

All Amounts in United States Dollars

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Human Resources

To: Bulyanhulu Mine Tour Presentation

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Thank you Andrew,

Roy has described our corporate vision and values to you. These principles are reflected in our approach to recruitment and selection, training and development, and corporate social responsibility. Perhaps another way of stating our vision - and it's certainly my own personal vision - is that we want KMCL to be the preferred employer in Tanzania, and this area to be regarded as a desirable place to life.

Here are some of the things we are doing to bring that vision to life.

STAFFING

Recruitment is done by internal as well as external advertising, and applicants are interviewed and tested according to the requirements of the job. We have made particular use of a testing program called the Vienna test system, which has been extensively used in the mining industry in Africa, and is regarded as culturally fair. An Occupational Therapist has participated in the test review process, to help us meet our specific competency requirements.

The manpower plan calls for 871 employees by the end of 2001, including 181 expatriates. Of this group, 138 will be working on rotation, with a cycle of 8 weeks on mine and 4 weeks off-site on rotation leave. This means that one out of three rotational expatriates will be away at any given time, and that the on-site percentage of expatriates at any time is 16.6%, although the total staff percentage is 21%. We intend to reduce the proportion of expatriates to 2% within 10 years, which will meet our goal of training and developing Tanzanians and of gradually reducing our

labour costs.

Tanzanian employees will number 690 by year-end, with 88 of them working a rotation system of 10 weeks on and 2 weeks off.

The current high percentage of expatriates is necessary, as to date few Tanzanian miners have had the skills necessary for an underground mechanized operation. The Tanzanian Government recognizes this fact, and our agreement allows us to import labour skills from around the world. As Dave says, it's a fine multicultural team: 40% North Americans, 30% South Africans, 20% Australians and the rest from Ghana and Europe.

597 staff members are directly involved in production and 274 in support services. Where possible, services are contracted out to providers such as Sodexho, our camp managers.

Dave and Andrew have already discussed our successful initiatives to train operational and engineering staff in Mining and Processing. However, we must continue to train staff in technical skills and supervisory skills. These programs, run under the guidance of the Training Superintendent, include theory and hands-on training with a facilitator, on-the-job training with an expatriate specialist, and finally on-the-job and theory evaluation. Training is seen as a shared responsibility, and where necessary expatriate staff are themselves trained in the appropriate coaching skills.

We also have specific development programs for professionals such as mining engineers, geologists, engineers and accountants. Within two to three years, these graduates will fill positions as shift bosses, mining engineers and senior accountants.

In the year 2000, a total of 147,000 hours of training were carried out, at a cost of \$3.65 million. This figures includes the cost of the training resources and trainers. The budget for 2001 is \$2.7 million.

SAFETY

Safety is closely linked to training. Last year we introduced a 5 Steps to Safety program, which concentrates on these five specific safety components:

- Emergency Preparedness, Policies and procedures,
- Safety Committees,
- Occupational Health measures, because we face particular problems with malaria and other tropical diseases, and
- a Safety, Health and Environment Program, in which we use a computerized program to plan and monitor key indicators.

This approach is working very well. It clearly contributed to the safety record we set for 2000. The number of Lost Time Accidents has declined significantly, as you can see from the graph, and is now below 0.5 .per 200,000 manhours. While we would like to have no accidents at all, we have to accept that we are dealing with an inexperienced work force, many of whom have never worked in an industrial environment. We believe that we are establishing a culture of working safely, and that it is being successfully reinforced at tool meetings and safety award presentations.

MANAGEMENT/EMPLOYEE RELATIONS

Management/employee relations have been good, with no time lost to strikes and few serious grievances. Recognizing the importance of effective, two-way communications, we have just established a system of regular meetings with different groups of employees. We offer very competitive remuneration and benefits, which will help us retain our trained staff, and as we move into production we will be introducing appropriate incentive schemes for both nationals and expatriates. The mining trade union, TAMISCO, has approached our employees but received little encouragement from them. We will only establish a relationship with TAMISCO if and when it is able to demonstrate real support among our workers.

SOCIAL DEVELOPMENT

KMCL will have impact on the local communities and the region, through the influx of mine workers and their families to that rural area, the creation of infrastructure, and the use of land around the mine. It is therefore important for us to stimulate and support social development initiatives in the area. We have a particular interest in initiatives that strengthen local institutions, infrastructure and skills, including entrepreneurial skills and the ability to undertake projects aimed at economic and social development.

