



African Minerals Engineering Limited
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W1J 8LA

Ms. Rona E. Peligal, Ph.D.
Deputy Director, Africa Division
Human Rights Watch
350 Fifth Avenue, 34th Floor
New York, NY 10118-3299

11th March 2013

Dear Ms. Peligal,

Please see attached our response to your letter dated 08th January 2013 and to our meeting that took place on the 19th February 2013.

If a need for a meeting or a call is needed to further clarify any points in our response, please do not hesitate to contact my Executive Assistant, Kim Sumner on kim.sumner@african-minerals.com or on +44 203 435 7538 to assist with setting this up.

Kind regards,

FP

Graham Foyle-Twining
Global Head of Human Resources and Sustainable Development
For and on behalf of African Minerals Engineering Limited



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Ms. Rona E. Peligal, Ph.D.
Deputy Director, Africa Division
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Dear Ms. Peligal,

Thank you very much for the opportunity to meet with you and Lisa Misol in New York on February 12th to review the Human Rights Watch letter on African Minerals Ltd.'s ("AML" or "the Company") practices in Sierra Leone during the construction and commissioning of our mine, rail and port facilities.

We also appreciate the open and honest discussions with you, and that you now know that under our new leadership team, we have embarked on a new journey of uplifting our operational standards in all areas – including Health, Safety, Human Rights, Environmental Management, and Social and Community Performance. Clearly, our heavy dependence in the past on the use of contractors during the project development phase, and the lack of proper contractor management controls resulted in less than desirable results in some of these areas. You have our assurance that we are working on correcting the past and fostering a positive and mutually respectful and rewarding future in Sierra Leone. And, we would welcome your participation and guidance along the way.

As noted in our conversations in New York, we have commenced a journey of positive change by executing a rigorous process of assessing our current position with respect to International Standards of Practice and developing and implementing a comprehensive governance structure, including policies and guidance notes in all of these areas to ensure our future is one that defines AML as a "*developer of choice*". As noted, to assist us we have engaged ERM – a well-respected international consulting firm to evaluate our business practice, relative to international standards, and to help build a solid foundation for future business improvement. We expect they will be working with us for the next 18 months to assist us in bringing about the comprehensive policy development and implementation program that we as a Company have embraced going forward. .

As a new leadership team, we are indeed committed to improving our position through transparent policies, practices, measurement and reporting processes at all

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levels of our operations. To that end, we welcome your continued interest and participation in our continuous business improvement relating to Human Rights and the social and human environment within which we operate.

At the close of our meeting, we committed to respond to the specific observations and questions that were outlined in your letter of January 8th, 2013. Accordingly, in the following, we have attempted to provide meaningful context and responses to each item raised, with of course, a strong focus on what we are doing as a company to ensure future business policies and practices prevent the degree of operational variability noted in your letter. We appreciate your patience while we have developed this letter.

To summarise AML's position:

- AML has developed Tonkolili in record time;
- The revenue generated for the country, the employment created and inward investment attracted will make a material beneficial difference to Sierra Leone;
- This has been a steep learning curve for AML and although efforts and investment have been made in CSR projects the overall programme has not been sufficiently well-managed in the past to meet AML's desired standards;
- This shortfall has been exacerbated by weak management controls over our contractors, some of whom have not behaved to an acceptable standard towards their employees;
- Since Keith Calder joined AML as CEO last year there has been a considerable strengthening of the management team and renewed focus on delivering best in class community support and employee relations;
- Moving forward we intend to align the industrial and employee relations policies of our contractors to ensure the standard of care we provide our workers are extended to our contractors' employees;
- AML is in the process of developing more robust policies across a wide spectrum of key areas, including Human Rights, to ensure the Company has the correct assurance mechanisms in place to guide decisions and actions throughout our operations. To assist us we have engaged ERM – a well-respected international consulting firm - to evaluate our policies, relative to international standards. We expect these policies to be in place by Q3 of 2013;
- As well as long-term projects, we are fast-tracking a number of schemes which will have a positive impact in the short-term. In 2013, AML is investing US\$3.6 million in 22 community investment projects. These include, upgrades of medical clinics, development of 180 acres of agricultural lands near the relocated villages at Tonkolili, schools, bridge crossings, market areas for local trade, and the

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commissioning of a trades and technical institute for development of educational capacities; and

- We would welcome Human Rights Watch support in the implementation, monitoring and rating of AML's performance on these matters.

