

10 July 2017

Changes to Tanzanian Mining Laws

Lindian Resources Limited (“Lindian” or the “Company”) (ASX: LIN) notes the passing of three bills of legislation containing changes to the legal framework governing the natural resources sector in Tanzania. Special Bill Supplement No.2 (Bill No.2), Special Bill Supplement No.3 (Bill No.3) and Special Bill Supplement No.4 (Bill No.4) have been approved by the Tanzanian Parliament and are awaiting Presidential approval. In addition, Parliament has approved the new Finance Act, which will impose a 1% clearing fee on the value of all minerals exported from the country from 1 July 2017.

Tanzania is a significant mining and an oil and gas jurisdiction with a solid history of successful resource development and the Board see the changes as part of the Country’s continued development and commercial evolution which can only continue if mining projects make sense (with appropriate returns) for all parties involved – be they project owners, local communities, the government, shareholders in foreign listed companies included.

As an exploration company, the only key changes (in the Board’s opinion) which would have a material impact (at this point in time) on any successful discovery and subsequent mining development is the new requirement for the government to have a free carried 16% interest in any mining project and an increase in the royalty for metallic minerals including gold to 6%. Many jurisdictions around the world have local content requirements either through government participation or local partner ownership and Lindian does not see the requirement as overly burdensome but clearly projects will have to take into account the economic nature of the 16% interest and the 6% royalty.

The actual mechanics of the “free carry” are still to be finalised and the Board would always caution anyone coming to absolute conclusions until the “dust has settled” on the new legislative changes.

A more detailed review of the changes and the Company’s comments is contained in the Attachment below.

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For and on behalf of Lindian Resources Limited

Eddie King
Chairman
Lindian Resources Limited

Attachment

The Miscellaneous Amendments Act

The Miscellaneous Amendments Act is intended to make significant changes to the Mining Act, 2010 (the "Mining Act").

Amendments to the Mining Act

Introduction of Free Carried Interest in Mining Operations

The Government of the United Republic of Tanzania (the "Government") will have not less than 16% non-dilutable free carried interest shares in the capital of a mining company. In addition, the Government will be entitled to acquire up to 50% of the shares of such mining company based on the total value of tax incentives extended to the mining company.

Lindian Comment: The 16% non-dilutable free carried interest will apply to Lindian's Tanzanian subsidiary which holds the gold tenements that make up the project. The entitlement to acquire additional shares up to 50% does not apply to Lindian as there are no existing arrangements in place regarding tax concessions/incentives and there were no current plans to seek tax incentives.

Royalties

The definition of gross value in respect of minerals has been amended to mean "the market value of minerals as determined through valuation." All won minerals will be sorted and valued in the presence of a mines resident officer, a representative from the Tanzania Revenue Authority and a representative from the relevant state organ responsible for this exercise. The report made after valuation will be used to calculate the royalties payable to the Government. In terms of the proposed amendment, the Government has retained the right to reject a valuation on account of deep negative volatility and in such cases it may purchase minerals at the lowest value ascertained.

Royalties payable for metallic minerals, gemstones and diamonds are proposed to increase to 6%. Further one third of the payable royalties will have to be paid by way of deposit of refined minerals equivalent of the ascertained value to the National Gold and Gemstone Reserve.

Lindian Comment: The increase in royalties will affect Lindian, however as the companies project is at an early stage Lindian will have an opportunity to incorporate any increase in taxes will be incorporated into the project economics before proceeding with development.



Participation in local economy, Training and Employment of Tanzanians, Corporate Social Responsibility, Environmental principles

Mining companies will be required to participate in the growth of the Tanzanian economy by investing portions of their returns. Companies will be required to file annual returns showing how they have invested in the local economy and when a licence becomes due for renewal, considerations will be made in respect of the efforts made.

Mining companies will be required to provide training and employment of Tanzanians and also ensure technology transfer. Within 12 months of grant of license (and on each anniversary of the grant) a program for recruitment and training of Tanzanians must be submitted to the Mining Commission for approval.

Mining companies prepare a corporate social responsibility plan jointly agreed with local government in consultation with the Minister covering environmental, social, economic and cultural activities.

Mining companies shall comply with environmental principles and safeguards prescribed in the Environmental Management Act and other relevant laws. There are some prescriptive clauses in relation to pollution damage and compensation.

Lindian Comment: These are provisions that Lindian would generally expect to be managing the project under. The Board and Management take a strong interest in community matters and consider the Company's obligation to provide employment, training, local business opportunities, sound environmental management and other social and economic benefits to be core commitments.

