governance need to be strengthened, namely law and regulation, structural management and geosciences data.
- 2 Increase efficiency, productivity and competitiveness of local mineral producers at ASSM level. This incorporates promoting access to capital, access to technology and access to skilled labour.
- 3 Enhance value-addition and maximise earnings by ensuring access to local processing facilities and markets, and developing supplier and diversified businesses.
- 4 Foster an environmentally and socially responsible ASSM sector that complies with appropriate environmental, community, health and safety standards.
- 5 Promote two important issues that crosscut in each of the other four objectives, namely women's fair participation and beneficiation in ASSM and utilisation of indigenous knowledge.

5.3.2 Artisanal mining, employment and the economy

A study concluded in 2016 by Ethiopia's Extractive Industry Transparency Initiative (E-EITI) on ASM uncovers that:

- Artisanal mining contributes about 65% of Ethiopia's foreign exchange earnings.
- It directly employs around 1.26 million people.
- It is a source of livelihood for a further 7.5 million people.
- Those who engage in artisanal mining are highly dependent on that income stream, with an estimate 74% of their livelihoods derived from mining.

Artisanal mining also plays an important role in discovering new mineral deposits and in curbing rural to urban migration.

5.3.3 Improving market access and increasing earnings

While Ethiopia has an artisanal mineral operations licencing process in place, around 94% of active artisanal miners are unlicensed. Relatedly, only around 20% of the royalties owed by artisanal miners are actually collected. This means that, with better sector oversight, ASM has the potential to be a far more potent contributor to Ethiopia's economy.

Another related challenge is that much of the trade in the minerals produced by the ASM sector is illegal. The E-EITI's ASM study estimated that the volume of mineral marketed through formal (legal) channels is only 39% of the total production.

The minerals that are collected by legal buyers at production site (from both legal and informal producers) is directly channelled to the National Bank of Ethiopia for export. However, the remaining balance (61%) goes through informal channels, and is largely absorbed in the local markets, with some possibly exported.

The MoMP, along with a host of other ministries and stakeholder groups, is actively seeking to

address this issue by developing centralised formal market centres, close to mining areas that are legally connected with central regional, national and international markets.

5.3.4 Profile of an artisanal miner in Ethiopia

Artisanal miners tend to be at the peak productive age of 18-45 years, meaning that artisanal mining is an important source of employment for Ethiopia's youth, especially in rural areas. The majority of artisanal miners are men. Studies have found that women (as well as children and the elderly) are participating less and less in the sector, due to surface mining becoming increasingly untenable as placer gold in Ethiopia has been almost entirely depleted. This means that Artisanal mining increasingly requires digging or tunnelling, activities that are dominated by men.

5.3.5 Prioritising women in the ASSM sector

The Government of Ethiopia and the Ministry of Mines and Petroleum are committedly working to ensure the benefits of the mining sector are shared equally among its citizens, and that it creates inclusive, safer and socially responsible SMEs across mining communities and jurisdictions.

The MoMP is giving specific consideration to gender aspects in the design, implementation and monitoring of the strategy and policies aimed towards the formalisation of the ASSM sector in Ethiopia, and women's economic empowerment is integrated at every stage of identified strategic interventions.

Key interventions of the ASSM strategy include:

- Legislation of gender prioritisation requirements in employment, beneficiation, local content policies, CSR and community development strategies of the country;
- Policy promotion - to raise awareness of women's role and rights in ASSM for sustainable development and safeguard reproductive health;

- Provide extension services - to capacitate and sensitise women's legal and social rights in the mining communities and reduce exposure to sexual exploitation;
- Structural and organisational support - to promote women-led cooperatives with demonstrated entrepreneurial excellence to address disparities in pay and access to training;
- Develop and support existing microfinance and traditional community banking systems - to ensure women have equal access to finance and loans;
- Provide appropriate mining technology that promotes transferable, environmentally conscious, sustainable technology and

technical skills - to diversify the role of women in mining value chain and reduce the negative reproductive health impact of inappropriate chemical use;

- Develop technical mining skills of ASSM operators - to increase the number of women who are skilled mining professionals in the industry;
- Empower and educate women in processing, gemmology and refining techniques - to develop successful diversified niche businesses; to participate in value chains, beneficiation and other sustainable economic generating activities.



06

INVESTING IN

ETHIOPIA'S MINERAL SECTOR

6.

INVESTING IN

ETHIOPIA'S MINERAL SECTOR

Ethiopia's Homegrown Economic Reform Agenda seeks to propel Ethiopia into becoming the African model of prosperity by 2030. Key in this agenda are macroeconomic, structural and sectoral reforms that will pave the way for job creation, poverty reduction, and sustainable, inclusive growth.

6.1 ABOUT THE MINISTRY OF MINES AND PETROLEUM

The Ministry's vision is to:

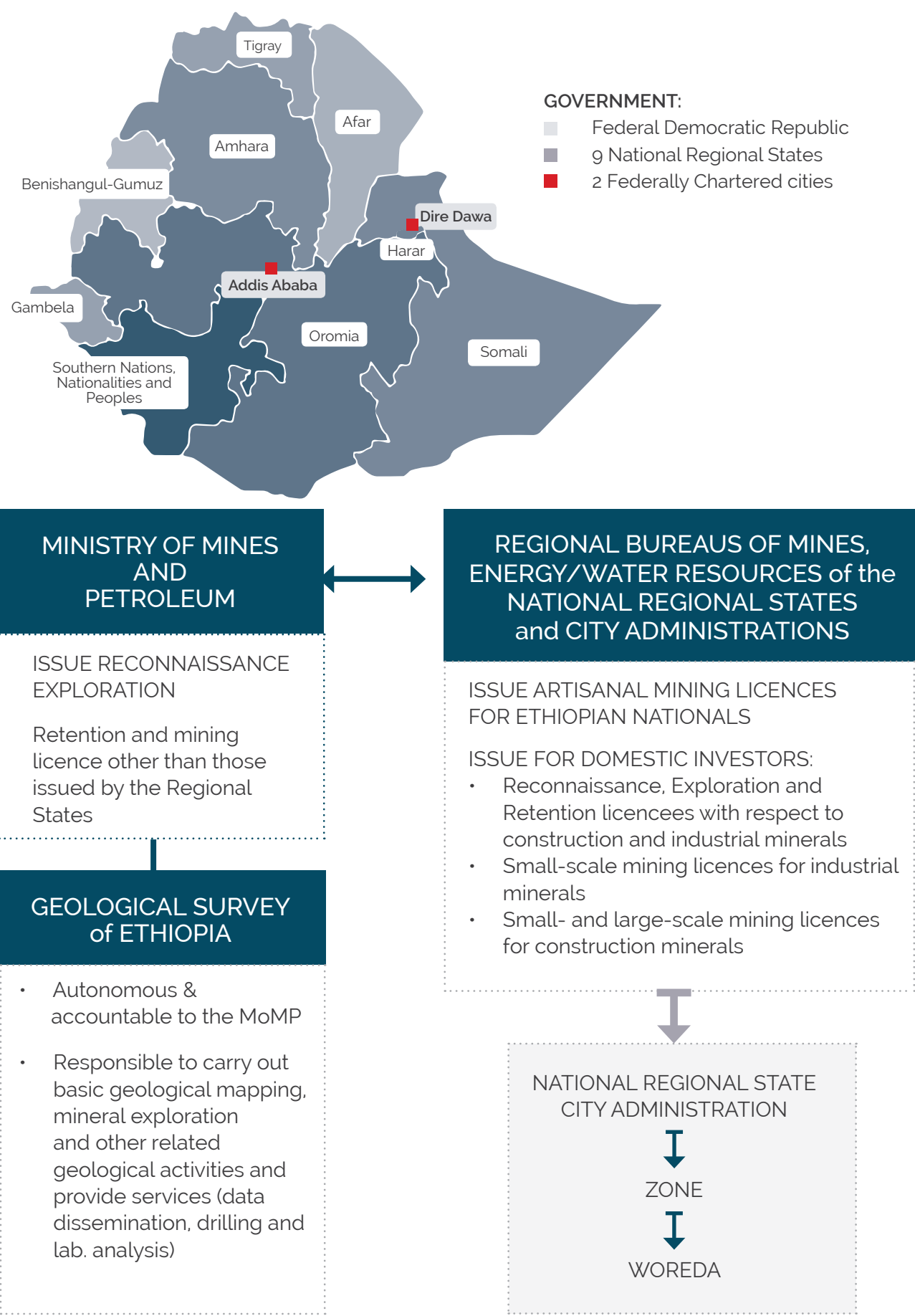
- Increase investment in the sector
- Build the organisational and technical capacity of Ethiopia's institutions
- Enable value-addition and facilitate the industrialisation of Ethiopia's economy
- Create opportunities for quality direct and indirect jobs in the sector
- Improve internal revenue and increase foreign exchange earnings

