



10 Reasons To Invest In Afghanistan's Mining Sector



1 World-Class Deposits & Excellent Discovery Potential

Afghanistan is home to many world-class mineral deposits on the last frontier for resource discovery. Located at the western end of the Himalayas, Afghanistan has been subjected to long history of plate collisions, giving rise to some of the most complex and diverse geology on the planet.

The geology and mineral deposits of Afghanistan have been well-documented by the Afghanistan Geological Survey (AGS) with assistance from the United States Geological Survey (USGS), the British Geological Survey (BGS) and the Union of Soviet Socialist Republics, (USSR). Significant amounts of data have been generated, indicating substantial potential for many near-surface, large and easy to explore deposits of a wide variety of metalliferous and non-metalliferous ores, and hydrocarbons.

Most mineral occurrences occur along two major mineralized trends:

- (i) The first belt runs from Herat in the far west to Badakhshan in the northeast, and contains significant deposits of iron, gold, copper, barite, coal and gemstones.

Iron ore deposits occur along a trend of several hundred kilometers that extends from the Afghanistan-Iran border to the Afghanistan-Tajikistan border. Resources are estimated at billions of tons of high quality iron ore, based on work in the 1960s and 1970s by Afghan and Soviet geologists.

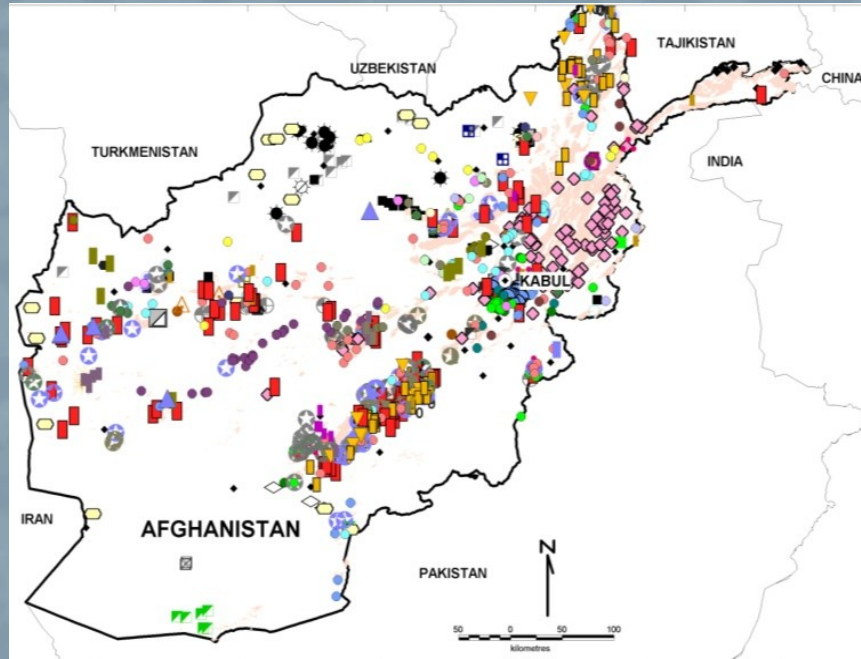
- (ii) The second belt, the southern extension of the Tethyan Eurasian Mineral Belt (TEMB), covers a thin strip of southern Afghanistan and extends north-easterly through Helmand, Kandahar, Zabol and Ghazni provinces. This belt contains numerous copper, gold, molybdenum, zinc, lead, and chromite deposits associated with multiple igneous complexes of varying ages.

Another prominent mineral province is the exotic Kabul block which hosts all the known sedimentary-hosted stratiform copper deposits and occurrences including the world-class Aynak.

Afghanistan also hosts three known hydrocarbon-bearing basins (Afghan-Tajik, Amu Darya and Tirpul) and two possible hydrocarbon-bearing basins (Katawaz and Helmand). All basins are underexplored and require application of modern exploration techniques.