Our responses are detailed in the attached appendix and are organized accordingly to subject areas raised in your recent letter.

Yours sincerely



P.P.

Graham Foyle-Twining
Global Head of Human Resources and Sustainable Development
African Minerals

Appendix

Labour Conditions and Hours and Pay Questions

- Can you describe the work schedules that employees are required to fulfil?
- What is AML's wage and benefit structure for both local and expatriate workers?
- When does AML pay overtime? To whom?

African Minerals Response:

AML complies fully with the laws stated in the Sierra Leone Regulations of Wages and Industrial Relations Act (1971) and also the gazette for mining workers below supervisory level (gazette) which was ratified by Parliament in September 2012.

Articles 10 of the gazette states;

“Hours of work

10.1.1 The weekly working hours shall be 44 hours over a six (6) day period. That is Monday to Saturday inclusive.

10.1.2 Except for shift workers and those workers on special schedules, the hours of work are as follows:

10.1.2.1	Monday to Friday	8 Hours
10.1.2.2	Saturday	4 Hours

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- 10.2 Working hours shall be effective time spent in the work area (time spent in transit to and from a work site being excluded).
- 10.3 Shifts
- 10.3.1 Shifts may be worked in variety of schedules. Shift work patterns will be agreed between the company and UMU on an individual site basis.
- 10.3.2 At changes of shift, duties shall be handed over at the work place and a shift worker shall not leave his job and place of work at the end of the shift until he is properly relieved, or until authorized by his supervisor to do so.
- 10.3.3 Watchman and security personnel are in a special category and their hours of duty are on a twelve hour basis per day, six days a week.
- 10.3.4 When or where the operational requirements of the company require changes in hours of work, the Company will inform the Union before such changes are implemented so that the union will have the opportunity of making representation in the interest of its members.”

AML operates two work patterns and the workers are compensated accordingly. The work patterns are as follows;

1. Normal working hours plus overtime – 44 hours per week. Any additional working hours attracts overtime of 1.5 for Monday to Saturday work and double time for Sunday and holiday work. The overtime is paid in addition to the employee’s basic salary and allowances.
2. Roster – 12 hours per day/14 days on/7 days off. In addition to the employee’s basic salary and allowances, each employee is paid 45.82% of his/her monthly basic salary as roster allowance. This work schedule and compensation was duly agreed with the union.

Regarding workers above supervisory level, their basic salaries are inclusive of compensation for extra hours of work and they receive other allowances which are higher than what is paid to workers below supervisory level.

Human Rights Watch Concerns on Access to Water

- What is AML’s policy on the provision of bottled water for its workers, and does it distinguish here between local and expatriate workers?
- What kinds of health services does the firm provide for sick workers on site?

African Minerals Response

AML provides bottled water to all workers who are accommodated on site and this includes our Sierra Leone national workforce.

Although both site based and non-site based workers were provided bottled water previously, it was observed that most of the non-site workers did not

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drink the bottled water but rather took them out of site for sale. They however filled empty bottles with tap water and drank that while on site. After persistent warnings the abuse continued and the Company withdrew that facility because of the growing cost of the bottled water. The non-site based workers now fill empty bottles with clean tap water for drinking.

We are reviewing our water supply process and looking into installing a water treatment plant which will provide water for all our employees.

On the issue of health services, our Company has clinics at all its sites and these are used by all workers when they fall ill on site or are involved in accidents on site. In addition to that the Company has a medical insurance policy for all Sierra Leone national employees and the policy covers the employee, a spouse and four dependants. About ninety hospitals and clinics dotted across the country participate in the scheme and our workers visit those facilities when they fall ill outside our sites.

Human Right Watch Concerns About Disparities in the Types of Foods Available

- Does the company maintain two distinct dining areas, one for expatriate workers and the other for Sierra Leonean employees? If so, why?

African Minerals Response

At the moment, AML operate two canteens at the Tonkolili mine. This is because the canteens are small and cannot accommodate all the workers at a time. One is used by site based employees (including Sierra Leone nationals) and the other by non-site based employees (mainly Sierra Leone nationals). The canteen used by the site based employees serve local and international meals because the users are both nationals and expatriates while the non-site based canteen serve only local meals because the users are nationals.

