

TAXATION

Polish Taxation

The following is a summary of the principal Polish tax consequences for non-resident investors in the GDRs. The summary addresses only the tax consequences for non-resident investors who hold the GDRs as capital assets and does not address the tax consequences which may be relevant to other classes of non-resident investors such as dealers. This summary is not intended to constitute a complete analysis of the tax consequences under Polish law of the acquisition, ownership and sale of GDRs by non-resident investors. **Potential investors should, therefore, consult their own tax advisers on the tax consequences of such acquisition, ownership and sale, including specifically the tax consequences under Polish law, the law of the jurisdiction of their residence and any tax treaty between Poland and their country of residence and, in particular, the application of the relevant Polish legislation.**

Residence

The Corporate Income Tax Law of 15th February, 1992 provides in Article 3 that, where taxpayers have their seat or the location of their management board in Poland, they are subject to corporate income tax on the whole of their income, irrespective of the place in which it has been earned. Where the taxpayers have neither their seat nor a management board in Poland they pay income tax only on income earned in Poland.

The Personal Income Tax Law of 26th July, 1991 provides in Articles 3 and 4 that, subject to certain exceptions for certain non-Polish citizens employed by foreign companies, individuals whose place of residence is in Poland, or whose temporary stay in Poland in a given tax year exceeds a period of 183 days, pay income tax on the total of their income irrespective of the place in which it has been earned.

Income Tax

Taxation of Dividends

Dividends paid by Polish companies are subject to tax in accordance with the Polish Personal Income Tax Law and the Polish Corporate Income Tax Law. Dividend income is subject to a withholding tax at a flat rate of 20.0 per cent. Tax is withheld at source on payments of dividends as the Company is obligated under Polish law to assume responsibility for withholding. In the case of non-Polish residents (resident in a jurisdiction that has a double taxation treaty with Poland) holding shares, the ultimate amount of liability for such tax on dividends may be reduced by such double taxation treaty. Where the holder of shares receiving dividends is a U.S. or a U.K. resident or is a corporation or other legal entity organised under the laws thereof, the relevant treaties reduce the withholding on dividends to 5.0 per cent. (if such shareholder controls directly at least 10.0 per cent. of the shares of the company with voting rights) or to 15.0 per cent., in all other cases.

Similar double taxation treaties (providing for various withholding rates) have been concluded between Poland and, among other countries, Germany and France.

The Company has been advised that for purposes of the Polish tax laws, the Depositary may be deemed the holder of the Shares in GDR form and, if so, would be entitled to double taxation relief under the double taxation treaty between the United States and Poland. The Polish tax authorities may, however, take the view that such withholding tax should be imposed by reference to the residence of the beneficial owner of the Shares in GDR form and, in that event, the benefits of double taxation treaty relief may be substantially reduced or eliminated.

Taxation of Capital Gains

No capital gains tax is payable by individuals on the sale of Warsaw Stock Exchange listed securities, unless the principal business of such individual is the buying or selling of, or investing in, securities. Legal entities are currently required to pay, in most instances, a 38 per cent. tax on capital gains from Treasury bonds and shares admitted for public trading, unless such rate is otherwise specified by treaty or reciprocity agreement with the country in which such legal entity was formed.

Transactions in the GDRs outside Poland between non-Polish resident investors will not be subject to any Polish tax on capital gains.

Stamp Duty and Warsaw Stock Exchange Tax

Stamp duty is payable on sales contracts (including share transfers) at a rate of 2 per cent. of the value transferred but transactions made through a brokerage house for the account of its customers are exempt from this tax. There is no stamp duty payable in Poland on transfers of GDRs outside Poland.

Currently there is no Warsaw Stock Exchange tax on secondary market sales of shares admitted to public trading.

Gift Tax

Liabilities to gift and inheritance tax may arise on a gift of shares or on an inheritance in Poland. The amount of such tax depends on the relationship of the donor to donee.

United States Taxation

The following is a summary of the principal U.S. federal income tax consequences to U.S. Holders (as defined below) in respect of the purchase, ownership and disposition of Shares. The summary does not deal with special classes of investors, such as banks, insurance companies, dealers in securities, tax-exempt institutions, persons holding GDRs or Shares as part of a "straddle" or as part of a hedging transaction or a "conversion transaction" for U.S. federal income tax purposes and investors whose "functional currency" is not the U.S. dollar. In addition, the summary only addresses the consequences to U.S. Persons that hold Shares as capital assets and who do not own, actually or constructively, 10.0 per cent. or more of the outstanding Shares of the Company. The following summary is based on U.S. tax law and judicial and administrative interpretations thereof as in effect on the date hereof, all of which are subject to change, potentially retroactively. Prospective investors should consult their own tax advisers to determine the U.S. federal, state, local and foreign tax consequences to them of the purchase, ownership and disposition of Shares. For U.S. federal income tax purposes, holders of GDRs are treated as holders of Shares.

