

Draft of new Mines and Quarries Law

A new mining law has been prepared in an IFC supported project:

Yemen Mining Policy Reform Project. It will be put before parliament early in 2009.

The new mining law and regulations reflect international best practice approaches, appealing to local and foreign investors. Its key objectives are transparency, efficiency, regulatory accountability, and a balanced approach between government oversight and investor prerogative.

A move away from the existing practice of negotiated exploitation contracts to instead a standard licensing approach is central for the new law.

Extension (Year)	Duration (Year)	Area (sq. km)	Type of licence
1	1	10,000	Reconnaissance
Two periods (5 years each)	5	2,000	Exploration
Unlimited periods (10 years each)	25	0.25 - 20	Mining
Unlimited periods (10 years each)	10	0.05 - 5	Quarry
Unlimited periods (1 year each)	2	Max. 1	Artisanal mining

An optional supplemental model Mining Agreement for projects, whose capitalisation is greater than USD150 million will probably be prepared to compliment the new mining law and regulations.

Documentation required to apply for the mineral licences

1. A certified copy of the certificate of incorporation.
2. Attestation of Technical Competence: attesting that the applicant or a member of its staff has obtained a university degree in geology, geophysics or another degree in the field of geosciences.



3. Attestation of Financial Competence:
 - a) attesting that the applicant has the financial capability to meet the work obligation requirements, with a letter from a bank or other proof of cash accounts attached to the form.
 - b) as the sale value receivable on a net smelter return basis with discount of the cost of assay, smelting, charges, penalties, transportation & insurance.
 4. A pre-feasibility study (for the mining & quarry licence).
- ### Mining Tax
1. Royalty:
 - 3% for metallic minerals
 - 8% for precious stones
 - 5% for non-metallic
 - 3% for other minerals and mineral products
 - The calculation of royalties is based on gross market value as defined below:
 - a) as the sale value receivable at the mine gate in an arm's length transaction without discounts.
 - b) as the sale value receivable on a net smelter return basis with discount of the cost of assay, smelting, charges, penalties, transportation & insurance.
 2. Income tax on remitted dividends: 30-35%
 3. Withholding tax on remitted dividends: 10-15%
 4. Withholding tax on loan interest: 10-15%
 5. Import duties: exemption during the period in which a mine is being constructed, after which 5% can apply
 6. Loss carry forward: up to 5 years
 7. Tax stabilisation: 10 years for mines with a capitalisation of at least USD150 million.

Mines and Quarries Law No. 24 of 2002

Republican Resolution No. 24 – issued on 20 July 2002 – concerning mines and quarries replaces all previous laws and regulations on mines and quarries. The Yemen Geological Survey and Mineral Resources Board (YGSMRB) is empowered to implement and apply this law, supervise mines and quarries, and to search for and exploit minerals as well as rocks suitable for construction and industrial purposes. According to the law, YGSMRB may entrust these activities to others and may issue the licences mentioned below.

Prospecting Permit

Permission to search for minerals and rocks suitable for construction and industrial purposes may be given by YGSMRB in response to a written application submitted to the chairman of YGSMRB. The permission will be valid for a prescribed period of up to one year. YGSMRB may renew the permission for up to one year if prescribed fees are paid.

The following information is required for an application:

- Definition of the location and area in which prospecting is planned
- Details of the financial and technical capabilities of the sponsor
- A work programme.

Exploration Licence

YGSMRB may issue a licence allowing the exploration for minerals and rocks suitable for construction and industrial purposes. The Minister may approve this licence for a period of not more than two years in response to a written application submitted to the chairman of YGSMRB. The executive regulations stipulate the required conditions and procedures.

The following is required:

- Definition of the location and area in which prospecting is planned
- Details of the financial and technical capabilities of the sponsor
- A work programme.

Exploitation Contract

YGSMRB may approve exploitation contracts for minerals and rocks suitable for construction and industrial purposes. A separate law will be issued for the approval of exploitation contracts for metallic and precious minerals.

The following is required:

- Definition of the location and area in which prospecting is planned
- Details of the financial and technical capabilities of the sponsor
- A work programme
- A feasibility study
- An environmental study.



Ministry of Oil & Minerals
Yemen Geological Survey
and Mineral Resources Board

Dear Investors

We take this opportunity to welcome you to Yemen.

We promise to make every possible effort to give you all required information in the mineral sector in Yemen.

If you face any problems or need any assistance, please don't hesitate to contact us on the following address:

P.O. Box 297
Sana'a - Yemen

Tel.: (00967) 1 211 818
Fax.: (00967) 1 217 575

ygsmrb@ygsmrb.org.ye
www.ygsmrb.org.ye

We are looking forward to your mining investments in Yemen.

*Evaluation & Promotion
General Department*

Editing and graphics production:

GEUS

Printed:

January 2009

Printers:

GEUS Print