This arrangement is due to change because a bigger canteen which can cater for both site and non-site based employees will be ready soon.

Human Rights Watch Questions About Entitlement to Benefits

- What are the general terms and conditions under which AML employees at the Tonkolili mine hired?
- What determines whether workers are hired on a permanent or on a short-term basis?
- Does AML oversee the employment practices of its subsidiaries?

African Minerals Response

AML has the following category of workers:

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1. Permanent employees – This category of workers become substantive employees after serving a three months probationary period. They enjoy benefits including rent, transport, night and leave allowances, per diem, free meals, medical insurance etc. They are also entitled to end of service benefits as prescribed in article 25 of the gazette when they resign from the company or their appointments are terminated by the Company.
2. Fixed term contract employees – This category of workers are employed to work for a specific period mainly on projects and construction jobs which have deadlines. The contracts for such employees range from 3 months to one year and can be renewed or extended if required. The fixed term contract employees are entitled to all benefits enjoyed by permanent workers and are also entitled to end of service benefits as prescribed in article 25 of the gazette if they work for one year or more.
3. Casual employees – This category of workers are employed to undertake ad hoc jobs as and when required. Their contracts are usually three months or less and they do not enjoy all benefits provided permanent and fixed term employees.

There have been instances where some of our casual workers have been engaged for over six months. Legally they become permanent employees after six months and the Company takes cognisance of this fact. The Company is taking measures to address this problem. Most of such employees have been issued either permanent or fixed term contracts. Due to the fact that most of our construction work has been completed and we have moved into steady state operations, we do not have jobs for some of this category of workers and will be making a few of them redundant. The affected employees will be paid all benefits prescribed in the gazette including two months' salary in-lieu of notice, end of service benefits and redundancy pay.

AML and its subsidiaries have the same employment practices. However as stated earlier, AML acknowledges that the industrial and employee relations policies of some of its contractors have not been desirable and have been in contrast with our policies and aspirations. Moving forward we intend to align the industrial and employee relations policies of our contractors to ensure the standard of care we provide our workers are extended to our contractors' employees. The industrial and employee relations performance of our contractors will also be monitored and controlled to ensure they meet our standard.

Human Rights Watch Questions on Termination and Grievance Procedure

- Does AML terminate employees at the Tonkolili mine in accordance with the 1971 Act? If not, why not?
- The Human Rights Commission, in its study of the Bumbuna protest, recommended that AML develop a grievance mechanism for all workers.

Does the company now have such a policy, and if so, how is it implemented and monitored?

African Minerals Response

AML complies fully with terminations and dismissals laws as prescribed in the gazette and other industrial relations laws of Sierra Leone.

As part of the termination and dismissal process, a committee is usually setup to deal with all cases. Affected employees are given the right to be present at disciplinary hearings and are also given the opportunity to choose either a representation of the union or a representative of their choice amongst the workforce to accompany them and participate in the hearing process. The workers have the right to appeal against the decision of the committee and the appeals are dealt with on timely basis by management.

Last year, our Company designed a grievance reporting procedures which conforms to the procedure outlined in the gazette. All our workers have been sensitized on the procedures and the document is available on all notice boards and also at vantage points across our sites. From our perspective, the introduction of the procedure has helped and enhanced our workers understanding of the process they have to follow when they have any grievances to bring forward.

Human Rights Watch Questions on Workers' Ability to Form a Union

- What is the company's stance on the decision of its employees to be represented by MASEU instead of UMU? Does AML recognize MASEU? If not, why not?
- How has AML sought to address the concerns raised by workers during and after the April strike?

African Minerals Response

AML recognises the right of its workers to join a union of their choice so far as it is recognised by the laws of Sierra Leone and such a union has the right to operate at our sites in accordance with the law.

We are aware of the fact that both the United Mineworkers Union (UMU) and the Mining and Allied Services Employees Union showed interest in unionizing our workers. However, based on the Ministry of Labour and Social Security's advice through a letter (copy attached) dated 19 September 2011 that the UMU was the union that had the sole collective bargaining certificate to operate in the mining industry, AML and the major companies in the Sierra Leone mining industry signed a collective bargaining agreement with the UMU and this was sent to parliament and was ratified and gazetted in September 2012. Copy of the gazette is attached.

