Law No. 02/014 of 26 May 2014 On The Mining Law

Preamble

Whereas the Constitution of the Saharawi Arab Democratic Republic provides that the State shall exercise full sovereignty over its territory, including its territorial waters.

Whereas the Saharawi Arab Democratic Republic wishes to update it's domestic law regarding Mineral resources.

Considering Articles 10, 17, 46 of the Constitution, all Mineral resources located in public or private lands within the Saharawi Arab Democratic Republic and its exclusive economic zone are property of the State.

Considering the State's commitment to promote the rational exploration, development, utilisation and conservation of Mineral resources through the joint efforts of both the Government and the private sector in order to enhance national growth in a way that safeguards the environment and protects the rights of affected societies.

For these reasons the Saharawi Arab Democratic Republic implements the following Mining Law:

Part One: Definitions

Article 1: The following expressions and terms, whenever mentioned in the Law herein or in the resulting regulations, shall have the following definitions:

Annual Report: Is a written report submitted by a Permit Holder which shall include details of total expenditure on Exploration activities and all geological, geochemical and geophysical survey reports, and all drilling and other reports completed by the Permit Holder in relation to Exploration activities within the Permit area, and all data, maps, logs and records necessary to interpret those reports.

Chairman: Is the person in charge of managing the Institution and implementing this Law.

Establishment Agreement: Is the Agreement between the Permit Holder and the State according to the mentioned core terms and conditions, hereinafter shown in the attached annexure.

Exploration: Refers to the physical search for Minerals, including the necessary activities that are required for this purpose, such as, without limitation, drilling holes, digging trenches and pits, as well as building roads, access ways and tunnels.

Individual: Is the natural or legal entity that may apply for and hold Permits.

Infrastructure: buildings, roads, pipelines, powerlines and other structures necessary to realise Mining operations.

Institution: Is the Petroleum and Mining Authority of the Saharawi Arab Democratic Republic, and enjoys all the prerogatives to implement this Law.

Law: Refers to the Saharawi Arab Democratic Republic Law of Mining, and includes the amendments that may be added.

Minerals: All naturally occurring substances obtainable from land by Mining operations carried out on or under the surface of the land or from the sea, excluding liquid and gaseous hydrocarbon substances.

Mining: Is any type or method of working through which earth, rock, stone, fluid, or other Mineral bearing material may be moved, removed, sifted, crushed, leached, roasted, distilled, evaporated, smelted, refined, or treated to obtain any Mineral whether or not it has been moved before, including the following:

• The removal of overburden by mechanical or other means, and the stacking, deposit, storage and treatment of any material that may contain any Mineral.

- Operations that may enable the extraction of salt or other evaporites.
- Operations that may enable the extraction any Mineral from the sea, or from any other water supply.
- The doing of all lawful acts involved in or that may lead to any such operation or purpose.

Permit: Mining Permit, Exploration Permit, Small-scale Mining Permit and/or Infrastructure Permit as applicable, refers to the document granted by the Institution to the Individual, and which enables him to conduct the different works being regulated by this Law.

Private Land: Is land that, for any reason, is not owned by the State.

Register: Is the register prepared by the Chairman of the Institution to hold all the details of the Permits, including the Permit Holder, grant date, expiry date and the condition of compliance.

Small-scale Mining: Mining operations not exceeding 30m in depth.

State: Refers to the Saharawi Arab Democratic Republic, known under the acronym of SADR.

Part Two: Administration

Article 2: All Minerals are the property of the State and this Law shall govern the exploration and development of them within the State.

Article 3: In the application of this Law, a national Institution, known as the Saharawi Arab Democratic Republic Petroleum and Mining Authority (SADRPMA) is hereby created. The Institution shall be in charge of formulating and administering State policy regarding the exploration and exploitation of petroleum and minerals and the implementation of this Law.

Article 4: The Institution shall appoint a Chairman and such number of persons to be of mining registrars, geologists, surveyors, inspectors, and other officials as necessary in order to manage and implement this Law.

Article 5: The Institution shall be responsible for:

• Implementing the regulations stipulated by the Law.

