

## Mining and Petroleum Farm-out Agreements in Ethiopia

### Description

By Dagnachew Tesfaye, Managing Partner at DMLF



Farm-out agreements allow mining or petroleum companies (farmor or transferors) to transfer part of their rights and obligations to another entity (farmee or transferee) usually in exchange for consideration. In Ethiopia, such farm-out agreements need to be approved and registered by the regulatory authority. The farm-out agreements need to adhere to Mining Operation Proclamation No 678/2010, as amended by Proclamation Nos 816/2013 and 1213/2020. For petroleum operation the Petroleum Operation Proclamation No 295/1986 shall govern.

The tax treatment of farm-out agreements were mentioned on Federal Income Tax Proclamation No 979/2016, Article 43. A farm-out arrangement exists if there is an agreement whereby a licensee or

contractor( referred to as transferor) has entered into an agreement ( known as farm-out agreement) with a person (referred to as transferee) for the transfer of part of the interest of the transferor in mining right or petroleum agreement. The consideration given by the transferee for the transferred interest wholly or partly includes the transferee agreeing to incur expenditure or undertaking some or all of the work commitments of the transferor in respect of the part of the interest retained by the transferor.

The business income tax rate applicable to a licensee in mining or petroleum agreement is 25%.

To sum up, farm-out agreements are important in enabling mining and petroleum companies to realize their production or exploration potential. Subject to the laws of the country, these farm-out agreements transfer rights and obligations between parties. For entities who wish to farm-out transactions in Ethiopia, it is essential to obtain legal counsel skilled in mining and petroleum agreements in line with the laws of Ethiopia.

For any related inquiries, you may contact us at info@dmethiolawyers.com

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## **RESPONDING TO CHILD ABUSE AND NEGLECT**

By Dagnachew Tesfaye, Partner at DMLF The Alternative Child Care and Support Directive Number 976/2023 by Ministry of Women and Social Affairs, October 2023, incorporates a section namely Responding to Child Abuse and Neglect. The State is given the responsibility to respond to child abuse and neglect. The procedure of reporting, assessment, court approval, emergency...

June 30, 2024

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## **Gold Purchase Price Adjustment**

By DMLF The National Bank of Ethiopia has introduced an amendment Directive namely NBE Amendment Procedure on Price of Gold Purchase No 1/2024, effective as of June 17/2024. This Directive is an amendment to a similar Directive number 3/2023. The amendment Directive encompasses price adjustment for provision of gold in terms of its weight and...

June 23, 2024

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## [The New Public Holidays Proclamation](#)

By DMLF The House of Peoples' Representative in its session on June 11/2024 enacted the Proclamation to Determine Public Holidays and Celebration of Public Holiday Proclamation Number 1334/2024. The Proclamation identifies 12 celebrated public holidays that governmental and non-governmental institutions shall be closed for public services. These public holidays and rest days are salaried days....

June 16, 2024

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June 9, 2024

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## [The Madrid System for the International Registration of Marks](#)

By DMLF The Madrid System for the International Registration of Marks is a centralized system that simplifies the process of registering trademarks in multiple countries. It's administered by the World Intellectual Property Organization (WIPO). Under this system, trademark owners can file a single application with WIPO to protect their mark in multiple member countries. This...

June 9, 2024

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## Ethiopian National Dialogue

By DMLF The Ethiopian National Dialogue Commission (hereafter the Commission) was established by Proclamation 1265 /2021( hereafter the Proclamation). The Proclamation was done as of 13th of January 2022. The term of office of the Commission is three (3) years. The term of the Commission shall begin from the time Commissioners have been appointed in accordance...

June 2, 2024

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### Author

dmethiol\_admin

*Dagnachew & Mahlet Law Firm LLP*