Copper occurrences in sedimentary, porphyry, skarn, hydrothermal vein and VMS styles. Over 300 occurrences and deposits are documented. Several areas of the country are highly prospective for porphyry $\text{Cu} \pm \text{Au} \pm \text{Mo}$ mineralization but have never been tested in light of modern models linking Cu-Au in skarns and polymetallic veins to porphyry.





Distribution of known minerals by deposit types

Gold occurrences are widespread in a variety of terrains and significantly under-explored. Huge potential for gold associated with oxidised intrusive, reduced intrusive and orogenic belts including iron ore, volcanic and shear –hosted. Porphyry, epithermal and skarn have been recognised. Application of modern mineral exploration techniques and models should result in significant discoveries.

Rare Earth Elements / Lithium / Niobium: Afghanistan has a considerable number of rare earth element deposits hosted in pegmatites, mineralized springs and lake-sediment salts. No systemic exploration for REEs has been carried out since the late 1970s. Many of the known locations warrant further investigation.

Oil and gas reserves have been recently estimated to be 3.4 billion barrels of oil; 16 trillion cf of gas and 0.5 billion barrels of liquid gas condensate.

2 Significant Amounts Of Technical Data Available

Current work continues to validate historical data generated by the AGS, BGS, USGS and Soviet agencies, whilst updating the findings with modern exploration and analytical techniques.

Results and publications are being collated and will be available to investors in the newly established AGS data centre. Results of two major country-wide studies completed by USGS (in 2007 and 2011) and significant historical technical information are available from the USGS and AGS websites.

In partnership with world-renowned geo-scientific organizations, the Afghanistan Geological Survey is working towards assessing and enhancing Afghanistan's mineral and hydrocarbon resources in order to lower the risk levels for investors.

Geological studies of Afghanistan

During the 1960s and 1970s, geologists from the former Soviet Union conducted the first thorough geological survey of the country in partnership with the AGS. In 1989, Soviet geologists left behind thousands of surveys, drilling logs, and scientific studies and technical reports. These documents and reports are currently being scanned and will be available to the public during early 2012.

After 2001, the USGS and BGS returned to Afghanistan. Since then, airborne geophysical and hyperspectral surveys covering approximately 75% of Afghanistan have been conducted. Following USGS's cutting-edge work in remote sensing technology significant data is now available on the surficial geology of Afghanistan.

The USGS has produced a substantial number of technical reports, maps and other documents, all of which are available for download at:

http://afghanistan.cr.usgs.gov/publications_and_maps

The AGS website is currently hosted by the British Geological Survey:

<http://www.bgs.ac.uk/afghanMinerals/scripts/home.cfm?method=viewSearchForm>

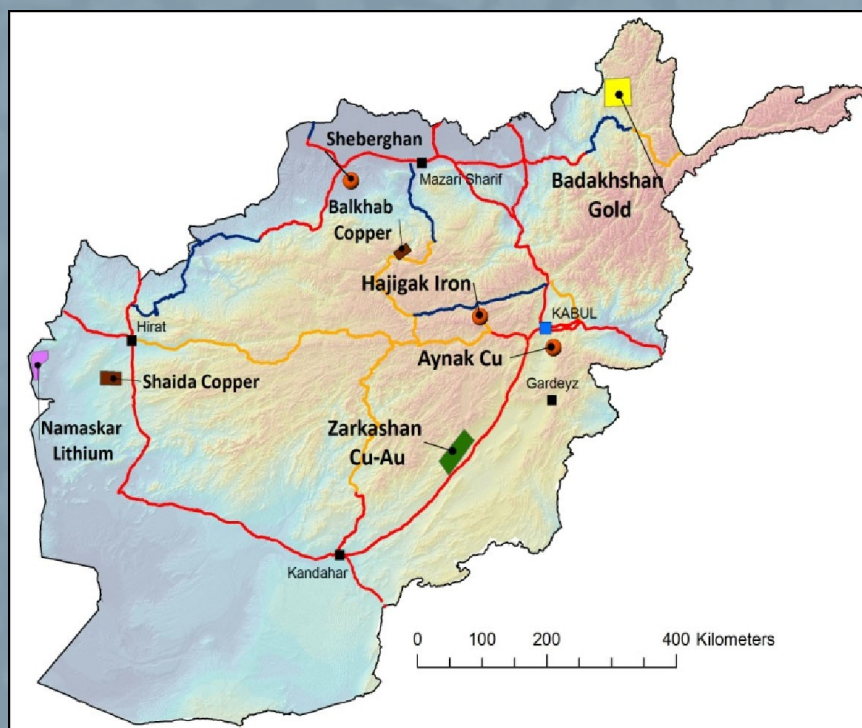
3 Attractive Investment Opportunities

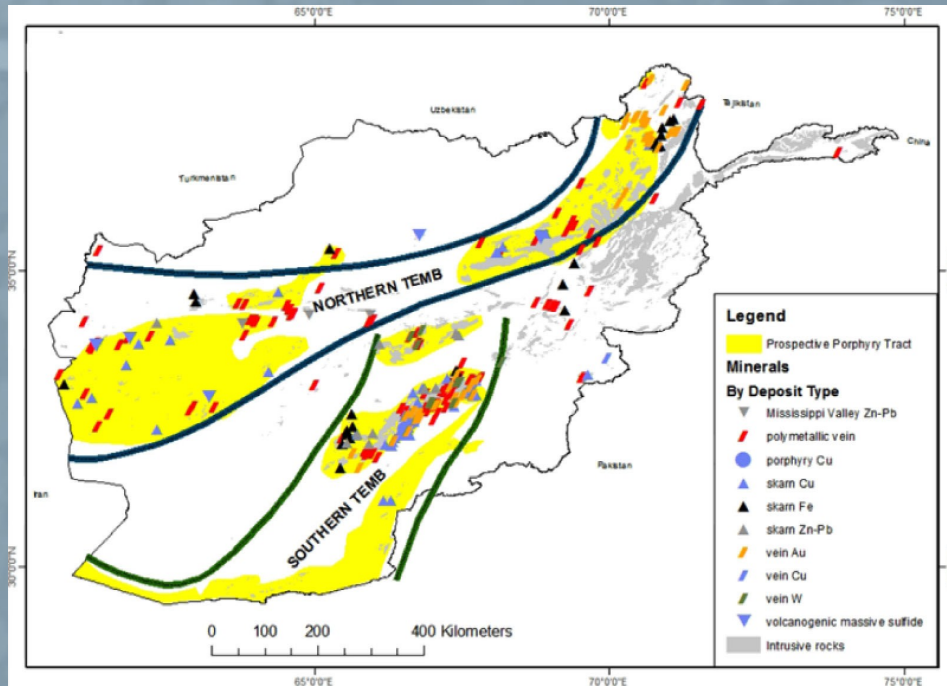
Given the buoyant world commodity prices and a vastly improved investment environment in the country, the Government of Afghanistan is experiencing considerable private sector interest in exploration and development of the nation's mineral and hydrocarbon resources. Tendering has commenced for a number of major ore deposits to the private sector.

The Ministry of Mines has commenced a process where qualified investors will have a unique opportunity to secure access to a number of promising mineral and energy projects.

Upcoming tenders of exploration licenses for highly prospective mineral properties in Afghanistan are set out below (further information can be found at: <http://mom.gov.af/en/page/3949>)

Each property contains both well-explored deposits and unexplored occurrences, located within highly prospective mineral belts, including the renowned Tethyan Eurasian Mineral Belt.