- Coordinating and supervising all the State activities relating to petroleum and mining exploration and exploitation.
- Establishing and managing the Register
- Awarding Permits and petroleum licences, including the negotiation and preparation of Establishment Agreements and assurance agreements accompanying these Permits and licences.
- Collecting application, renewal and annual fees for Permits, as outlined in Articles 52 and 53 of this Law, and signature bonuses, annual surface rent and annual administration fees for petroleum licences.
- Contributing to the implementation of any arbitration, conciliation or mediation between Permit Holders or licencees, and representing the State in dispute settlement and arbitration proceedings with Permit Holders and licencees.
- Establishing and managing a database relating to petroleum licences, mining Permits and their related documents.

Article 6: The Chairman shall manage and supervise the Institution, issue decisions and sign the Agreements. The Chairman may delegate and of his powers and functions (except the delegation authority) through a written document to any member of the Institution, and may also revoke or amend a delegation that he has already granted. The authorities delegated shall be exercised in accordance with the written delegation deed.

Article 7: The delegation of any powers or functions by the Chairman shall become null and void as soon as another person is appointed as a substitute for the Chairman.

Article 8: The Chairman is to establish a Register to include the details related to Permits and the applications for Permits, according to the template determined by the Institution.

Article 9: A person may, on payment of the prescribed fee, obtain at the Department or at the location of the Registrar a copy of an entry in the Register relating to any Permit or application for a Permit; and subject to such requirements, if any, as are prescribed, a copy of a dealing or other instrument recorded in the Register.

Article 10: For purposes of this Law, the State's territory is divided into 1km by 1km (1km2) blocks that start from a point determined by the Institution.

Part Three: Permits

I – Exploration Permit

Article 11: An Exploration Permit is automatically granted to the first Individual to submit an application, on payment of the fees, and in accordance with the terms, stipulated by this Law. The Permit Holder must enter into an Establishment Agreement prior to any grant. An Individual may not simultaneously hold more than 10 (ten) Exploration Permits, whether they are granted by the Institution or gained through Permits deals, according to the dispositions of Part Four herein.

Article 12: The Holder of an Exploration permit has the following rights:

- The exclusive right to explore for all Minerals within the limits of the area concerned by the Exploration Permit.
- The right to enter to the land concerned by the Exploration Permit, and he must not be forbidden or prevented from that.

Article 13: The Holder of the Exploration Permit shall comply with the following duties:

- To comply with the conditions stipulated in this Law, and in the Establishment Agreement from the time they are granted the Permit.
- To start work on the area concerned by the Exploration Permit, and comply with the deadlines, according to the Establishment Agreement.
- To submit an Annual Report to the Institution detailing work and expenditure undertaken as set out in the Establishment Agreement, and also submit any documents that prove compliance with the Law and Establishment Agreement if required.

Article 14: The area of an Exploration Permit may not exceed 2,000km² (two thousand square kilometres). The Holder of the Exploration Permit may reduce the area of the Permit at the time of renewal, at the discretion of the holder.

Article 15: The Exploration Permit is valid for 3 (three) years, and can be renewed up to two (2) times each for a further period of 3 (three) years, provided that the Holder is in compliance of the Law and to the conditions of the Establishment Agreement.

Article 16: The Holder of the Exploration Permit may relinquish it by sending a written confirmation of relinquishment to the Institution, provided that all Permit fees have been paid and the Holder is in compliance with the Law and the Establishment Agreement. The Permit is considered relinquished on the day on which the relinquishment is recorded in the Register.

Article 17: The area or part of the area of an Exploration Permit that has expired, been relinquished, or revoked my not be applied for by the Holder, or related party to the Holder, of the Permit prior to relinquishment, expiry, or revocation, within a period of 3 (three) months from and including that date.

Article 18: The Holder of an Exploration Permit has the priority to apply for a Mining Permit over land that is covered by the Exploration Permit.

II – Mining Permit

Article 19: Without prejudice to the priority stipulated in Article 18 of this Law, a Mining Permit is automatically granted to the first Individual to submit an application, on payment of the fees, and in accordance with the terms, stipulated by this Law. The Permit Holder must enter into an Establishment Agreement prior to any grant. The Mining Permit shall not be granted unless the applicant can prove the presence of an exploitable Mineral deposit, and the ownership of the technical and financial means to exploit the deposit, within the proposed area of the Mining Permit.