To realise these objectives, and in line with Ethiopia's Homegrown Economic Reform Agenda, the MoMP is preparing a 10-year strategic roadmap, which will be implemented in two 5-year strategic plans. This process is under way in 2020.

The MoMP's work is firmly guided by a number of international, continental and national ambitions. Globally, the Ministry supports the Sustainable Development Goals (SDGs). At a continental level, the MoMP supports the African's Union's Agenda2063 to build 'The Africa We Want', the Continental Free Trade Area (CTFA) and the Africa Mining Vision. While at the sub-regional level the Ministry is a member of the Intergovernmental Authority on Development (IGAD), an eight-country trade bloc in Africa, and the Common Market for Eastern and Southern Africa, COMESA.

Nationally, the Ministry's goal is to ensure Ethiopia joins the ranks of lower middle-income countries by 2030, while ensuring environmentally resilient 'Green Economic Growth and Industrialisation' and growing the private sector's role in Ethiopia's economy.

Institutional Framework



6.2 HOW TO APPLY FOR A LICENCE

Ethiopia has a federal administrative system comprising of 9 Regional States and 2 City Administrative Councils.

The Licencing and Administration Directorate in the MoMP issues:

- | | | |
|--|--|--|
|  1 Reconnaissance Licences |  4 Artisanal Mineral Operations Licences |  7 Large-Scale Mineral Operations Licences |
|  2 Exploration Licences |  5 Special Small-Scale Mineral Operations Licences | |
|  3 Retention Licences |  6 Small-Scale Mineral Operations Licences | |

The Regional States Mining Bureaus have the mandate to issue:

Small- and large-scale mining licences for construction minerals, small-scale mining licences for industrial minerals, reconnaissance, exploration and retention licencees with respect to construction and industrial minerals.

The Regional State administration also collects royalties from the small-scale and artisanal production of precious minerals, industrial and construction materials.

The local Zone and Woreda administration is effective if properly utilised - (the Woreda is the smallest administration hierarchy in the Ethiopian federal system).



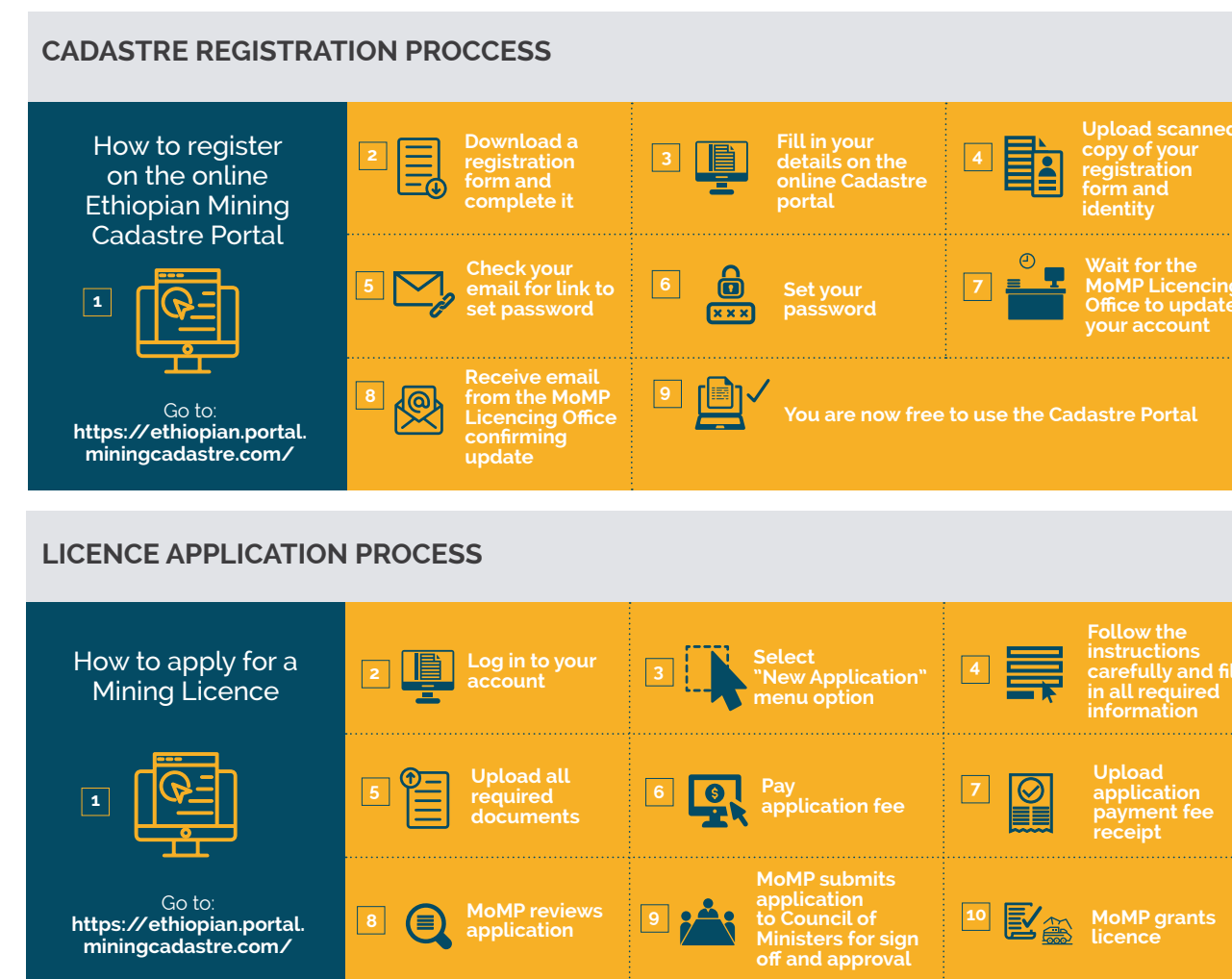
TYPE OF LICENCE	DETAILS
Reconnaissance Licence	Allows its holders to do a general search for any mineral in a particular region. It is issued for an 18-month period, and is non-renewable and non-exclusive.
Exploration Licence	Allows its holders to search for any mineral in a specified region by means of photographs, images, geological, geochemical, geophysical or drilling. This licence is exclusive and is initially issued for 3 years. An Exploration Licence can be issued and renewed for a maximum of 10 years. However, upon each renewal, the licence holder is required to relinquish a portion of the licenced exploration area unless they can declare a resource.
Retention Licence	Can be issued to an applicant that has discovered a mineral resource of economic significance, but which cannot be developed immediately due to adverse market conditions or because the required processing technology might be unavailable. This is an exclusive licence that is initially issued for 3 years. After the 3-year period, the licence may be renewed once more for an additional 3 years.
Artisanal Mineral Operations Licence	Issued either to an individual or a small or micro-enterprise whose mining operation is mostly manual and does not involve employed workers. Exclusive, non-renewable and issued for a maximum of 2 years.
Special Small-Scale Mineral Operations Licence	Issued to holders of an Artisanal Mineral Operations Licence who now have the capacity to employ machinery in their mining operations. A Special Small-Scale Mineral Operations Licence is exclusive and is only issued to holders of an Artisanal Mineral Operations Licence. Initially issued for 10 years, whereafter it needs to be renewed every 5 years.
Small-Scale Mineral Operations Licence	Issued to a mining operation whose annual run-of-mine ore does not exceed a specified amount. The maximum allowed run-of-mine ore amount varies depending on the relevant mineral. A Special Small-Scale Mineral Operations Licence is exclusive, is initially issued for 10 years, whereafter it needs to be renewed every 5 years. The maximum run-of-mine ore for a Small-Scale Mineral Operations Licence is highlighted in the table below:
Maximum run-of-mine ore for a Small-Scale Mining Licence: Metallic minerals (e.g. iron, lead, copper or nickel) the maximum: <ul style="list-style-type: none"> 150, 000 tonnes for an open pit mine, or 75, 000 tonnes for underground operations Industrial minerals (e.g. kaolin, bentonite, diatomite, dolomite, quartz or coal) the maximum: <ul style="list-style-type: none"> 120, 000 tonnes Construction minerals the maximum: <ul style="list-style-type: none"> 80, 000 cubic metres for material like sand, gravel, pumice, ignimbrite or clay 10, 000 cubic metres for dimension stones (e.g. marble or granite) Salts extracted from brine the maximum: <ul style="list-style-type: none"> 14, 000 tonnes Precious or semi-precious stones, the maximum: <ul style="list-style-type: none"> 100, 000 cubic metres for a placer operation 75, 000 tonnes for a primary deposit mining operation (For more details see Proclamation No. 678-2010).	
Large-Scale Mineral Operations Licence	Issued to a mining operation whose annual run-off of mine ore exceeds the maximums amounts allowed under a Small-Scale Licence. Exclusive, initially issued for 20 years, whereafter it needs to be renewed every 10 years.