Zarkashan copper-gold deposit: Located in Ghazni Province, approximately 225 km south-southwest of Kabul within the extension of the highly prolific Tethyan Mineral Belt. The Zarkashan block contains multiple porphyry, skarn and vein targets. Significant data from Soviet exploration work as well as recent magnetic, gravity surveys and remote sensing surveys are available. Russian resource estimates at Zarkashan are 525 kg Au @ 7.1 g/t Au (C2 category) and 2,192 kgs @ 6.9 g/t Au (P category). The Zardak area, part of the overall Zarkashan project, hosts an inferred resource of approximately 300 kg Au per historical Soviet-era reports. Zarkashan has excellent upside / discovery potential.

Badakhshan shear-zone hosted Au: Contains the Veka Dur gold vein prospect in the Ragh area as well as numerous other Au-Ag prospects. A moderate amount of prior work has been done on the prospect, including trenching, surface sampling and underground adit development.

Veka Dur, the most advanced prospect, has quartz veins up to 350 meters long and two meters wide that are open at depth. Historic Russian C1 and C2 reserves are 958 Kg Au @ 4.1 g/t Au.

Shaida Cu/Pb/Zn VMS / Porphyry: The Shaida prospect is located 65 km south-southwest of Herat (provincial capital) and approximately 27km east of Afghanistan's Ring Road.

Balkhab VMS copper: A new discovery by the AGS and USGS located approximately 300 km NW of Kabul in a secure area of Balkh and Sar-e-Pul provinces. The main area of interest is a block of silicified and limonitised rocks measuring approximately 5km in length by 0.4km wide (depth unknown). Economic minerals include disseminated chalcopyrite, bornite, galena and azurite-chrysocolla. Interpretation of ASTER (advanced spaceborne thermal emission radiometry) data identified more than 20 anomalies with signatures consistent with VMS mineralization. Balkhab has significant oxide and sulphide copper exploration potential and is a drill-ready project.

In the 1970s, Soviet and Afghan geologists outlined C2 reserves of 48,000 MT Cu grading 1.0% Cu and 660 MT Zn grading 1.4% Zn; additional "geological" reserves (per Soviet classifications) are reported as 11,600 MT Cu (grading 1% Cu) and 158 MT Zn (grading 1.4% Zn).

The block contains the Shaida and Shaida 1 VMS prospects, as well as several unnamed anomalies. The project's porphyry potential was not explored by the Soviets, but characteristics consistent with this deposit type, including well-developed gossans, are documented. Recent work includes magnetic and gravity surveys, which identified additional exploration targets.

Major on-going projects:

Aynak Copper: proven reserves of 625 Mt @ 1.6% Cu; located 35 km SE of Kabul and currently being developed by China Metallurgical Group Corporation as part of a \$5 billion capital expenditure program. The contract includes construction of power plant and a railway from the border with Uzbekistan in the north to the Torkham border with Pakistan in the east, and feasibility studies are underway. The project is scheduled to begin production of in 2014.

Hajigak Iron Ore Deposit: Contains indicated and inferred resources totalling nearly 1.8 billion tonnes @ 63% Fe. Tender is in progress; the selected candidates are a consortium led by Steel Authority of India Ltd (SAIL) and Kilo Gold Mines Ltd. Contract negotiations are in progress and the final tender results are expected to be announced during the first quarter of 2012.

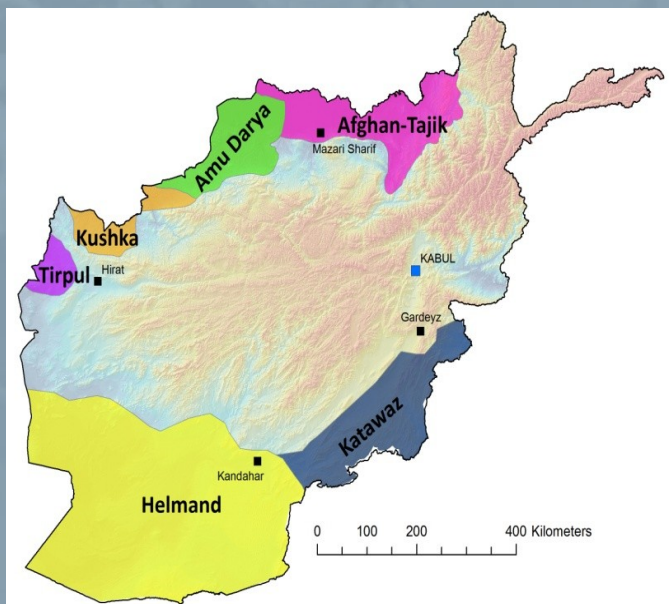
Qarazaghan Gold Deposit: contracted to a consortium of western and Afghan companies facilitated by JP Morgan with a planned capital investment of up to US\$50 million. Production is expected to commence in 2012.