Article 20: The Holder of the Mining Permit has the right to own and use all the minerals extracted from the land within the Permit area.

Article 21: The Holder of a Mining Permit shall comply with the following duties:

• To comply with the conditions stipulated in this Law, and in the Establishment Agreement from the time they are granted the Permit.

- To start work on the area concerned by the Mining Permit, and comply with the deadlines, according to the Establishment Agreement.
- To submit an Annual Report to the Institution detailing work and expenditure undertaken as set out in the Establishment Agreement, and also submit any documents that prove compliance with the Law and Establishment Agreement if required.

Article 22: A Mining Permit may be granted over any area within the SADR. The Holder of the Mining Permit may reduce the area of the permit at the time of renewal, at the discretion of the holder.

Article 23: The Mining Permit is valid for 30 (thirty) years and can be renewed up to 3 (three) times each for a further period of 10 (ten) years, provided that the Holder is in compliance of the Law and to the conditions of the Establishment Agreement.

Article 24: The Holder of the Mining Permit may relinquish it by sending a written confirmation of relinquishment to the Institution, provided that all Permit fees have been paid and the Holder is in compliance with the Law and the Establishment Agreement. The Permit is considered relinquished on the day on which the relinquishment is recorded in the Register. The holder of a Mining Permit continues to be bound by all environmental requirements under this Law and its Establishment Agreement when a Mining Permit is relinquished.

III – Infrastructure Permit

Article 25: An Infrastructure Permit may be granted to any Individual over any land or area according to conditions determined by the Institution. The Holder of a Mining Permit has the priority of obtaining an Infrastructure Permit on the land that is concerned by the Mining Permit.

Article 26: The Holder of an Infrastructure Permit has the following rights:

- To construct, maintain, and safeguard buildings, roads, pipelines, powerlines and all other necessary infrastructure to realise Mining operations.
- To realise other purposes that may be determined by the Institution.

Article 27: The Institution shall determine the term of an Infrastructure Permit provided, if applicable, that it does not exceed term of the underlying Permit upon which it is granted.

IV – Small-scale Mining Permit

Article 28: A Small-scale Mining Permit is automatically granted to the first Individual to submit an application, on payment of the fees, and in accordance with the terms, stipulated by this Law. The Permit Holder must enter into an Establishment Agreement prior to any grant. The Small-scale Mining Permit shall not be granted unless the applicant can prove the presence of an exploitable Mineral deposit, and the ownership of the technical and financial means to exploit the deposit, within the proposed area of the Mining Permit.

Article 29: The Holder of the Small-scale Mining Permit has the right to own and use all the minerals extracted from the land within the Permit area.

Article 30: The Holder of a Small-scale Mining Permit shall comply with the conditions stipulated in this Law, and in the Establishment Agreement from the time they are granted the Permit.

Article 31: The area of a Small-scale Mining Permit may not exceed 2km² (two square kilometres) and 30m (thirty metres) in depth.

Article 32: The Small-scale Mining Permit is valid for 3 (three) years and can be renewed up to 2 (two) times each for a further period of 3 (three) years, if the mining operations were conducted in the previous period and provided that the Holder is in compliance of the Law and to the conditions of the Establishment Agreement.

Article 33: The Holder of a Small-scale Mining Permit may relinquish it by sending a written confirmation of relinquishment to the Institution, provided that all Permit fees have been paid and the Holder is in compliance with the Law and the Establishment Agreement. The Permit is considered relinquished on the day on which the relinquishment is recorded in the Register. The holder of a Small-scale Mining Permit continues to be bound by all environmental

requirements under this Law and its Establishment Agreement when a Small-scale Mining Permit is relinquished.

Part Four: Dealings In Permits

Article 34: Permits granted pursuant to this Law can be the subject of a contribution of assets to a company, and can be sold, encumbered, transmitted, seized and sold to satisfy any judgement, or otherwise disposed of. A legal or equitable interest in a Permit, cannot be created, assigned, affected or dealt with, whether directly or indirectly, except by a written document signed by the Individual creating, assigning or otherwise dealing with the interest.