6.3 MINING LICENCE APPLICATION PROCESS

As part of Ethiopia's ongoing reforms, the application process for any and all mineral operations licences from the MoMP is now entirely paperless and is done via an e-portal:

<https://ethiopian.portal.miningcadastre.com>

Applicants simply need to register on the Ethiopian Mining Cadastre portal. Once registered, users will be able to submit all applications and supporting documentation electronically via the portal.



6.4 ABOUT ETHIOPIA'S LEGAL AND REGULATORY FRAMEWORK

The Mineral sector is regulated by multiple Proclamations and regulations for mining operations in Ethiopia. Most recently, it has reviewed and developed mineral and petroleum policies, as well as proclamations related to mining operations and transactions. All legal and regulatory documents can be accessed and downloaded on the Ministry's website.

THEME	LEGISLATION
CORE MINING LEGISLATION AND REGULATIONS	<ul style="list-style-type: none"> • Mining Operation Proclamation No. 678/2010 (as amended by Proclamation No. 813/2013) • Mining Regulation Proclamation No. 423/2018 • Transaction of Precious Minerals Proclamation No. 651/2009
TAX	Income Tax Proclamation No. 979/2016
ENVIRONMENT	Environmental Impact Assessment (EIA) Proclamation No. 299/2002
COMMERCIAL LICENCING	Commercial Registration and Licencing Proclamation No. 980/2016
HUMAN RIGHTS AND CIVIL SOCIETY	<ul style="list-style-type: none"> • Ethiopian Human Rights Commission Proclamation No. 210/2000 • Cooperative Society Proclamation No. 985/2016 • Organisations of Civil Societies Proclamation No. 1113/2019 • Establishment of Cooperative Association Proclamation No. 274/2002
LAND USE	<ul style="list-style-type: none"> • Rural Land Administration and Land Use Proclamation No. 456/2005 • Expropriation of Landholding for Public Purposes and Payment of Compensation Proclamation
LABOUR	Labour Proclamation No. 377/2003

6.4.1 Mining legislation and regulations

Mining Regulation Proclamation No. 423/2018

This is the key legislation that regulates the mining sector. It was amended in 2018. The Proclamation seeks to enshrine the principle of custodianship of the country’s mineral resources by the Government; promote socio-economic growth of the country; promote employment and advance the social and economic welfare of all Ethiopians; provide for security of tenure for all investors in respect of exploration and mining operations; and ensure that the country’s mineral resources are developed in an orderly and sustainable manner. The amendments provides additional incentives, government participation, royalty regulations, social responsibility as well as the size of the licence area.

Mining Operation Proclamation No.678/2010 (as amended by Proclamation No 813/2013)

This Proclamation promotes sustainable development of mineral resources. It governs the conduct of all mining operations and related activities within Ethiopia. Its purpose is to ensure that the country’s mineral resources are developed in an orderly and suitable manner. Key provisions state that no mining licences may be granted within areas reserved for natural habitats or national parks or within 500 metres from the boundary of a village, city or water reservoir or dam without the consent of the competent body. It emphasises that a licence may be revoked if there is a breach of the approved environmental impact assessment, and safety and health standards. The proclamation has in place measures to ensure community development plans are established within the licence area. Even after a mine closure certificate has been issued the licensee must continue to monitor environmental effects.

Transaction of Precious Minerals Proclamation No. 651/2009

This Proclamation governs the conduct of all transactions of precious minerals within the territory of Ethiopia. Any person who has been issued a licence in accordance with the appropriate mining laws is not required to have a certificate of competence or licence pursuant to this Proclamation in order to sell locally or export abroad the precious minerals it produces. It also highlights the different licences for precious minerals as well as the eligibility, application and obligations of said licences.

6.4.2 Tax

Income Tax Proclamation. No. 979/2016

This legislation supports the economic development of the country. For mining it is key because a mine site, oil or gas well, quarry or other place of exploration or extraction of natural resources is considered a permanent establishment which is subject to provisions under this Proclamation. It highlights the different schedules of income and obligations to pay income tax. Comprehensive tax rates are also listed. There are provisions for taxation of licencees and contractors as well as provisions for expenditure incurred during the phases of the mining cycle.

Mining Income Tax Proclamation No. 53/1993

This Proclamation provides for the payment of tax on income from mining operations. It highlights tax allocations for different operations. For instance, large-scale mining operations will provide allocations to joint federal and regional governments while small-scale and artisanal mining operations provide to regional states. The joint federal – regional income tax from large-scale mining operations is allocated based on a 50/50% ratio.