At the moment, the UMU is operating at our sites without any hindrance.

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Human Rights Watch Questions on the Resettlement of Villagers in Tonkolili District

- Did AML consult with affected communities to explain surveying or land acquisition process (Tonkolili)? If so, can you describe those discussions?
- How was the value of the land assessed, and how was that information – as well as the information about compensation – relayed to community members and authorities?
- Were there any complaints about this process, and if so, how were they dealt with?
- What arrangements for compensation were made for people in Tonkolili district displaced by AML?
- What measures are in place to ensure that any compensation agreements are fulfilled?
- With whom did AML contract to build the houses in which the displaced villagers are now living? Was the bid issued publicly and competitively?
- How does AML communicate with the Paramount Chief, village chiefs, and affected communities in Tonkolili?
- Have AML personnel visited the newly constructed villages where people formerly living near the mine were relocated? What is the assessment of the conditions there?

African Minerals Response

Consultation was carried out extensively with the affected communities near the Tonkolili mine site, and the need for surveying and land acquisition was fully explained to community members and leadership. A resettlement committee, consisting of the Paramount Chief, affected Village Heads, Youth Leaders, line Ministries and the Tonkolili Council was formed as the prime venue for consultations and clarification of the need and timing of resettlement activities. Through this construct, clarifications were made on issues and questions raised by the community members, including advice that AML would incur all cost in the acquisition of all lands, including farms lands. Also, as part of this consultative process, the resettlement communities identified their preferred choices of locations of future location.

Regarding land valuation and payment transactions, negotiations were conducted directly with the host community, with active involvement of the Paramount Chief. All AML land payments were effected through the Paramount Chief to the respective families. In terms of land valuation, the land was assessed according to Sierra Leone Government guidelines on land pricing in the province, as well as, traditional valuation practices that formed part of the negotiation discussions. These values were fully discussed during the consultation meetings held prior to actual resettlement efforts.

Two families contested the ownership of the land. However, the Paramount Chief intervened and ruled as traditional leader on the matter.

With respect to valuation and compensation for affected family assets, the Tonkolili District Council was engaged to value all dwellings and structures owned or occupied by affected families. Payments were made to families on the basis of the assessed values, plus 10 percent, plus a disturbance allowance, plus vehicle transport to move their belongings to locations of their choice within the Chiefdom.

The specific parameters of compensation to affected families included:

- Improved housing structures with sanitation, water and electricity facilities on community-selected lands
- One-off resettlement allowance of Le 600,000
- Monthly feeding allowance of a bag of rice and Le 50,000 (now revised to Le 150,000) until land is available for crop development and harvesting activities
- A new community center, school, mosque and Chief Barray were constructed for the relocated communities
- Houses were constructed by TS & Company, a local construction contractor in-country, with experience in housing and civil construction

At the time of the resettlement effort, arrangements were made through the Paramount Chief to ensure AML compensation payments and commitments were fulfilled. The Paramount Chief was considered the moral guarantor for the communities. Following compensation transactions and move of affected families, AML's Community Liaison Officers have continually met with community members, monitored adjustment to the new locations, and have been steadily resolving transitional matters of concern to community members. This includes water supply and availability of areas for family agricultural activities.

To ensure, AML continues on a monthly basis to address community concerns, staff communicate with the affected Villages through several important avenues, including: face-to-face meetings with the Paramount Chiefs, Village Chiefs, stakeholder meetings, written communiqués to the Paramount Chiefs, radio discussions, community updates and sensitivity assessments.

In addition, AML's Social and Community team members make at least three visits per week to each of the affected Villages to continue open lines of communication and to hear complaints or suggestions for improvement of living conditions. Such matters as the quality of water from existing bore holes was raised by community members and until a long-term solution has been determined, trucked, fresh water is provided to the communities on an on-going basis. In addition, through these weekly visits, the lack of adequate agricultural land was recognized as a major impediment to sustaining the economic livelihood of Villagers. In response, AML has acquired 180 acres of land suitable for agricultural development near the Villages. Of the 180 acres, 150 acres will be used for intensive agricultural activities, with the remaining 30 acres dedicated to individual family growing plots. AML has hired an Agricultural

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Development Manager to work directly with the affected Villages so they can plant and harvest during this upcoming wet season.