Article 35: A Permit, or share in a Permit, may be mortgaged as security for the repayment of money advanced or agreed to be advanced or for the discharge of any liability. The mortgage may cover all the buildings, improvements, machinery and appliances that are found upon the land within the Permit area. In case there is more than one mortgage that is related to the same legal interest in the permit, the priority will be given to the mortgages according to their date of registration, the first such time and date having priority. A mortgage has effect as security for the repayment of money guaranteed by the pledger, and not as an assignment of the Permit. The regulations of a mortgage are deemed to contain the aforementioned provisions, unless the mortgage contains express provisions to the contrary.

Part Five: Relationship With Third Parties

Article 36: A Permit may be applied for and be granted over land that is Private Land.

Article 37: Except with the written approval of the owner and occupier of the Private Land, or if only granted in respect to the first 30m (thirty metres) below the lowest part of the surface of the Private Land, a Permit may not be granted on or within 100m (one hundred metres) of the following Private Land:

- Land in genuine and constant use as a yard, livestock enclosures, garden, orchard, vineyard, plant nursery or plantation or is land under cultivation.
- Land that is the site of a cemetery or burial ground.
- Land that is the site of a dam, bore, well or spring.

- Land on which there is erected a substantial improvement. The definition of a substantial improvement shall be determined by the Institution.
- Land that is a separate parcel of land and has an area of 2,000m² (two thousand square metres) or less.

Article 38: If the Institution grants a Permit over Private Land, it may, but does not have to, determine an adequate sum that will be paid by the Permit Holder to the landowner as a compensation of any damage likely to be suffered by the owner of the Private Land. At the expiry or relinquishment of the Permit, the landowner has the right to take possession of the land, subject to any estate or interest owned by another person other than under that Permit.

Part Six: Dispositions Related to Mining Infrastructure and Mining Tailings at Expiry of a Permit

Article 39: The validity of a Permit expires in the following cases:

- Revocation of the Permit either totally or partially.
- Expiry of the validity without renewal.
- Relinquishment by the Holder either totally or partially.

Article 40: The Holder of an expired permit, or any other Individual, entitled to any Mining Infrastructure that is legally built on, or carried to, land within the expired Permit area may sell or remove the infrastructure after the expiry of the Permit.

Article 41: Where Mining Infrastructure is not removed within a period of 3 (three) months after the expiry of the Permit, or longer period as may be determined by the Institution, the Holder of the expired Permit must show cause as to why any Mining Infrastructure not so removed should not be sold and removed. Where the Holder of the expired Permit does not show cause to the satisfaction of the Institution, the Institution may direct the Mining Infrastructure to be sold by public auction and removed. The proceeds of the sale of any Mining Infrastructure, after deducting the costs and incidentals to its sale and removal, shall be paid to the Holder of the expired Permit, or other Individual, as notified to the Institution in writing prior to the payment of the proceeds.

Article 42: The Institution shall determine whether or not any Mining Infrastructure shall be allowed to remain on the land within an expired Permit area, and if so, the period for which it may remain and the amount of rent that must be paid for the use and occupation of the land and to whom the those sums must be paid.

Article 43: The Holder of an expired Permit may remove or treat or continue to treat any tailings or other Mining products upon the land within the expired Permit area. Where any such tailings or other Mining products are not removed or treated or continue to be treated those tailings or other Mining products shall become property of the State.

Article 44: The dispositions of the Law herein shall not be implemented on Mining Infrastructure, tailings or other Mining products that have been left on Private Land within an expired Permit area where a valid agreement exists between the owner or the occupier of the land and the Holder of the expired Permit.

Article 45: All timber or other material used in the construction, or support of any shaft, drive, gallery, adit, terrace, race, dam or other mining work is excluded from the dispositions of the Law herein regarding infrastructure removal without written approval from the Chairman.

Article 46: The Holder of an expired Permit remains responsible of the following:

- Any act or default occurring on or before the date of expiry of the Permit.
- Any obligation imposed on the Holder under or in relation to the Permit before the date of expiry of the Permit.
- Paying any rent, fee, royalty, penalty or other money due to be paid on or before the date of expiry of the Permit.

Article 47: The Holder of an expired Permit may enter and re-enter the land within the expired Permit area in order to perform any remedial work necessary for compliance with the terms of the expired Permit, along with any agents, employees vehicles, machinery and equipment necessary for the remedial work.