It also highlights that mining income tax from large-scale operations is administered by the Ministry of Revenue. The mining income tax law gives power to adjust income and expenditures between affiliated parties to the licencing authority while tax is administered by the revenue authority.

Mining Income Tax (Amendment) Proclamation No. 802/2013

The Mining Income Tax Proclamation was amended to state that "a large-scale mining licence holder is subject to 25% of taxable income".

6.4.3 Environment

Environmental Impact Assessment (EIA) Proclamation No. 299/2002

This Proclamation prescribes that no person shall commence any new development activity under any category listed as a project without an environmental impact assessment or authorisation of the Environmental Protection Authority. The Authority or the relevant regional environmental agency may decide that the possible impact of the project is significant and therefore that no EIA shall be carried out.

6.4.4 Commercial licencing

Commercial Registration and Licencing Proclamation No. 980/2016

The Proclamation is applicable to any business persons, sectoral associations, commercial representatives and any other person engaged in commercial activity. The provisions provided include commercial registration and retrieval of tax identification numbers, registration of trade names, obtaining a business licence, franchise registration, determination of export and import of goods and various penalties.

6.4.5 Human rights and civil societies

Ethiopian Human Rights Commission Proclamation No. 210/2000

This Proclamation defines the objectives of the Commission, the rules for appointing members, the powers and duties of appointees, the rules of procedure of the Commission as well as administration of the Council of Commissioners and staff of the Commission. The Commission was formed in order to educate the public to be aware of human rights, to see to it that human rights are protected, respected and fully enforced as well as to have the necessary measures taken where they are found to have been violated. This Proclamation gives provisions on rules and procedures of the Commission, lodging complaints, and remedies.

Cooperative Society Proclamation No. 985/2016

This Proclamation provides for the creation, registration and administration of cooperatives and provides rules with respect to their operations, winding up, etc. It also defines the objectives of a cooperative and provides for the establishment of cooperative societies unions and cooperative societies federations. Cooperative societies may, according to their nature, be established at different levels from primary up to federation level. Any cooperative society shall be registered by the appropriate authority (i.e. the Federal Cooperative Agency, or an organ established at regional levels to execute the cooperative societies proclamation, lead and regulate the cooperative sector). The Proclamation also establishes a Cooperative Advisory Council, which is accountable to the Ministry of Agriculture and Natural Resource. Furthermore, the Proclamation defines duties of cooperative societies with respect to the environment.

Organisations of Civil Societies Proclamation No. 1113/2019

This new Proclamation is expected to create an enabling environment for CSOs to carry out their vital role, particularly in democracy building and the promotion of human rights. It provides for the formation of Civil Society Groups within Ethiopia and its purpose is to regulate Civil Societies Organisations to ensure accountability and maximum public benefit from the sector. This Proclamation applies to organisations operating in two or more regional states; foreign organisations; organisations established in Ethiopia to work on International, Regional or Sub-Regional issues or not operate abroad; organisations operating in the City Administration of Addis Ababa or Dire Dawa; and charitable organisations established by religious Institutions.

Establishment of Cooperative Association Proclamation No.274/2002

This Proclamation guides the establishment and governance of cooperative associations and societies. It provides for the institutionalisation of the cooperative movements and was developed to establish the Federal Cooperative Commission for organising, promoting and strengthening the cooperative movement at national level.

6.4.6 Land use

Rural Land Administration and Land Use Proclamation No. 456/2005

This Proclamation highlights that it has become necessary to sustainably conserve and develop natural resources and pass on to future generations, through the development and implementation of a sustainable rural land use plan based on the different agro-ecological zones of the country. The Proclamation provides for the establishment of an information database that enables the Government to identify the size, direction and use rights of the different types of landholdings in the country such as individual and federal and regional states holdings. It also provides for the resolution of problems that arise in connection with encouraging individual farmers, pastoralists and agricultural investors and establishes a conducive system of rural land administration.

6.4.7 Labour

Labour Proclamation No. 377/2003

This Proclamation acknowledges the importance of a skilled and disciplined workforce to Ethiopia's industrialisation efforts and improving its global competitiveness by recognising the need to create a favourable environment for investment. It provides more obligations to employers, increases the minimum working age, added employee benefits, extends probation periods, adjusts overtime work and payment, and provides new rules on sexual harassment and sexual violence.

6.5 ASM LICENCING, LEGISLATION AND REGULATIONS

6.5.1 Licencing

The MoMP issues two types of mining licence that relate to artisanal mining.

They are:

1 AN ARTISANAL MINERAL OPERATIONS LICENCE

2 A SPECIAL SMALL-SCALE MINERAL OPERATIONS LICENCE

(More details under types of licences on page 42).

The 2013 amendment to the Mining Operations Proclamation first introduced the Special Small-Scale Mineral Operations Licence, and, at the same time, reduced the maximum period for an Artisanal Mineral Operations Licence from 9 years down to 2 years. These changes encourage artisanal miners to see ASSM as a stepping stone to other economic activities, rather than a final destination, and to encourage them to upgrade their operation to a higher level of mechanisation and increase productivity. **More detail can be found in Mining Operation Proclamation No.678/2010 (as amended by Proclamation No. 813/2013).**

6.5.2 Royalties and taxes

Holders of an artisanal or special small-scale licence are required to pay both royalties and income tax at levels that are determined by laws of the Regional State.

6.6 ENVIRONMENT AND SAFETY REGULATIONS

Ethiopia is environmentally and socially sensitive. Sustainable development is discussed in Ethiopia's Constitution, where the people's environmental rights are clearly stipulated. As the Constitution indicates, the People of Ethiopia have a right to improved living standards, as well as a right to participate in national development and, in particular, to be consulted with respect to policies and projects affecting their community.

In addition, the Constitution sets out that the people of Ethiopia have the right to a clean and healthy environment. If displaced or adversely affected, the state will commensurate monetary or alternative means of compensation, which could include relocation with adequate state assistance.



IMPORTANT ENVIRONMENT AND SAFETY REGULATIONS

- Environmental Impact Assessment Proclamation No. 299/2002
- Commercial Registration and Licencing Proclamation No. 980/2016
- EIA Guideline for Mineral and Petroleum Operation Projects
- EIA Reporting Guide
- Environmental Management Guidelines for Artisanal Mining in Ethiopia
- Labour-Proclamation No. 1156-2011 revised
- Environmental Pollution Control Proclamation No. 300/2002

6.6.1 Environmental Impact Assessment, rehabilitation fund and community development

Applicants for any licences except a Reconnaissance, Retention or Artisanal Mining Operations Licence have to:

- Submit an environmental impact assessment;
- Allocate funds to cover the costs of rehabilitating the environment affected by its activities;
- Participate in planning community development initiatives with the people within the licence area, and allocate funds to pay for these initiatives.

More detail can be found in Mining Operation Proclamation No. 678/2010 (as amended by Proclamation No. 813/2013) and Environmental Impact Assessment Proclamation No. 299/2002.

6.6.2 Environmental Impact Assessment

Under Ethiopian law, any mining or petroleum project needs to undertake an Environmental Impact Assessment. Any project that alters any part of Ethiopia's environmental, social, economic or cultural conditions is required to obtain approval from the relevant authority before it is allowed to proceed.

