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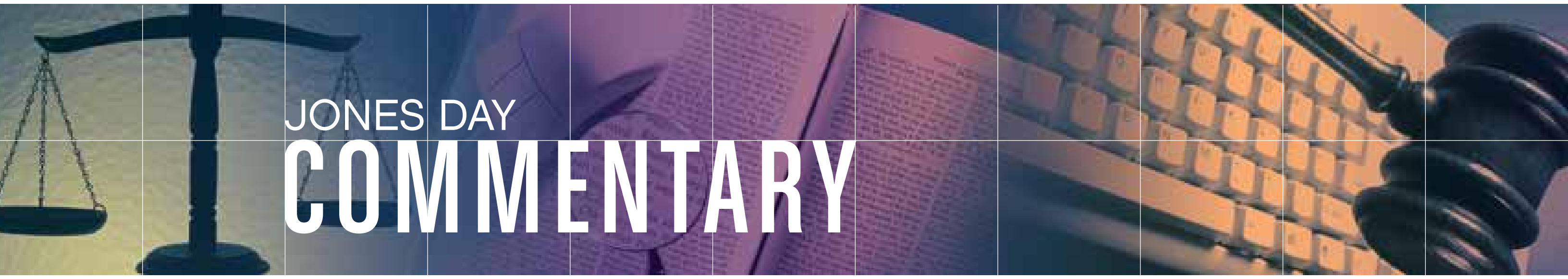

AFRICA RESOURCES UPDATE

This Africa Resources Update takes a brief look at a few recent or forthcoming legislative reforms affecting the energy and natural resources industries in selected countries of West Africa.

The current wave of reforms in Africa attempts to strike the ever-difficult balance between attracting foreign investment and maximizing the government's and local population's participation in the creation of wealth from national resources. Transparency in the management of national resources and the efficiency of governmental intervention are also key drivers for such reforms.

NIGERIA: IMMINENT ADOPTION OF THE LONG-AWAITED PETROLEUM INDUSTRY BILL

It has now been five years—during which licensing rounds, contract renewals, and investment have been put on hold—since the concept of a new Petroleum Act emerged in Nigeria. President Goodluck Jonathan recently announced that the long-awaited Petroleum Industry Bill, which is reportedly aimed at major reform of the Nigerian oil & gas industry, will be submitted shortly to the Nigerian National Assembly to be passed into law.

The main objectives of the envisaged legislative reform are as follows:

- **Establish a new tax framework that encourages further investment in the petroleum industry while optimizing accruable revenues to the government.** We have yet to see the final version of the new fiscal regime that has been fiercely debated over the past few years between policy makers and industry players. On the basis of the last published version of the Petroleum Industry Bill, oil companies will pay tax on chargeable profits as follows: 50 percent for onshore and shallow water areas and 20 percent for frontier acreage and deep water areas.
- **Establish a commercially oriented and profit-driven National Oil Company** ("NOC"), to which certain assets and liabilities of the existing state-owned Nigerian National Petroleum Corp. will be

transferred. The Federal Government of Nigeria's aim is to divest a certain, as yet unidentified, portion of shares in the NOC to the public within three years.

- **Deregulate and liberalize the downstream petroleum sector.** With the passage of the Petroleum Industry Bill, the Nigerian downstream sector would largely be freed from government regulations, with less interference from the local authorities.

GUINEA: NEW MINING CODE ADOPTED IN Q3 2011

On September 9, 2011, Guinea adopted a new code regulating its mining sector. Although this new regime is not intended to affect the ownership or the validity of mining titles or contracts that were granted or entered into and ratified prior to its adoption, most of the provisions of the new code, including those related to taxes and duties, employment, transparency, and anti-corruption, will be applicable to all existing mining operations in Guinea.

One of the most striking features of the new mining code is contained in Section 150: the State is now automatically entitled to a 15 percent interest in the share capital of any mining company that is granted a mining title for any ore (including bauxite, iron, gold, diamond, and uranium), except for aluminum, bauxite-alumina integrated projects, alumina, and steel, for which the State interest is between 2.5 and 7.5 percent. This shareholding interest will be vested to the State free of charge and may not be diluted through subsequent increases in the share capital. Under Section 150 of the new mining code, the State is also entitled to acquire an additional 20 to 32.5 percent shareholding interest on a fully paid basis, subject to a maximum aggregate State shareholding of 35 percent. This additional paid-up shareholding (*participation en numéraire*) is freely transferable by the State to any third party through a competitive open bidding process. The new code provides that it will be possible, on a case-by-case basis, to reduce the State's entitlement to acquire a *participation en numéraire*, in exchange for an increase in the rate of the mining tax.

Among other innovations, the new code has increased the duration of operating permits to 15 years with possible successive five-year extensions. The duration of mining agreements is limited to 25 years, with possible further extensions of 10 years.

The new mining code also contains innovative provisions promoting transparency and anti-corruption measures, reflecting President Alpha Condé's commitment to implement the EITI (Extractive Industries Transparency Initiatives) principles. Local development is also promoted through the obligation on the mining company to enter into a development agreement with the local community in their area of operation and to contribute between 0.5 and 1 percent of their turnover to a local development fund.

IVORY COAST: A WAVE OF REFORMS IN THE PETROLEUM, MINING, AND ELECTRICITY SECTORS

On April 18, 2012, President Alassane Ouattara signed an ordinance amending the 1996 Petroleum Code, which applies in Ivory Coast to oil & gas exploration and production activities. Major changes include, among others, the implementation of the EITI principles through a series of innovative measures and the reinforcement of environmental protection measures, including with respect to the decommissioning and dismantling of production facilities, as well as in terms of site rehabilitation obligations.

In March 2012, the Ministry of Mines of Ivory Coast announced that a new mining code is being prepared to replace the 1995 mining code. So far, very little is known about the nature and extent of this new mining code, but it is expected that in order to invigorate the mining sector in Ivory Coast, the new code will adopt new measures aimed at facilitating the administrative process of obtaining mining titles, while requiring applicants to give strong commitments in terms of work programs, minimum investment obligations, and demonstration of technical and financial capabilities.

Finally, the government of Ivory Coast is reported to be working on a new Energy Code, the purpose of which is to reform the institutional and legal framework of the electricity sector. With natural gas resources and existing IPPs (Azito and Ciprel), which are identified by the international business and financial community as landmark and reference projects in West Africa, Ivory Coast is a major power-producing country that has exported electricity to its neighboring countries. Several projects are under way to further increase Ivory Coast's installed capacities through the development of thermal, renewable, and hydropower plants.

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