Noraba and Samti Gold Alluvial Deposits: located in Takhar Province and under contract to Westland General Trading Company, who will invest up to US\$40 million. Gold production has commenced.

Amu Darya Oil and Gas: three blocks containing an estimated 87 million barrels of oil, and part of a larger reservoir that extends into neighbouring Turkmenistan and Uzbekistan. Tender is in progress, and bids were received from CNPC (China), Buccaneer Energy (Australia), Tethys Petroleum (London-based) and Shahzad International (Pakistan). Final contract negotiations are underway and the tender award expected to be announced in late 2011.

Sheberghan - Natural Gas includes eight gas fields in the Amu Darya basin in northern Afghanistan where the Ministry of Mines is implementing an extensive integrated plan for development of these resources. Opportunities include construction of a 200 MW capacity IPP utilizing Sheberghan gas and extension of gas distribution networks in northern Afghanistan.

Forthcoming opportunities for development of oil and gas resources include:



Western Afghan-Tajik Oil Basin: Located in Northern Afghanistan, near Mazar-e-Sharif. The basin is estimated to hold some 1.8 bn barrels of oil. The tender will be announced in the first half of 2012. Seismic surveys are currently under way.

Tirpul and Kushka Oil Basins: A sedimentary basin with high petroleum exploration potential located in Herat Province (bordering Iran and Turkmenistan) in western Afghanistan. Tender to be announced before the end of 2011.

TAPI: The 1,735 kilometer Turkmenistan-Afghanistan-Pakistan-India pipeline, of which 735 km goes through Afghanistan, is designed to carry 33 bn cubic meters of gas annually, of which Afghanistan will have the right to purchase 16% of the volume. Afghanistan will also receive a transit fee for the use of its territory from each of the other partners.

The four countries above endorsed TAPI in September 2010. The Asian Development Bank carried out a feasibility study, and the project was determined to be viable (TAPI has the full support of the ADB). The gas purchase and sales agreement and gas pricing mechanism are currently being finalized. An international consortium will implement TAPI on a BOT basis. TAPI will create significant opportunities for investors in various components of the pipeline implementation works as well as downstream gas-using industries. It is expected that gas will start flowing from 2016.

4 Favourable Legal & Regulatory Regime

The Constitution of Afghanistan (2004) lays the groundwork for the development of a pro-business legal and regulatory environment for the country's emerging market economy. Foreign investors are assured of complete safeguards for their investments, including 100% ownership and no restrictions on the repatriation of capital and revenue.

The current extractive industries legal and regulatory regime consists of:

- The Minerals Law (2009) and Mining Regulations (2010)
- The Hydrocarbons Law (2009) and Hydrocarbons Regulations (2009)
- Policies and regulations for Mining Sector

The above laws and regulations set up a favorable and open regime for investment.

The Ministry of Mines has undertaken an initiative to further improve the minerals legal framework by fully-adopting the EITI business standards, and simplifying the quarry-licensing regime. Additional pro-business amendments to the Minerals Law and Mining Regulations are expected to be endorsed by Parliament during the first half of 2012. The proposed changes will ensure that Afghanistan remains a competitive country for mineral investments.