A company wishing to initiate such a project is required to conduct an Environmental Impact Assessment of the project, and submit a report of this assessment to the MoMP (or the relevant regional agency) for review.

This report should be written up after consulting any communities likely to be affected by the project, and should contain a summary written in non-technical language.

At a minimum, an environmental impact study report should explain:

- What the project is and what technological processes it involves;
- The content and amount of any pollutant that will be released at any stage;
- The source and amount of energy required;
- Information on likely trans-regional impacts;
- Nature and duration of all the estimated direct or indirect, positive or negative impacts;
- What measures the company will take to eliminate, minimise or mitigate any negative impacts;
- The company's contingency plans in case of accident;
- How the company intends to monitor the project during both implementation and operation;
- How complete or accurate the information is on which the report was based.

By law, the MoMP (or the relevant regional agency responsible) is required to issue a response within 15 working days of receiving the report.

They can either:

- Approve the project outright;
- Approve the project subject to certain specified conditions being fulfilled or;
- Reject the project on the basis that a negative environmental impact cannot be satisfactorily avoided.

Please see Environmental Impact Assessment Proclamation No. 299/2002 for more detail.

6.6.3 Environmental Impact Assessment guidelines

Ethiopia has issued two sets of guidelines to help mining or petroleum companies conduct their assessments, and submit a report that has the best chance of being approved.

1. The EIA Reporting Guide.

This guide will assist any company that is required to submit an Environmental Impact Assessment. The guide lays out the relevant sections that must be included in the applicant's submitted report, thereby giving companies a comprehensive understanding of the information required from them, as well as the expected structure of the applicant's report.

2. The EIA Guideline for Mineral and Petroleum Operation Projects.

This guide is specifically aimed at Mining and Petroleum Companies. It contains comprehensive information about what impacts Ethiopia's EFCCC and mostly concentrates on the different kinds or stages of mineral and petroleum operations. It also informs on the level of mitigation that the EFCCC expects. The aim of this guide is to provide mining and petroleum companies with valuable information on the EIA process, which companies can then utilise in the early planning stage of their project - thus ensuring they are well positioned to achieve project approval.

(Reporting guides are available on the MoMP website).

6.6.4 Regional Environmental Bureaus

Regional Environmental Bureaus are responsible for environmental monitoring, protection and regulation of all projects that fall under the jurisdiction of the region. They ensure the implementation of federal environmental standards in their respective regions or, as may be appropriate, issue and implement their own, no less stringent standards. Regional environmental bureaus periodically prepare reports on the environment and sustainable development of their respective regions and submit to the EFCCC.

More detail can be found in Environmental Protection Organs Establishment Proclamation No. 295/2002.

Specific to mining projects, the regional and city administration mining authorities have the powers and duties to review and approve the ESIA reports of Special Small-Scale Mining projects, for industrial minerals and Small- and Large-Scale Mining projects for construction minerals. The environmental approval letter obtained is simultaneously used for the application and obtaining of a mineral operations licence from the regions and city administrations.

More detail can be found in Mining Operation Proclamation No. 678/2010 (as amended by Proclamation No. 813/2013).

Artisanal Mineral Operations Licences are issued at the regions by considering the minimal environmental requirements which are on Environmental Management Guidelines for Artisanal Mining in Ethiopia.

6.6.5 Environmental management guidelines for artisanal miners

The MoMP has also taken steps to lessen the environmental impact of artisanal mining by providing a set of guidelines for artisanal miners, local communities surrounding artisanal mining sites and licencing authorities.

This guideline will help artisanal miners become aware of the potential dangers of their activities and help them mine in a more sustainable way. It will also improve the management of the artisanal mining sector by providing the licencing authorities with a set of checks and balances they did not previously have. (Guidelines available on MoMP website).

6.6.6 Safety regulations

Every Environmental Impact Assessment must include an assessment of the health and safety impacts of the project. This includes both the occupational health and safety impacts and the health and safety impacts on the local communities who might be affected by the project's activities. The EIA Guideline for Mineral and Petroleum Operation Projects contains helpful information for mining and petroleum companies about the health and safety impacts the Ethiopian government is most concerned about.

It is also important to recognise that employers in Ethiopia are legally required to take all occupational health and safety precautions and to abide by the health and safety standards set by the relevant authority. For more detail, please see Labour Proclamation No. 1156/2011.

6.6.7 Pollution

Under Ethiopian law, polluting the environment is illegal, and the penalties for doing so are clearly spelled out. Ethiopia follows the 'polluter pays' principle and requires the person or entity causing the pollution to pay for any clean up.

6.7 COMMUNITY ENGAGEMENT

To foster sustainable investments which benefit all stakeholders, mining companies are required to contribute to a community development fund in Ethiopia.

IMPORTANT COMMUNITY ENGAGEMENT REGULATIONS:

- Mining Operation Proclamation No. 678/2010 (as amended by Proclamation No. 813/2013)
- Mining Regulation Proclamation No. 423/2018
- Directive to regulate the allocation of a Community Development Fund

6.7.1 Community development

As has been the case for many years, applicants for any mineral operations licence need to participate in planning community development initiatives with people within the licence area, as well as allocate funds to pay for these initiatives, as explained in Ethiopia's Mining Operation Proclamation No. 678/2010 (as amended by Proclamation No. 813/2013) and Environmental Impact Assessment Proclamation No. 299/2002.

In 2019, Ethiopia issued a new directive which provides guidance on how this process is to work, and clearly specifies both the duties and the rights of all parties involved with the community development fund.

6.7.2 Overseeing the community development fund

While holders of any kind of mining operation licence and the holders of an Exploration Licence are all required to establish a community development fund, the requirements are a little different depending on whether the licence in question is an Operation Licence or merely an Exploration Licence.

When the fund is established by those who hold a mining operation licence (for example, a Large-Scale Mineral Operations Licence) a committee must be established to oversee how the fund is used. This committee should be comprised of, among other individuals, representatives

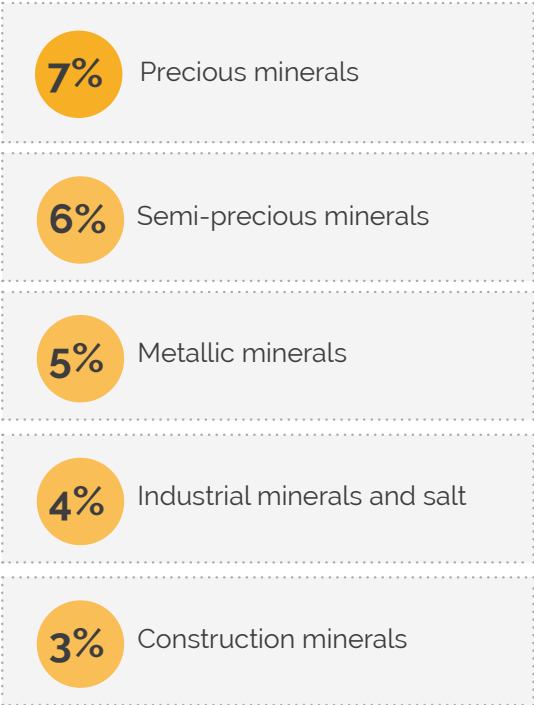
for the local community, various local officials (including members of local mineral sector, the Finance and Economic Cooperation Bureau, the Women, Children and Youth Bureau) as well as a representative for each mineral operations licence holder who contributed to the fund. It is responsible for consulting with the community in order to identify the appropriate development project that will be of the most value or use to the community, and then making sure that the project proceeds smoothly and without impediment.

