



Islamic Republic of Afghanistan  
Ministry of Mines



**Summary of the contract for prospecting, exploration and exploitation of the Qara-Zaghan gold mine in Doshi district of Baghlan province between the Ministry of Mines and Afghan Krystal Natural Resources Company**

The Ministry of Mines of the Islamic Republic of Afghanistan awarded the first ever proper contract for the prospecting, exploration and exploitation of gold in the country. The deposit is located in Doshi district of Baghlan province in north - east part of the country.

Based on Inter Ministerial Commission on Mines resolution number 2, dated 21/2/1387, (10 May, 2008) the Qara-Zaghan gold mine located in Doshi district of Baghlan province was tendered on 2/4/1387, (22 June, 2008). Proposals were received from the following interested bidders on 2/6/1387 (23 Aug, 2008):

1. Gold Star Metal Solution
2. Kam Khyber Resources
3. Afghan Krystal Natural Resources Company

Proposals were evaluated by a Ministry-appointed team, which identified the Afghan Krystal Natural Resources Company as a preferred bidder. This decision was subsequently confirmed by the Inter Ministerial Commission on Mines.

Since early 2010 with the change in the leadership of the Ministry of Mines where a robust reform program was launched with special emphasis on transparency, regulatory and enhancing the capacity of both the Ministry and private sector. This progress enabled Ministry to held extensive discussions with the Afghan Krystal Natural Resource Company in order to assess its technical capacity and financial backing to implement the contract. This included reviewing its prospecting and exploration methods, gold extraction and processing systems, recruitment of technical experts with gold mining experience, investment capabilities for gold mine exploitation, and social and environmental safeguards which are of particular importance to the Ministry.

Based on the confirmation of the company's capabilities, a draft contract was prepared for the Qara-Zaghan gold mine in line with the earlier decision of the Inter Ministerial Commission and the signed agreement. The draft contract was confirmed by resolution number 10 of the Islamic Republic of Afghanistan Council of Ministers dated 22/9/1389 (13 Dec, 2010). This was then confirmed by resolution number 40 of the Ministers' Commission dated 13/10/1389 (03 Jan, 2011). The contract was signed on 20/10/1389 ( 10 Jan, 2011 ) between His Excellency Wahidullah Shahrani, Minister of Mines, and Syed Saadat Nadiri, head of the Afghan Krystal Natural Resources Company.

**Main points of the contract:**

As per their proposal, the Afghan Krystal Natural Resources Company will invest up to US\$50 million. This includes US\$12 million for exploration and to prepare the mine for

exploitation , which will be conducted within 2 years with the assistance of mostly South African experts, and US\$38 million for the exploitation and development of the of the mine over a period of 10 years.

- All equipment and machinery required for the prospecting, exploration and extraction of gold will be provided by the Afghan Krystal Natural Resources Company;
- The Afghan Krystal Natural Resources Company will strictly comply with all environmental safeguards in-line with the laws of the country;
- 280 job opportunities will be created as soon as the project operation starts; and
- The contract includes some social services for the people of the region such as building schools and clinics.

### Terms of the Contract:

If the mine proves economically viable based on the results of the prospecting and exploration work, the contract stipulates revenue generation for the Afghan Government in the following ways:

1. 26% royalty from gross production (gold) extracted;
2. Tax from the company profit according to the taxation regulations; and
3. Surface rent for the use of the land which the company will use during the mining operation.

It is worth noting that 26% royalty is based on the value of the gross production of gold and will be determined by the gold prices index according to the daily metals price in London Metals Exchange Market (LME). Furthermore 26% has been one of the highest royalty rates in the world up to now. Another important aspect of this contract is that a number of investors the United States, Britain and Turkey are backing this project through a deal facilitated by J.P Morgan which is the largest investment bank financing the mining operations in the world. This is the first major investment by a big western company in Afghanistan which will be crucial in changing the perception of international investors about Afghanistan and will lead to more investment in country in the future.

Importantly, this is the first comprehensive gold mining contract which has been awarded based on the country's Minerals Law and international best practices.

In line with the principles of the Extractive Industry Transparency Initiative (EITI), and to ensure the highest degree of transparency, the Ministry has decided to publish the summary of the contract in all major national newspapers and also publish the details of the contract on the web site of the Ministry at [www.mom.gov.af](http://www.mom.gov.af).

### Comparative table of the bidders in the tender of the Qara-Zaghan gold mine in Baghlan Province:

| Sr. | Name of the Co.                  | Investment sum | Average of annual production in ton           | Royalty | Social Services Provision | Environment Services Provision | Achieved scores base on the evaluation |
|-----|----------------------------------|----------------|-----------------------------------------------|---------|---------------------------|--------------------------------|----------------------------------------|
| 1   | Afghan Crystal Natural Resources | 50 million USD | 1.628 ton                                     | 26%     | 50000 USD                 | 50000 USD                      | 86.79                                  |
| 2   | KaM Khayber Resources            | 20 million USD | 500 Kg                                        | 25%     | 1200000 USD               | 40000 UDS                      | 79.08                                  |
| 3   | Gold Star                        | 1 million USD  | Will be estimated after the geological survey | 15%     | 13% from the gross income |                                | 72.63                                  |