Summary of licensing regime for medium and large mineral operations

Ownership:	2009 Minerals Law allows for 100% foreign ownership.
Mineral rights:	Transparent and competitive bidding process for exploration and exploitation licenses. Bid evaluations are based on: technical and financial capabilities of the bidder, proposed socio-economic benefits, infrastructure, environmental protection, potential government revenues, and introduction of new technology, and are overseen by the Inter-Ministerial Committee.
Security of mining title:	Guaranteed right for the mineral resource finder to obtain a long-term mining license.
Duration of mining title:	30 years for large projects, extendable every 5 consecutive years until reserves are completely exhausted (10 years for small mines, also extendable for additional 5-year periods).
Environmental responsibilities:	Clear, consistent, and realistic environmental protection policies reflected in the 2005 Environmental Law (http://mom.gov.af/Content/files/Environmental_Law.pdf) and Environmental Impact Assessment Regulations that are administered by the National Environmental Protection Agency of Afghanistan. Specific guidelines for the mining sector will be elaborated in the Environmental Policy for the Mining Sector being developed by the Ministry of Mines in partnership with NEPA.

5 Pro-Business Fiscal Regime

The fiscal regime for Afghanistan's mining sector - essentially a tax/royalty regime - is regulated by the country's Minerals and the Income Tax Laws (http://mom.gov.af/Content/files/Income_Tax_Law.pdf).

Links to further information on the mineral, energy, environmental, fiscal and other laws and regulations governing business activities in Afghanistan can be found at: <http://mom.gov.af/en/page/3994>.

Fiscal regime for medium and large mineral operations: summary

Royalties:	Internationally competitive royalty rates imposed on gross revenues; rates are fixed for the life of the mining project.
Surface rents:	Fees paid annually in local currency, and range from the equivalent of US\$500 to US\$5,000 per Exploration License (depending on area).
Income tax:	20 percent income tax rate applied to taxable profits after 100% deduction for interest expense and dividends.
Fiscal stability of income tax:	The Income Tax Law provides fiscal stability of income tax provisions for 8 years (from the start of production) for holders of a mining license if they agree to be subject to an income tax rate of 30 percent instead of 20 percent. 100% of exploration and development expenditures deductible against operating revenues.
Business Receipts Tax:	Mining companies are exempt as they pay royalties (Chapter XII of the Income Tax Law provides special tax provisions for the mining and petroleum sectors).
Loss carry forward:	Mining companies have an unlimited loss carry forwards compared to three years for other companies.
Capital costs:	Recovered on a straight-line basis over five years over the life of the asset, whichever is shorter.
Pre-production expenses:	Capitalized and can be recovered over 15 years or the life of the mining license once commercial production begins, whichever is shorter.
Capital / profit repatriation:	100% repatriation of capital and profits is guaranteed by the Constitution and the Investment Law (2005).

6 Investor-Friendly Ministry Of Mines

While geologic and economic evaluations are key requirements for mining companies, in today's globally competitive economy, the investor environment is of increasing importance in attracting, winning and retaining investment. The Ministry of Mines, which has the prime responsibility to manage the development of the Afghanistan's natural resources, has undertaken bold reforms to realize the sector's tremendous potential.

The Ministry is implementing an ambitious five-year business plan to address policy and regulatory deficiencies, and update Afghanistan's minerals laws, environmental regulations, and fiscal regimes to position the country as one of the world's leading destinations for mining investment.