When the fund is established by an Exploration Licence holder, there is no need to establish such a committee, and the fund is overseen by the relevant licencing authority. It is, however, to be used for the express purpose of benefitting the communities who are directly or indirectly affected by the exploration activities.

For more detail about how the community development fund is to be managed, please see the Directive to regulate the allocation of Community Development fund.

6.8 FISCAL REGIME

Ethiopia has some of the most attractive royalty rates in Africa. The holders of Large-Scale Mineral Operations Licences are required to pay royalties at the following rates:



Royalties can sometimes be waived in special circumstances. More detail can be found in Mining Operation Proclamation No. 678/2010 (as amended by Proclamation No. 813/2013).

The royalties that holders of artisanal, special small-scale and small-scale licences are required to pay are determined by laws of the Regional State in which that licence is issued. Licencees would need to contact the relevant regional authority. Corporate income tax is at a flat rate of 25%. A total of 60% of all mining tax revenues from mining goes to the Ministry of Finance and 40% goes to the regional governments.

Miners also enjoy some benefits: mining companies are allowed a five-year (from start of production) exemption from customs duties and tax on imported equipment, machinery and vehicles.

The Government is guaranteed a 5% minimum equity stake in all mining projects.

6.8.1 Fiscal incentives

Ethiopia offers a comprehensive set of fiscal and non-fiscal incentives to encourage investment into priority areas, including:

- Customs duty exemptions of up to 100% on imports of capital goods for eligible areas of investment;
- Income tax exemptions for a period ranging between 1 and 9 years, depending on the specific activity and the location of the investor;
- Loss carry-forward for businesses that suffer losses during the income tax exemption period for half of the tax exemption period;
- With the exception of a few products, no export tax is levied on Ethiopian export products;
- Duty Drawback Scheme, Voucher Scheme and Bonded Factory and Manufacturing Warehouse Schemes;
- Various non-fiscal incentives for exporters;
- Guaranteed remittance of capital for foreign investors.

6.8.2 Taxation

The Ethiopian tax system comprises direct and indirect taxes. Direct taxes include personal income tax, rental tax, withholding tax and corporation tax, among other taxes. The main types of indirect taxes are VAT, customs duty, excise and turnover taxes. Main taxes are summarised in the table below.

	TYPE OF TAXES	RATE
1	CORPORATE INCOME TAX	25%
2	TURNOVER TAX	2% and 10%
3	EXCISE TAX	10% up to 100%
4	CUSTOMS DUTIES	0% up to 35%
5	INCOME TAX FROM EMPLOYMENT	0% up to 35%
6	WITHHOLDING TAX	10%
7	VALUE ADDED TAX (VAT)	15%
8	EXPORT TAX	Nil (with exception of hides and skins - 150%)
9	ROYALTY TAX	5%
10	DIVIDEND TAX	10%

6.8.3 Mineral operations incentives.

The Mining Operations Proclamation offers various incentives for holders of a mining and exploration licences to import duty-free equipment, consumables, machineries and vehicles. The Mining Regulation expanded these incentives by allowing holders of an Exploration Licence to import, free of customs duties and taxes, a small six-seat aircraft or helicopter for the purpose of collecting data. The incentive is available only for holders of an Exploration Licence who can import the small aircraft or the helicopter on a temporary basis and re-export it upon completion of the work, or who can transfer the small aircraft or helicopter to another Exploration Licence holder. These incentives require the prior approval of the MoMP.

In addition, Exploration Licence holders are subject to other customs and aviation rules before and after importation of the small aircraft or helicopter.

6.9 LAND ALLOCATION

All land in Ethiopia is considered public property. Individuals, companies and other organisations can, however, acquire the right to use land. There are two broad classifications of land for rent or lease purposes, namely rural land used mainly for agricultural purposes, and urban land used mainly for industrial purposes or other activities. Land lease or rental rates differ from region to region.



07

DOING BUSINESS IN ETHIOPIA

7. DOING BUSINESS IN ETHIOPIA

7.1 ETHIOPIA'S CITIZEN CHARTER

It has not always been clear to investors or to the Ethiopian public what exactly the MoMP does, what its values or objectives are, and what services it is set up to deliver. To redress this issue, the MoMP launched its own Citizen Charter in 2018.

This Charter carefully outlines the MoMP's service delivery obligations, spelling out in detail the services that Ethiopia's citizens and the MoMP's clients generally (including foreign investors) are entitled to expect from the MoMP. This charter can be found on the MoMP's website.

Citizen Charter kiosk and information:

As part of this launch, an information kiosk was set up in the lobby of the MoMP's federal office to serve as the first point of contact for the public, investors, and any other stakeholders involved with or affected by mining operations who want to know what their rights are, and levels of service to which they are entitled. Any member of the public, investor or other stakeholder will be able to download all information they need from the kiosk, and request appointments with Ministry staff. In addition, they will also be able to complain about any service delivery failures or violations of their rights by the MoMP. Complaints are carefully tracked to ensure they are resolved in a timely manner and that areas that need improvement are acted upon to ensure the enhanced service delivery of Ministry services.

7.2 VISITING ETHIOPIA AS AN INVESTOR

For the first visit to Ethiopia, a business visa can be obtained from an overseas diplomatic mission.

Visa requirements are highlighted below:

- Business or investment visas are required for all foreign visitors to Ethiopia, except for nationals of Kenya;
- Visa applications can be obtained at Ethiopia's diplomatic missions overseas;
- The Ministry of Foreign Affairs' Department for Immigration and Nationality Affairs issues a residence permit to a foreign investor upon submission of an investment permit issued in their name;
- A foreign investor who is a shareholder of a company or branch company as well as expatriate personnel who have a work permit are entitled to get residence permit;
- Favourable visa terms for investors in industrial parks: A multiple entry visa valid for up to 5 years is given for foreign investors; up to 3 years visa for industrial park service providers, managers, board members and senior experts employed by foreign investors;
- Through its International Cooperation office, the MoMP facilitates visa and residence permit processes in collaboration with the Ministry of Foreign Affairs.

