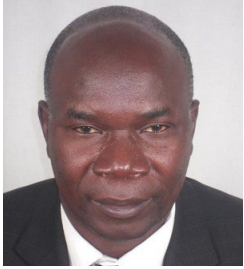


By Joseph Monga / Deputy Manager Snel Project



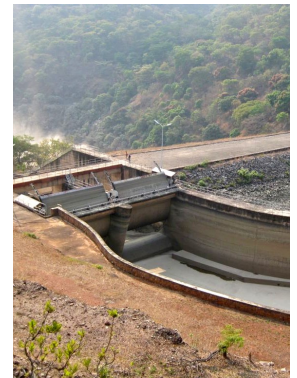
On February 26, 2006, SNEL (the national electricity company) and TFM signed a memorandum

of understanding whereby the two parties agreed to enter into a power purchase agreement and a financing agreement. Under these agreements TFM would loan funds to SNEL for purposes of renovating and upgrading the Nseke power plant and associated electrical networks. The purpose of the upgrade is to improve the quality of energy supply, in general, and ensure sustainable power supply to TFM mining facilities, in particular.

These agreements and others providing for a joint effort to implement this project (called the Nseke Project) were negotiated and signed over the period of 2006-2008. The financing arrangement makes available to SNEL up to \$140m, with provision for increasing the package by 20 % if needed. The loan will be repaid out of revenues earned from sales to TFM.

The Nseke Project includes the following works:

- Existing lines upgrading and installation of new high voltage lines
- Rehabilitation of high voltage substations



- Nseke High Voltage Substation;
- SCK High Voltage Substation;
- Fungurume High Volt Substation.

The stoppage of this equipment caused to SNEL a revenue shortfall of approximately \$16m per annum.

The total completion of Nseke Project is scheduled for the first quarter of 2012.

### Nseke Power Plant

Disassembly of the turbo-alternator unit No. 3 is in progress. This unit was down for 20 years altogether, and will be fully renovated, upgraded, and set in service in August 2010.