We believe that a stronger, better local community also benefits the Mine. It will help us attract and retain staff, create a more harmonious and trusting atmosphere in which to work, increase public support for the Mine and for KCML, and increase the speed and degree of co-operation we receive from government bodies.

We therefore assign high priority to the following housing, health and development programs. Everything I am about to mention has either already been accomplished, or will be accomplished within the next two years. While the details are specific to Bulyanhulu, the principles and general approach will remind you of Barrick programs in Canada, Nevada, Chile and Peru.

INFRASTRUCTURE - EMPLOYEE HOUSING

For example, we needed to develop an appropriate mechanism for meeting the housing needs of Tanzanians drawn to the area to work at the Mine. The approach we have adopted is new to East Africa, but it has broad similarities to the one that Barrick took at Goldstrike, when it helped the small community of Elko deal with the influx of miners and their families. We, too, want to attract whole families because of the positive effect their presence can have on employee turnover rates and morale.

Therefore, we are working with the villages of Bugarama and Ilogi. They lie 12 and 15 kilometres from the Mine respectively, and were chosen after consultation with our employees, the local communities and the District government.

As Roy mentioned, we have set up an employee home ownership program, which will give these families an asset and a long-term commitment to the area. Employees are eligible for an interest-free loan from the Company, to be repaid over a 7-year period. Repayment is based on 20% of the individual employee's monthly salary. The scheme has been well received, and 145 employees have already signed up.

KCML has employed Planning Alliance, a Canadian company with considerable experience in developing homes and residential areas in Africa, to plan and manage our additions to the two villages. The new infrastructure will include water supply, roads, schools, recreational facilities, power and street lights. Existing villagers will benefit, as well as the newcomers. The houses will be built by local contractors, to facilitate further economic growth in the area.

The communities will be expected to manage the new resources themselves. For example, a Water Board will be formed to manage and maintain the water system, and will charge for these services. Tanesco, the state power supplier, will manage the supply of power to the area.

The total budget for housing development, infrastructure, social facilities and project management is \$5.98 million.

HEALTH

We are also extremely involved with health issues, since there are many health risks in rural Tanzania, including malaria, gastrointestinal illness and sexually transmitted diseases. We have employed SOS/AEA, an international medical company, to manage our on-site med-

ical needs. Our new medical clinic, which opened in November 2000, primarily treats employees but finds that 25% of its patients come from the local community. The professional staff-which consists of one expatriate doctor, three Tanzanian doctors and an expatriate paramedic - are therefore helping to improve the health of the entire area.

We have entered into a partnership with AMREF - the African Medical and Research Foundation. For more than four decades, this renowned, Nairobi-based non-governmental organization has been working with local communities, governments and international donors to research and alleviate the continent's health problems. On our behalf, AMREF is implementing a plan to improve basic health care through general education and the training of health workers. KMCL has paid for a new, \$65,000 clinic in Bugarama, and will also cover improvements and renovations to the Kahama hospital, which has fallen into a state of disrepair.

HIV and AIDS are a problem in Tanzania, as well as elsewhere in Africa. We are assigning high priority to AIDS education, since we believe that the long-term solution lies in changing attitudes. We also believe that by bringing in whole families, not simply male employees, we will be able to avoid some of the problems facing other mining companies in Africa.

Last year we spent \$1 million on medical facilities and health programs in general. This year, we will spend another \$200,000.

DEVELOPMENT PROGRAMS

It is essential that general social and economic development occurs in the area so that the total community can benefit, and continue to benefit, after the Mine is closed. We are now contacting a range of potential partners - from community-based organizations to international development agencies - who can provide funds or access to funds, and the management skills necessary for projects in education, social welfare or small business development.

However, we are not waiting for partners in order to start doing something. The Mine's Social Development Department has now spent six months planning and in some cases beginning to implement a range of activities. In time, we expect to develop initiatives in all these areas:

- education, involving teacher training and the improvement of school administration,
- agricultural co-operatives,
- small business development,
- training in small business management, and
- social programs, primarily for women and youth.

We have already employed an expatriate agriculturist, who has begun working with the communities to improve crop yields. And the first new small business is now active, producing mosquito netting.

The 2001 budget for development programs is \$100 000, which includes the specialist support organizations as well as our projects.