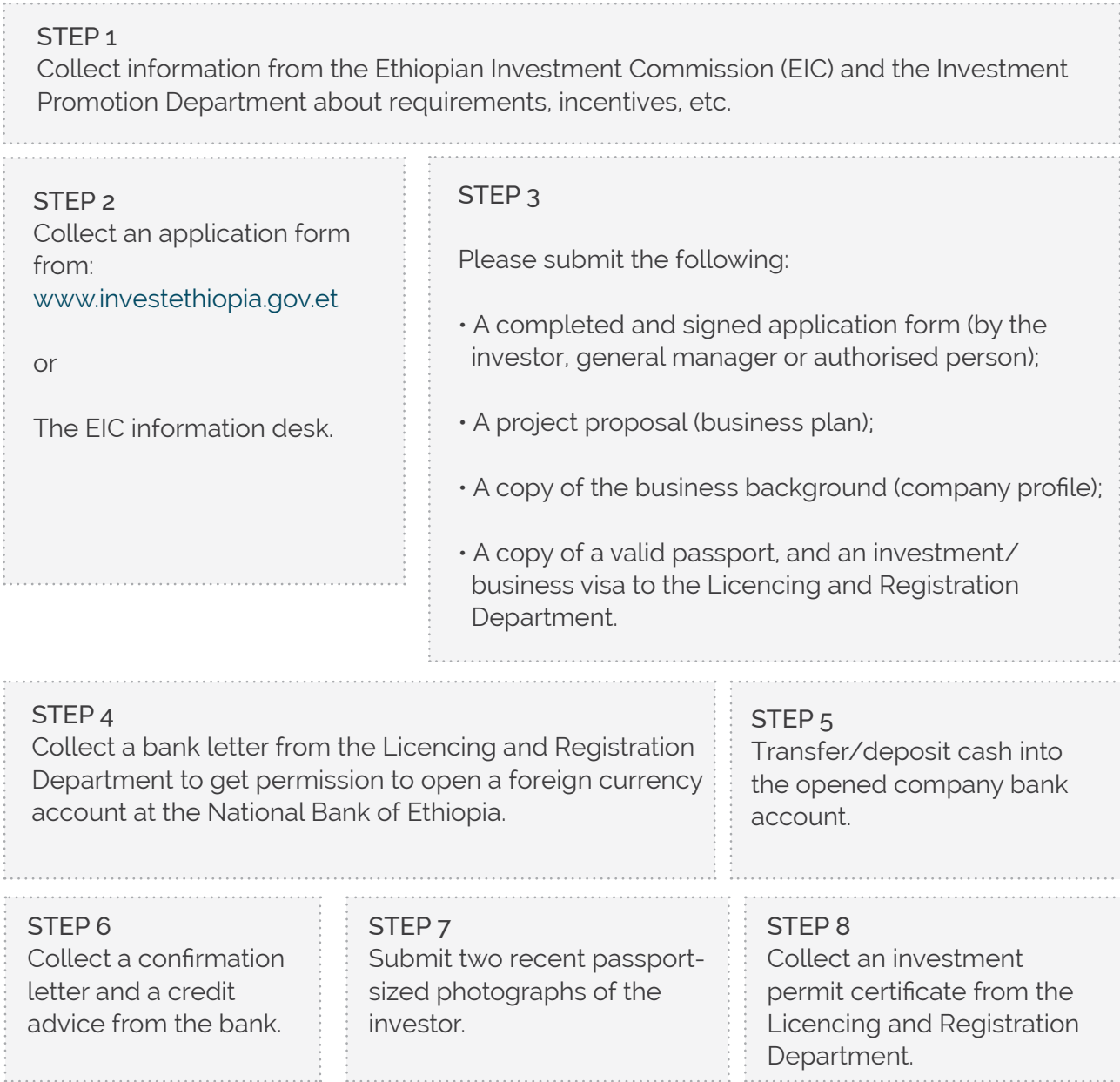
7.3 HOW TO REGISTER YOUR BUSINESS

Depending on the type of business formation, investors need to take the following steps to register their company after having contacted the Ethiopian Investment Commission (Information and Investment Promotion Department) for information on procedures and entitlements.

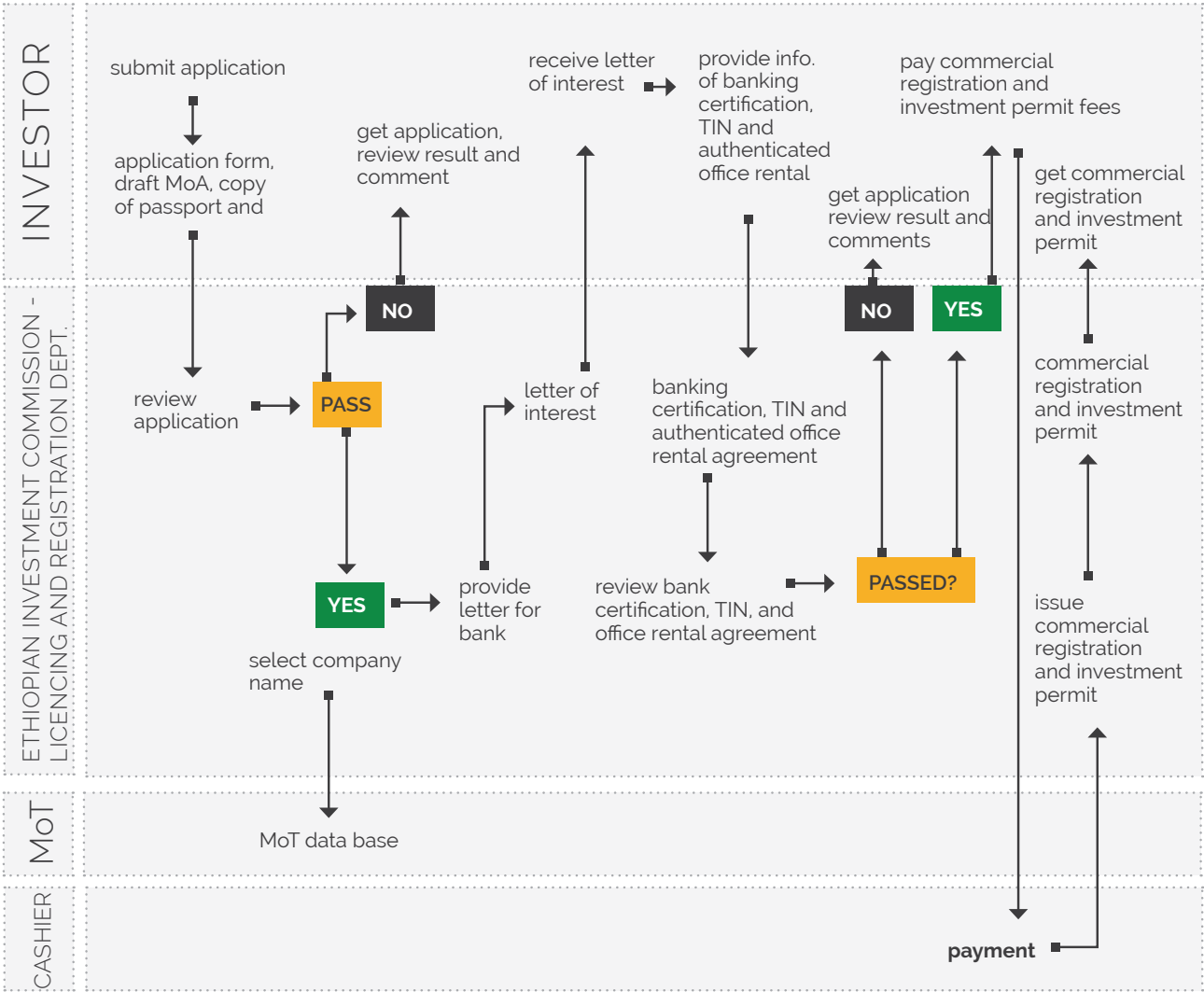
These steps vary slightly depending on the business formation under which investors plan to operate their business:



1 SOLE PROPRIETORSHIP



PROCESS AUTOMATION - LICENCING AND REGISTRATION MANAGEMENT PROCESS - PLC



2 PRIVATE LIMITED COMPANY (PLC)



In case a company is a subsidiary, the following additional documents shall be submitted:

In the case of a foreign company:

- Notarised legal certificate of incorporation;
- Notarised minutes of resolution passed by authorised organ of the parent company authorising it to invest in Ethiopia;
- Notarised document of its memorandum and articles of associations or similar documents of the parent company;
- Notarised power of attorney of the agent.