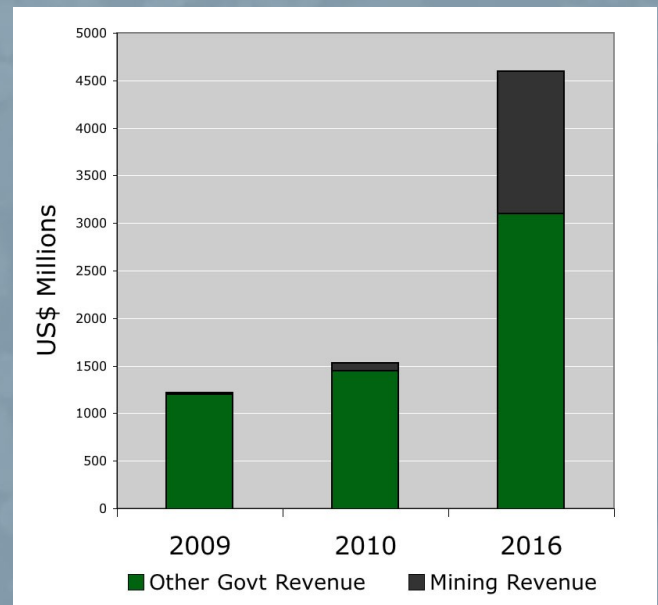
7 The Government Is 100% Committed To Afghanistan's Mining Sector

The Government of Afghanistan considers the accelerated development of the extractive industries sector absolutely critical for the self-sustainability of the country.

The government intends to transform Afghanistan's vast mineral and hydrocarbon reserves and resources into wealth for current and future generations. In 2010, it established the Infrastructure Development Cluster, headed by the Minister of Mines, and mandated rapid development of transportation infrastructure, energy and urban re-development. This program is an integral part of the Government of Afghanistan's strategy of building a safe, secure, modern and fiscally sovereign state.

Whilst the majority of energy and mineral deposits currently in tender, or scheduled to be tendered, are located in stable and peaceful provinces, the Government is committed to providing physical security for mining companies operating in less secure areas. In 2010, the Ministry of the Interior established a Mines Protection Unit security force. Currently, more than 1,500 troops are stationed in Logar Province in support of ongoing exploration and development of the world-class Aynak copper project. The Government plans to increase the security forces to up to 7,000 personnel, in order to assure security for all future mining projects.

Mining Contribution To Domestic Revenues



8 Aggressive Infrastructure Development Programs Underway

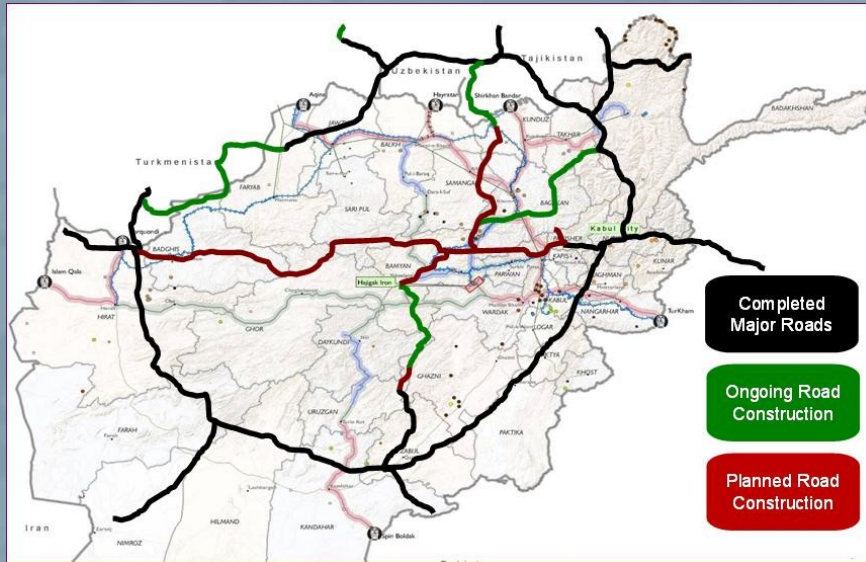
The expansion of Afghanistan's mineral industry depends on the rapid development of much-needed physical infrastructure to provide access to world markets. Its landlocked location requires cross-border transport linkages and improved internal infrastructure, including railways and a link to port facilities (via Pakistan or Iran), and access to other central and eastern Asian markets (including China, India, Uzbekistan, Turkmenistan and Tajikistan).