Human Rights Watch Questions Regarding the Protest in Bumbuna

- Was AML or any of its subsidiaries involved in the police operation to arrest Rev. Bangura?
- With which public and private actors does AML have formal or informal security arrangements in Tonkilili?
- Does AML regularly provide the police with material assistance such as transport, and did it do so during the Bumbuna protest?
- With whom did AML coordinate to respond to the workers protest?
- Did the firm attempt to meet with the workers and address their concerns?
- Does AML have any policies on security and human rights? If so, can you describe them and explain how they are implemented in Tonkolili?
- Did AML attempt to influence Sallu Conteh's testimony?
- Why was shop steward Sallu Conteh transferred from Bumbuna to Freetown, apparently against his will?

African Minerals Response

As discussed during our meeting in New York, at no time was any AML employee or AML contractor employee involved in the arrest of Rev. Bangura. Indeed, the vehicle used by the police was a Hawk Contractor vehicle that was left at the police station for safe-keeping. The police used the vehicle on their own accord and without permission from AML.

In the past, there were no formalized scopes of work or agreements with the Sierra Leone Police, however, AML has taken steps to structure its security relationships with external service providers such as the Sierra Leone Police Force. In the summer of 2012, AML entered into an agreement with the Sierra Leone Police within which AML provides a monthly scope of work, against which invoices are submitted and paid within AML's SAP accounting system. In the execution of Police security work, AML provides 3 vehicles and drivers because the Sierra Leone Police Force does not have enough vehicles to cover the length of the rail infrastructure at any given time.

In terms of AML providing material assistance to the police – in addition to the above noted 3 vehicles and drivers, the police are provided with water and food, when these items are not readily provided by the policing agency. AML has also provided a sun shelter for the police.

With respect to the Bambuna protest, AML's Security Superintendent and staff attempted to communicate with local people at the time of the incident, however, the

situation had escalated quickly and efforts to communicate and address workers concerns were thwarted by the scale of the uprising.

Regarding policies on Security and Human Rights, at the time of the Bambuna incident, AML did not have any formalized policies in place. However, as noted during our discussions in New York, and at the outset of this letter, AML is in the process of developing policies across a wide spectrum of key areas, including Human Rights (alignment with the Voluntary Principles) to ensure the business has the correct assurance mechanisms in place to guide decisions and actions throughout our operations. We expect these policies to be in place by Q3 of 2013.

As part of its national employees development program, AML identifies and promotes its national workers with potential to senior positions when vacancies become available. With regards to the transfer of Sallu Conteh to our Sierra Leone head office in Freetown, the Company was using contractors to maintain and repair its air conditions in its Freetown office. However, due to excessive charges by the contractors, it was decided to use our own employee to carry out the maintenance and repair work. Sallu Conteh who was trained as an air condition technician by the Company was identified as a potential candidate for the job because of the skills he acquired and his long and dedicated service to Company. He was contacted and told about the opportunity and that he would be working on his own instead of reporting to a supervisor and he agreed to move to work in Freetown. It is important to state that after the transfer his position was changed from a semi-skilled employee to a skilled employee and his salary was increased accordingly. He has since expressed gratitude to management for giving him such an opportunity.

Human Rights Watch Questions on AML's Corporate Social Responsibility

- How much has AML deposited into the community development fund?
Who oversees the fund's disbursements?
- With whom does the company negotiate on local investment?

African Minerals Response

AML has a community development fund account into which 0.1% of its iron ore export revenue has been deposited since it started its exports in November 2011. The fund is currently capitalized at \$302,000 US dollars. A further 0.1% is contributed to an environmental and social protection and impact mitigation fund, and 3% goes to the Government. These figures will increase rapidly as production increases during H1 2013.

In addition, during 2013 AML is investing US\$3.6 million in 22 community investment projects for communities along the operational footprint of the business. These include, upgrades of medical clinics, development of 180 acres of agricultural lands near the relocated villages at Tonkolili, schools, bridge crossings, market areas for local trade, commissioning of a trades and technical institute for development of educational capacities of nationals (partnership with the University of Sierra Leone and the Ministry of Mines and Education). AML intends to complete all of these projects by the close of 2013.