Part Seven: Economic, Financial, Tax and Customs Dispositions

I – Economic Dispositions

Article 48: This Law shall allow a Permit Holder, overriding any possible conflicting State Laws or regulations, the freedom of the following:

- Free choice of suppliers and sub-contractors for the purchase of goods and services provided that the Permit Holder, the suppliers and sub-contractors, shall as much as possible, make use of services or raw materials sourced from the SADR and products made or sold in the SADR, provided that these services and products are available at competitive price, quality, collaterals and delivery lapse times.
- Free import of goods, commodities, materials, tools, equipment, machinery, food and beverages, spare parts and consumables provided customs regulations are complied with.
- Free transportation of materials and goods related to Mining operations throughout the SADR.
- Ability of Mining Permit and Small-scale Mining Permit Holders to export extracted, processed and transformed goods and trade freely such substances, except toward or with countries hostile to the State or its citizens.
- The freedom of establishing contracts, provided that these contracts are made at reasonable prices according to the world market.

II – Financial Dispositions

Article 49: The State insures to Permit Holders, applicants for Permits, suppliers and subcontractors the freedom of the following financial transactions:

- The free conversion and transfer of funds in foreign currency, to pay foreign creditors and suppliers.
- The free exchange and transfer of net profits to associates after paying all taxes and duties imposed by the Law.
- The free conversion and transfer of profits and funds resulting from the liquidation of short term assets after paying all taxes and duties imposed by the Law.

Article 50: The State insures to expatriate workers employed by the Permit Holders the freedom to exchange and transfer any income or savings earned within the State.

III – Tax and Fees Dispositions

Article 51: The State ensures to the Permit Holder the rate of taxes and duties imposed when granting the Permit shall remain the same throughout the term of the Permit. If the rate of taxes and duties are reduced during the term of the Permit, the Permit Holder may shift to the new system once it is in force.

Permit	Fee In USD
Exploration Permit Issuance	\$7,000
	(Seven Thousand Dollars)
Exploration Permit Renewal	\$7,000
	(Seven Thousand Dollars)
Mining Permit Issuance	\$40,000
	(Forty Thousand Dollars)
Mining Permit Renewal	\$50,000
	(Fifty Thousand Dollars)
Infrastructure Permit Issuance	\$7,000
	(Seven Thousand Dollars)
Small-scale Mining Permit Issuance	\$1,500
	(One Thousand Five Hundred Dollars)
Small-scale Mining Permit Renewal	\$2,500
	(Two Thousand Five Hundred Dollars)

Article 52: The issue or renewal of a Permit is subject to the following fees:

Article 53: The Permit Holder shall pay an annual land use fee related to the area of the Permit as follows:

Permit	Annual Fee in USD per km ²
First Period of Exploration Permit	\$2.00 (Two Dollars)
First Renewal of Exploration Permit	\$3.00 (Three Dollars)
Following Renewal For The Exploration Permit	\$4.00 (Four Dollars)
Mining Permit	(Four Dollars) \$200.00
Infrastructure Permit	(Two Hundred Dollars) \$1.50
Quallanda Minina Damit	(One Dollar and Fifty Cents)
Small-scale Mining Permit	\$100.00 (One Hundred Dollars)

Article 54: The Holder of a Mining Permit or Small-scale Mining Permit shall pay a royalty of 3% (three percent) on all Minerals calculated on the basis of the sale price of the product resulting from the last stage of transformation of the ore in the State or the FOB value of the ore if it is exported before being sold.

Article 55: Without breaching the dispositions of Article 51 of this Law, the Holder of a Mining Permit and the Holder of a Small-scale Mining Permit shall pay corporate income tax at a rate of 25% (twenty five percent). If a lower corporate income tax rate is in force in the State for the financial year to which the profits relate the Holder of a Mining Permit or Small-scale Mining Permit will be subject to the lower prevailing rate.

Article 56: The Permit Holder is allowed the following depreciation of capital expenditure when calculating their corporate income tax liability:

- The value of buildings, structures and access roads, depreciable over 3 (three) years on a straight line basis.
- The value of equipment, hardware, machinery, devices, tools, vehicles, construction machinery, electric generators, depreciable over 3 (three) years on a straight line basis.