Infrastructure development is being actively addressed through the National and Regional Resource Corridors Program (NRRCP) formulated under the Infrastructure Development Cluster. These programs are an integrated economic initiative that link existing and planned infrastructure projects with corridors of high export potential from extractive industries.

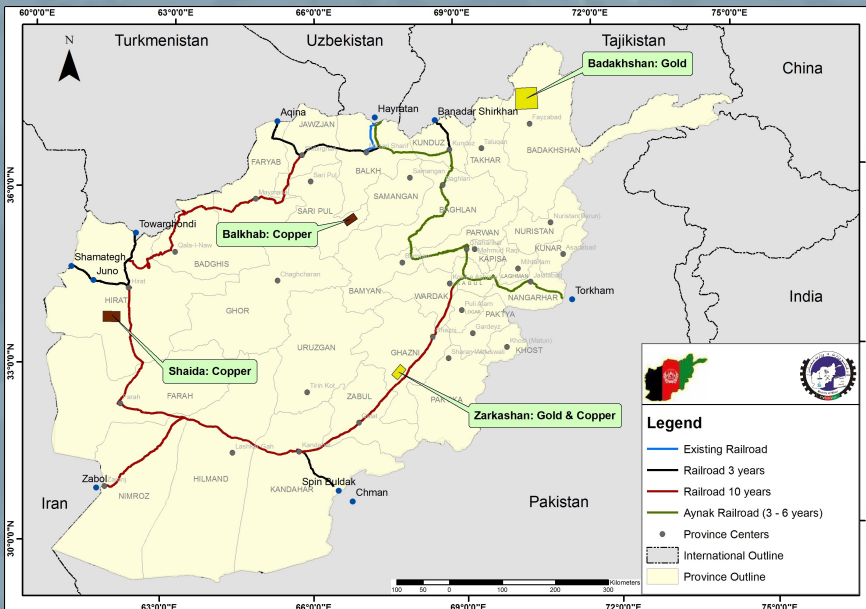
Over the next five years, NRRCP envisages construction of:

- 1,500 km of rail-line designed to transport bulk commodities, i.e. mineral products.
- 2,600 km of roads designed for increased use and heavy loads from the mining sector.
- New international, regional and domestic airports across Afghanistan and increased passenger and air freight service to major international hubs.

Existing and planned road infrastructure



Existing and planned rail infrastructure



9 Strategic Location In An Area Of Rapidly Growing Markets

Development of the country's mining industry together with an upgrading of national and regional trade and transport corridors, will allow Afghanistan to take advantage of its strategic market position between central and southern Asia, and as a potential land bridge connecting the expanding Chinese and Indian economies with the Middle East and beyond. Afghanistan has a unique opportunity to provide a wide range of mineral and energy products to an extended market of more than three billion consumers.

With ambitious reconstruction and development programs, backed by Afghanistan's international partners, domestic demand for raw materials is also exceptionally high. The national economy saw record real GDP growth in 2009/10 of 22.5% and more than 8% in 2010/11. Since 2002/03, the country has seen average growth rates in double digits; with GDP per capita tripling since 2001.

10 Strong Commitment To Transparency In All Business Dealings

To build the trust of the Afghan citizens and the country's international partners, the Government has committed to openness in all business deals it enters into with foreign and domestic companies.

In 2010, Afghanistan became a candidate country to the Extractive Industries Transparency Initiative (www.EITI.org) and it is steadily moving towards EITI validation in 2012. By pursuing full revenue transparency in partnership with the private sector and civil society, the Ministry of Mines is spearheading a larger debate on natural resources and the need to achieve both healthy governance standards and full accountability to the people of Afghanistan.

The Government has publicly disclosed details about mining contracts signed in the past, and the key elements of new contracts will be published. The Ministry is currently defining mechanisms for participation of Afghan civil society organizations in tracking the mine tender and contract negotiation processes, in order to enhance public confidence and build trust in public decision-making, whilst consolidating national support for the mine tendering and contracting processes.



6 September 2011: Bid opening for world class Hajigak iron deposit

For more information

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