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Regarding the Community Development Fund specifically, AML has recently developed a draft policy and implementation guidelines for operationalizing the fund. Although the policy is currently in draft form, it will be finalized in the second quarter of 2013, and will be made public once signed off by company management. Priorities for community investments are established in collaboration with community members, leaders and AML Community Liaison Officers. The policy provides for joint management of the fund with community members and broadly defines the range of eligible community investment priorities, including the following:

- Educational and skills development – scholarships, apprenticeship, technical training
- Health – Material and financial support for local hospitals and clinics, training and capacity building of local health services workers
- Infrastructure development – Education, health, roads, water and power services
- Business – small/micro-enterprise development
- Agriculture – Community agricultural projects, agricultural equipment financing, provision of seed stock and seedlings and farm inputs, and agricultural produce marketing advisory services
- Environment and sanitation – Education and improvement projects
- Security – Community safety programs
- Talent development – Harnessing the talents and potential of individuals and groups
- Developing disadvantaged groups and individuals – youth empowerment,
- Sports and recreational skills and facilities development

Human Rights Watch Questions on Complaints and Grievance System

- If local officials or residents have a complaint about the company's operations, to whom should they turn and how are the complaints customarily dealt with?
- The Human Rights Commission has recommended the development of a grievance mechanism for the community. Has AML taken action to institute one?
- As the Human Rights Commission recommended, has AML reconsidered and reoriented its relationship with the Paramount Chief and Sierra Leone Police?
- To better understand AML's relationship with the government of Sierra Leone and with the community around the mine, could Human Rights Watch obtain a copy of the contract signed by AML and the Sierra Leone government?

As noted earlier in this letter, AML has now instituted a formal grievance system for employees. As part of AML's current policy development work, it is also developing a "Speak Out" standard that will provide local residents with an avenue to submit concerns, issues and opportunities for business improvements and addressing community relations matters. The "Speak Out" process will be rolled out across the business by Q3 (along with other policies under development), and will be fully implemented within each of the business units – mine, rail and port/marine. This standard will formalize our approach to capturing community concerns and suggestions so they can be assigned to the appropriate internal process owner and closed off in a reasonable and respectful timeframe. To date, AML has not had such a system, and complaints and grievances have been addressed in an ad-hoc manner in the past. Going forward, this new approach will create the right discipline and structure to ensure employees and local community members have an avenue into the company to provide feedback on relationship issues or concerns.

With respect to AML's relationship with the Paramount Chief, AML continues to consult with the Paramount Chief and local communities and share information on current and planned activities of our operations, including mining, rail operations, and port facilities. This is achieved through in-community face-to-face visitations by Community and Social team members on a monthly basis.

Regarding any contracts between AML and the Government of Sierra Leone, please note there is no single contract or regulatory instrument governing our tenure or relationship with the Sierra Leone Government. Our activities are governed by several pieces of legislation, including the Mines Act of Sierra Leone, along with a land management regime that specifies the terms and conditions of our leases for rail right of way, infrastructure facilities and use of the mining leases presently held by AML. Under the Mines Act, AML is obligated to pay a gross over-riding royalty in the amount of 3 percent of the annual value of production.

In addition, another annual payment of one percent of one percent of the gross revenue amount generated by the company from its mining operations in the previous year, is made to AML's Community Development Fund. As noted earlier in this letter, the purpose of this fund is to ensure communities directly benefit from our mining activities by having a pool of capital to assist in a wide range of community needs – including training and educational facilities, roads and civil upgrades, medical facilities, etc.

These provisions, along with other terms and conditions of our tenure(s) were ratified by the Parliament of Sierra Leone in August 2010.

Human Rights Question on Degradation of Roads in Bumbuna

- Does AML have any plans to pave the roads and improve other infrastructure in and around Bumbuna town?

African Minerals Response

In addition to the regular road maintenance performed by AML in the area, AML is committed to invest in improving other infrastructure in and around Bumbuna. Through the soon-to-be implemented Community Development Fund Policy, local infrastructure priorities can be brought forward by community members and leadership for consideration within the broad range of community investment priorities outlined earlier in this letter.

It is through direct and community participation in the management of the Community Development Fund, that AML will we will be able to better target our local investments and improve conditions that prevailed in the past.