

access to the zone, and large areas have been made available to interested parties for exploration.

This transition has taken place in large part due to increased coordination between the Ministry of Energy and Mines and the Corporacion Venezolana de Guayana (CVG), the regional development authority and industrial holding company. New taxation, investment and mining legislation have encouraged a recent influx of foreign investment in the mining sector, most of it from Canada.

Since 1989, any foreign investment may be freely repatriated, regardless of the amount. Foreign business entities are taxed on income arising in Venezuela. The Dividend Tax has been eliminated. Investment tax credits at 10% of the investments in new fixed assets are now available to the mining industry. Foreign currency accounts can be opened in Venezuela. (Exchange rate is approximately Bs 100 per US dollar.)

The positive tax law changes have probably had more effect on foreign investment than any of the other reforms. In the case of the gold mining sector of the economy these reforms are responsible for the sudden interest by, foreign mining companies, many of which are Canadian. (See attached list.)

III. LEGAL FRAMEWORK

Venezuelan Law is based on the Latin system prevalent in the Spanish speaking countries of Latin America. The Ministry of Energy and Mines ("M.E.M") acts on behalf of the State under a 1945 Law, whereby all minerals in the country belong to the State. M.E.M issues concessions to parties and or companies under rules and conditions (that can be site specific) that give mining rights for specific minerals. These rights can be for "Soft Rock" (alluvial, eluvial and saprolitic) mining rights only or for the hardrock mining rights as well. It is generally understood that the holder of the soft rock rights will be granted the hard rocks rights if and when they are applied for.

In Bolivar State, M.E.M granted Corporacion Venezolana de Guayana (C.V.G.) the diamond and gold rights to both the soft and hardrock under "Decree 1409". C.V.G. is a government agency similar to a Crown Corporation in Canada, which has been given the task of regional development of Bolivar State. C.V.G. is involved in many aspects of the economy such as power generation and primary aluminium smelting. Since C.V.G. has the concession from M.E.M., it now leases out the mining rights to interested parties under its terms and conditions which in turn must comply with the terms agreed with CVG with the M.E.M.

Some of the lease's terms are: requirement of performance bonds; regulations which specify the timeframes allotted for exploration, the fulfillment of environment guarantees and the submission of timely progress reports.