



VOLT

RESOURCES

ASX ANNOUNCEMENT

By e-lodgement

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Tanzanian Government Legislative Changes

Volt Resources Limited's (ASX: VRC), ("Volt" or the "Company") Board and Management has noted the passing of three Bills through the Tanzanian Parliament containing changes to the legal framework governing the natural resources sector in Tanzania. The Written Laws Miscellaneous Amendments Act ("Miscellaneous Amendments Act"), the Natural Wealth and Resources (Permanent Sovereignty) Act ("Permanent Sovereignty Act") and the Natural Wealth and Resources Contracts (Review and Re-negotiation of Unconscionable Terms) Act ("Review and Re-Negotiation of Unconscionable Terms Act") have been approved by Tanzania's Parliament and are awaiting Presidential assent. In addition, Tanzania's 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.

The Board and Management have reviewed the new legislation, combined with legal advice from the Company's Tanzanian lawyers, and provides shareholders with the following initial guidance on the potential impact to Volt and the Namangale graphite project.

In summary, in the current form the legislative changes will have the following impact on Volt:

- The Tanzanian Government will have a 16% non-dilutable free carried interest in Volt's Tanzanian subsidiary which increases from a current interest of nil.
- There are a number of reporting and compliance related provisions in the new legislation that could cause some increased costs, but they are not materially more than Volt currently plans to monitor and report against. Therefore, these changes are seen as having negligible impact on the project.
- The royalty rate remains at 3% for industrial mineral products which includes graphite products.
- The introduction of beneficiation of minerals, metallic and precious minerals warehouses, concentrate liens and related provisions are not expected to have a material impact on Volt's Tanzanian project.
- Volt has no material agreements with the Tanzanian Government and, therefore, is not impacted by the Review and Re-Negotiation of Unconscionable Terms Act.

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

Based on this initial review and external legal advice, the Board and Management believe the legislative changes – as currently passed by the Tanzanian parliament – would not cause or prevent Volt from progressing with its current business strategy and plans for the development of the Namangale project.

Volt will continue to monitor the implementation of these legislative changes by the Tanzanian Government and where appropriate, engage with the Tanzanian government to ensure the best outcome for both the Government and the Company. Further updates to shareholders on any material changes or impact following this initial assessment will be provided as appropriate.

Full details of the three Bills can be found at <http://www.parliament.go.tz/bills-list>

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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.

Volt Comment: The 16% non-dilutable free carried interest will apply to Volt's Tanzanian subsidiary which holds the graphite tenements and project assets. It does not change the Namangale project's valuation but could impact on the development funding arrangements and the distribution of cash or dividends from the project. Volt is in the process of applying for a mining licence for its Stage 1 development which may be delayed while regulations are developed to implement the legislative changes. The entitlement to acquire additional shares up to 50% does not apply to Volt 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.

Volt Comment: Industrial minerals prices are generally determined under a contract between the producer and end-user (as there are no terminal markets or published spot or reference prices). It is unclear how the valuation procedures described above will be administered for a graphite project. As graphite is an industrial mineral by definition, there is no change to the royalty rate applicable for Volt's graphite sales and at this stage it is Volt's opinion the above changes will not be applicable to the Namangale project.

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.

Volt Comment: These are provisions that Volt 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."

Volt Comment: These provisions do not appear to be relevant to industrial minerals or more specifically the graphite industry as the terms used and processes specified would be applicable to gemstones, precious or metallic minerals and their concentrates. The graphite products to be produced by Volt are in final saleable form.

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.

Volt 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, Volt 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.

Volt Comment: The legislation in relation to the mineral warehouse and gold reserve refers to metallic minerals and gemstones which does not include industrial minerals. 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, including Volt’s Namangale project.

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.

Volt 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 Volt. 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.

Volt Comment: Currently not applicable as Volt has not entered into any development agreements with the Tanzanian government. The Stage 1 project was to be developed under a mining licence and associated approvals that did not require a Mining Development Agreement.