percentage of the net value of the ore in the ground, which value would necessarily change with changes in the costs of mining, market values, etc. and had no relation whatever to the capital structure of an operating company. While, therefore, an attempt has been made to induce the Company to agree to a sliding scale, it was found absolutely impossible to do so and it is our belief that negotiations would have broken down on this point. The Government is still of the opinion, however, that the flat rate of Royalty of 5% calculated on the terms laid down in Clauses 2, 3, 4 and 5 of the Lessees' Convenants of the Model Lease, which is the Schedule to the attached Bill,1 is an equitable one.

4. In view of the experience in large mines particularly in iron mines, that the life of a mine may quite possibly be more than sixty years it was decided by the Commission of Government that the Company should have the right of renewal of the mining lease for an additional period of thirty

years, making ninety years in all.

5. The Company has requested from the Government exemption from all taxes during the first three years of operation, and that imports of material, plant machinery and equipment both for original installation and for replacements be exempted from customs duties and taxes. As regards the first request the Company has been informed that whilst no special concession could be granted to the Company, the Government has under consideration the matter of income tax on mining companies generally and that they would be further advised of such action as the Government might take on the matter. With regard to the exemption from customs duties it was decided that the Company should be given the right of duty free entry on machinery, plant and materials for original installation and that on replacements for the foregoing the rate of duty would not exceed 20%. This arrangement is to have effect for general construction purposes for twenty years from the date of enactment of the attached Bill and for active mining for a period of twenty years from the granting of a mining lease. These arrangements which are in accordance with current practice where capital expenditures on large projects are involved, are covered in Clause 9 of the attached Bill and in Clause 3 of the Lessor's Covenants in the Model Lease of the Bill.

6. In its negotiations with the Company the Commission of Government has endeavoured to obtain the Company's consent to the various requests and suggestions which we have received through your office, but we have had to bear in mind that, unless the Company is given terms which it considers reasonable from the point of view of interesting capital in the area it will not, indeed according to the state of the sta indeed cannot, take really effective action to try out its possibilities. Furthermore, we are satisfied that the Company are sincere in their requests and while they, naturally, have made every effort to obtain as favourable terms as possible they have on the whole been justified in their uncompromising attitudes on points which in their opinion would jeopardize their efforts to raise the necessary capital.

Non reproduit.

<sup>1</sup> Not printed.