- The value of infrastructure incidental to the conduct of Mining operations such as houses, warehouses and the data rooms, depreciable over 3 (three) years on a straight line basis.
- The value of infrastructure necessary to the conduct Mining operations such as railways, ports, airports, and other transport installations, depreciable over 3 (three) years on a straight line basis.
- The value of the overburden removal costs and ground preparation costs for Mining operations, depreciable over 2 (two) years on a straight line basis.

All depreciation begins in the financial year in which Mining operations commence. If the profit from Mining operations is not sufficient for the depreciation deduction to be made then that excess deduction can be carried forward for up to five consecutive years from the year in which the loss occurred.

Article 57: If the Permit Holder has taken out a loan to finance Mining operations, the interest payments on that loan are tax deductible provided that the interest payments are actually made during the period of Mining operations.

IV – Custom Dispositions

Article 58: The Holders of Exploration and Mining Permits are exempt from paying the custom fees on technical equipment, machinery, tools, utility vehicles, generators and other materials imported for the purpose of conducting Mining and Exploration activities imported during the validity period of the Permit. However, the Holder of the Permit shall become liable for taxes and duties in the event of the resale of an item where customs duty was not paid.

Article 59: The Permit Holder shall give to the Institution an inventory of all imported technical equipment, machinery, tools, utility vehicles and generators.

Article 60: Expatriate workers recruited by the Permit Holder, benefit from the exemption of taxes and duties for six months from their first entrance into the State.

Part Eight: Protecting and Redeveloping the Environment

Article 61: The activities mentioned in the Law herein are subject to State Laws related to the protection of the environment.

Article 62: Mining and Exploration operations shall be carried out in such a way that does not cause danger to the public health and safety or the environment.

Article 63: Prior to commencing Mining operations the Holder of a Mining Permit and Small-scale Mining Permit shall carry out a feasibility study, an environmental impact assessment, a social impact assessment, prepare an environmental plan and provide a draft anticipated closure plan for any Mining operations, as defined in and in accordance with their Establishment Agreement.

Article 64: When public health and safety are threatened by Mining or Exploration activities, the Chairman shall commit the Permit Holder to take measures, in accordance with the Establishment Agreement, to insure that public health and safety is preserved. If the Permit Holder does not fulfil the commitments imposed on them, the Chairman may suspend all Mining and Exploration activities until the required commitments are fulfilled or may impose penalties in accordance with the Law. In the event of consistent failure to fulfil any required commitments the Institution may cancel the Permit.

Article 65: The Permit Holder shall rehabilitate the site so that it corresponds with the core characteristics of the surrounding environment, and comply with the Establishment Agreement and with any instructions of the Institution in this matter.

Article 66: Every Applicant for a Mining Permit and Small-scale Mining Permit shall lodge a security bond, determined in the Establishment Agreement, to guarantee their rehabilitation obligations and comply with the terms and conditions of the Permit.

Part Nine: General Dispositions

Article 67: Every Exploration Permit is subject to a reservation in favour of the State whereby the State may enter onto any public land, but not Private Land, within the Permit area to take rocks, gravel and sand for public purposes.

Article 68: The Holder of a Mining or Small-scale Mining Permit is entitled to authorise another person, through a written document, to perform Mining operations, applicable to the relevant Permit, on the land within the Permit area. The giving of authorisation does not affect the duties or obligations of the Permit Holder, or the aforementioned dispositions, related to the Permit.

Article 69: The State shall have the right, after giving 48hours notice to the Holder of a Mining Permit, to enter the Land within the Permit area to inspect compliance with the Law and Establishment Agreement.

Part Ten: The Settlement of Disputes

Article 70: If any dispute should arise under this Law between the State and a Permit Holder or applicant for a Permit then the two parties shall jointly appoint one or more independent experts to settle the dispute, and each party agrees to be bound by the decision of those experts.

Article 71: If the dispute is not settled according to Article 70 of the Law herein, then the dispute or difference shall be submitted to arbitration in accordance with, and subject to, the UN Commission on International Trade Law (UNCITRAL) Arbitration Rules. The appointing and administering body shall be agreed between the two parties to the dispute. There shall be one arbitrator, the language of the arbitration shall be in English, the place of the arbitration shall be in the capital city of the State or as otherwise agreed between the parties to the dispute.