Storage and Beneficiation of Minerals and provisions on mineral concentrates

Mining companies will be required to construct secure storage facilities on site for storing won raw minerals. Stored minerals can be kept on the storage facility for a maximum period of 5 days after which they must be moved to the Government Minerals Warehouse to wait beneficiation or for export where the Government so permits. Minerals will not be dealt with in any way until they are beneficiated, a process that must be done within Tanzania. Transportation of minerals from the warehouse will only be done on authorization from the Government.

The Miscellaneous Amendments Act grants the Government a lien over mineral concentrates. Concentrates must be stored in a secure yard within the mines in terms of procedures and conditions that will be prescribed in regulations to be made by the Minister. The proposed law prohibits disposal of concentrates, once they have been valued, for mineral processing within Tanzania as a trading commodity. The term mineral concentrates has been defined to mean "minerals or associated minerals won through the process of direct extraction of minerals from the ore which need further processes to extract minerals and associated minerals."

Lindian Comment: The Uyowa Project is at an early stage of development and will take these requirements into account as the company progresses towards development. There is currently no refining capacity in Tanzania but the company understands it is the government intends to encourage the development of a refinery within the country.



Requirement to use local goods and services

The Act seeks to introduce requirements pertaining to the use of local goods and services. It is proposed that mining companies give preference to goods and services produced/available in Tanzania. Where goods are not available in Tanzania it is proposed that supply is made by a company which is in joint venture with a local company and the local company must have 25% stake.

Lindian Comment: Board and Management have already committed to using local and Tanzanian based businesses as much as possible in relation to the project's service providers and suppliers. Dependent on how these requirements are further defined and developed, Lindian believes that this requirement will have an immaterial impact on the business.

Establishment of Government Minerals Warehouse, National Gold Reserve, National Mineral Resources Data Bank, Mining Cadastre and mineral and gemstone houses

The proposed amendment establishes a Government Minerals Warehouse which will be the central custodian of metallic minerals and gemstones, the National Gold Reserve where all royalties paid in kind as refined minerals, minerals impounded, acquired or purchased by the Government, dividends paid under any agreement or arrangement will be deposited and the National Mineral Resources Data Bank which shall be under the Geological Survey of Tanzania ("Geological Survey"). Mineral rights holders will be required to provide the Geological Survey, accurate geological maps and plans, geophysical records and interpretations at no charge. All data generated will be owned by the Government. Mineral rights holders may be permitted to market the right of use of data on terms that will be agreed with the Government.

The proposed amendment also establishes a Mining Cadastre which will be receiving and processing applications for mineral rights, administering such rights and maintaining of public cadastre maps and registers.

Lindian Comment: The legislation in relation to the mineral warehouse and gold reserve refers to metallic minerals and gemstones. The remaining provisions in relation to the development of statutory technical organisations and geological and survey databases are considered to have a beneficial impact on mining businesses conducted in Tanzania.

The Permanent Sovereignty Act

The Permanent Sovereignty Act proclaims sovereignty over natural resources and wealth to the people of Tanzania. The Act prohibits arrangements/agreements for extraction, exploitation or acquisition of minerals except where the interests of the Tanzanian people are fully secured and approved by the National Assembly, there is retention of earnings in the banks and financial institutions in Tanzania and there is guarantee of returns into the economy from earnings derived from such extraction, exploitation or acquisition.

Lindian Comment: The Board and Management supports the principle of Tanzania's sovereignty over its natural resources and the benefits of resource development for its people. This principle exists in almost every jurisdiction in the world, including Australia. The retention of earnings through sales revenue being deposited in a Tanzanian based financial institution will have no material impact on Lindian. The Act specifically provides for the repatriation of profits outside of Tanzania, without any capital controls apparent.



The Review and Re-Negotiation of Unconscionable Terms Act

This Review and Re-Negotiation of Unconscionable Terms Act allows the National Assembly to review any contract made by the Government related to natural resources and wealth. The Government will be required to report to the National Assembly any agreement entered by it and if the latter finds that there are any unconscionable terms in such agreement, it may direct the Government to renegotiate the terms of such agreement. The proposed law also empowers the National Assembly to direct the Government to re-negotiate any previous agreements if it considers that such agreements are pre-judicial to the interests of the people of Tanzania.

Lindian Comment: Currently not applicable as Lindian has not entered into any development agreements with the Tanzanian government.