In the case of a local company:

- A copy of memorandum and articles of associations;
- A commercial certificate;
- The minutes of resolution passed by the shareholders;
- A notarised power of attorney of the agent.



3 SHARED COMPANY OR JOINT VENTURE

All the requirements for PLC also apply to a shared company and joint venture.



4 BRANCH MULTINATIONAL COMPANY

STEP 1

Collect/download application form from www.investethiopia.gov.et or EIC information desk.

STEP 2

Submit a completed application form with a project proposal (business plan), an authenticated parent (mother) company documents and a new company general manager's valid passport and business or investment visa to the Licencing and Registration Department.

STEP 3

Collect a bank letter from the Licencing and Registration Department to get permission to open a foreign currency account from the National Bank of Ethiopia.

STEP 4

Transfer/deposit cash into the specified company account.

STEP 5

Collect a confirmation letter and a credit advice from the bank.

STEP 6

Collect an investment permit certificate from the Licencing and Registration Department.

All documents whose sources are outside of Ethiopia shall be:

- Authenticated by the concerned notary office and the Ethiopian Embassy in the relevant foreign country;
- Authenticated and registered by the the Ministry of Foreign Affairs of Ethiopia.

Documents to be notarised and authenticated include:

- A memorandum of Association;
- An article of Association;
- A certificate of origin;
- The minutes of resolution;
- A power of attorney;
- A business (investment) visa copy;
- A passport-size picture of the general manager.

Minimum capital requirements

For a joint venture company, the minimum capital requirement is USD150,000 (or USD 50,000 if it is architectural, engineering works, related technical consultancy services, technical testing and analysis, or publishing company).

7.4 INVESTOR PROTECTION

Ethiopia's legal framework provides mining investors with a number of protections and assurances designed to minimise their political risk. Here are some of the most important protections Ethiopia has for investors.

7.4.1 Expropriation protection

Ethiopia does allow land to be expropriated, but only when doing so is in the public interest and does not violate any other laws. There are numerous laws that would prevent the state expropriating an investor's property. This investment guarantee is enshrined in Ethiopia's Constitution, in certain specific investment laws, and in numerous investment treaties that Ethiopia is party to.

7.4.2 Dispute settlement

Ethiopia's Constitution as well as its investment law guarantees the right of investors to lodge formal complaints about the treatment of their investments. The Bilateral Investment Treaties (BITs) to which Ethiopia is party also provide specific dispute settlement mechanisms.

7.4.3 Repatriation of funds

Ethiopia's investment law provides international investors with the right to receive the remittance of their profits, dividends, principal, interest payments and compensation paid, in a convertible foreign currency at the current exchange rate. This is, however, subject to the investor's meeting the requirements that the National Bank of Ethiopia sets.

7.5 TRADE AGREEMENTS WITH OTHER COUNTRIES AND INVESTMENT TREATIES

Ethiopia has investment treaties in place with the countries below. These treaties further enshrine protections for international investors in Ethiopian law.



ETHIOPIA

Algeria
Austria
China
Denmark
Egypt
Finland
Germany
Iran
Israel
Italy
Kuwait
Libya
Netherlands
Sudan
Sweden
Switzerland
Tunisia
Turkey
Yemen

08

IMPORTANT AGENCIES AND SUPPORTING INSTITUTIONS

8. IMPORTANT AGENCIES and SUPPORTING INSTITUTIONS

8.1 ETHIOPIAN MINERAL, PETROLEUM AND BIOFUEL CORPORATION

The Ethiopia Mineral, Petroleum and Biofuel Corporation (EMPBC) is the state-owned oil and mining company operating in Ethiopia. They may be required to take an equity stake in petroleum or mining projects.

The EPBC was established in 2015. Its key objectives include, among other things, to:

- Ensure that Ethiopia benefits from its natural resources;
- Build the local capacity of the mining and petroleum sector and assist companies engaged in the sector;
- Invest in strategically important areas not addressed by the private sector;
- Contribute to the national economy;
- Engage in the investment, development and production of the mineral, petroleum and bio-fuel operations;
- Invest in petroleum, mining and bio-fuel operations carried out by private sector investors;
- Provide services and training to the mining and petroleum sector.

8.2 THE ENVIRONMENT, FOREST AND CLIMATE CHANGE COMMISSION

The Environment, Forest and Climate Change Commission (EFCCC), formerly the Environmental Protection Agency (EPA), is the federal institution managing Ethiopia's environment. It's an independent authority, acting outside

the main ministerial structures and reporting directly to the Prime Minister. The EFCCC is ultimately responsible for Environmental Impact Assessments. They do, however, delegate that task to regional bureaus for any projects that fall under the jurisdiction of regional states and the MoMP for projects that are trans-regional and do not operate entirely in any one of Ethiopia's regions..

The agency originally established to safeguard Ethiopia's environment was the Environmental Protection Agency in 1995. Since then, it has been restructured twice in evolving attempts to improve its effectiveness. The EPA was upgraded to the Ministry of Environment and Forest in 2013, before becoming the Environment, Forest and Climate Change Commission in 2015.

The EFCCC in present form is designed to:

- Ensure that the environment objectives provided under the Constitution and the basic principles set out in the environmental policy of Ethiopia are realised;
- Establish a system for environmental impact assessment of public and private projects, as well as social and economic development policies, strategies, laws and programmes;
- Prepare a mechanism that promotes social, economic and environmental justice and channel the major part of any benefit derived thereof to the affected communities;

- Reduce emissions of greenhouse gases;

Coordinate the building of a climate resilient green economy;

- Establish a system for evaluating environmental impact assessments of investment projects submitted by their respective proponents, prior to granting permission in accordance with the Environmental Impact Assessment Proclamation;
- Take part in the negotiations and ratification of international environmental agreements;
- Establish an environmental information system;
- Promote and provide formal and non-formal environmental education programmes.

8.3 THE ETHIOPIAN INVESTMENT COMMISSION

The Ethiopian Investment Commission (EIC) is an autonomous government institution accountable to the country's Investment Board, which is chaired by the Prime Minister.

A Commissioner, who is also member of the Board, heads the EIC. The main services provided by EIC include:

- Promoting the country's investment opportunities to foreign and domestic investors;
- Issuing investment permits, business licences and construction permits;
- Notarising memorandum and articles of association and amendments;
- Issuing commercial registration certificates as well as renewals, amendments, replacements or cancellations;
- Effecting registration of trade or firm name and amendment, as well as replacements or cancellations;

- Issuing work permits, including renewals, replacements, suspensions or cancellations;

- Grading first-grade construction contractors;

- Registering technology transfer agreements and export-oriented non-equity-based foreign enterprise collaborations with domestic investors;

- Negotiating and, upon government approval, signing bilateral investment promotion and protection treaties with other countries;

- Advising the government on policy measures needed to create an attractive investment climate for investors.

In addition, the EIC provides the following free, confidential and customised services to investors:

- Providing information on sector-specific business opportunities, business incorporation procedures and related regulations, and employment regulations;
- Hand-holding and supporting the investor during the acquisition of land and utilities (water, electrical power and telecom services);
- Processing of loans and residence permit applications; approving environmental impact assessments studies for investment projects;
- Issuing of a tax identification number (TIN).

8.4 OTHER RELEVANT STAKEHOLDER INSTITUTIONS

- Department for Immigration and Nationality Affairs;
- National Bank of Ethiopia;
- Ministry of Trade and Industry Ethiopia.