As used in this section, the term "U.S. Holder" means a beneficial owner of Shares who is for U.S. federal income tax purposes (i) an individual citizen or resident of the United States; (ii) a corporation created or organised under the laws of the United States or any political subdivision thereof; (iii) an estate the income of which is subject to United States federal income taxation regardless of its source, (iv) a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. fiduciaries have the authority to control all substantial decisions of the trust, or (v) a partnership to the extent the interest therein is owned by a person described in clause (i), (ii), (iii) or (iv) of this paragraph.

Dividends

Distributions paid on the Shares generally will be treated as dividends for U.S. federal income tax purposes to the extent that they are paid out of the Company's current or accumulated earnings and profits as determined for U.S. federal income tax purposes, but will not be eligible for the dividends received deduction generally allowed to corporations. Any distribution that exceeds the Company's current and accumulated earnings and profits will be treated as a non-taxable return of capital to the extent of the U.S. Holder's tax basis in the Shares and thereafter as capital gain. The Company does not maintain calculations of its earnings and profits under United States federal income tax principles. A U.S. Holder must include in gross income the gross amount of such dividends, including any Polish tax withheld therefrom, without regard to whether any portion of such tax may be refunded to such U.S. Holder by the Polish tax authorities. The amount of such gross income for any dividend paid by the Company in zlotys will equal the U.S. dollar value of the zlotys paid, calculated by reference to the exchange rate in effect on the date the dividend is received by the U.S. Holder, regardless of whether the zlotys are converted into U.S. dollars. U.S. Holders (other than individuals) who receive a treaty refund may recognise foreign currency gain or loss (generally treated as ordinary gain or loss) measured by the difference

between the U.S. dollar value of the amount received and the U.S. dollar value of the treaty refund on the date the dividend was received.

Subject to certain conditions and limitations, the 15.0 per cent. Polish tax withheld on dividends in accordance with the U.S. Income Tax Convention may be deducted from taxable income or credited against a U.S. Holder's U.S. federal income tax liability. However, the Polish tax may be deducted only if the U.S. Holder does not claim a credit for any Polish or other foreign taxes paid or accrued in that year. For purposes of computing the foreign tax credit, dividends paid on the Shares will be treated as income from sources without the United States, but generally will be treated as "passive" income or in certain circumstances "financial services" income for foreign tax credit limitation purposes.

Distributions of additional shares to a U.S. Holder that are made as part of a pro rata distribution to all shareholders of the Company generally will not be subject to U.S. federal income tax. A beneficial owner of Shares who is not a U.S. Holder generally will not be subject to U.S. Federal income tax on dividends received on Shares, unless such income is effectively connected with the conduct of a trade or business in the United States.

Sale or Exchange of Shares

In general, a U.S. Holder will recognise gain or loss for U.S. federal income tax purposes on the sale or exchange of Shares equal to the difference between the U.S. dollar tax cost of the Shares sold and the amount realised on the sale or exchange (or its U.S. dollar equivalent, determined at the spot rate on the date of sale, if the amount is determined in a foreign currency). Such gain or loss will be treated as long-term capital gain or loss if the Shares are held for more than one year on the date of such sale or exchange. In addition, such gain or loss recognised by U.S. Holders generally will be considered U.S. source gain or foreign source loss.

A beneficial owner of Shares who is not a U.S. Holder will not generally be subject to U.S. federal income tax on gain realised on the sale of Shares, unless (i) such gain is effectively connected with the conduct by the beneficial owner of a trade or business in the United States or (ii) in the case of a non-resident alien individual, such individual is physically present in the United States for 183 days or more in the taxable year and certain other conditions are met.

Passive Foreign Investment Company Rules

Historically the Company has invested part of its cash balances in securities, many with maturities of less than one year. At times of high copper prices, such as in 1995 and the first half of 1996, this has led to the purchase of large amounts of securities by the Company within the financial year.

A foreign company will be defined as a "passive foreign investment company" ("PFIC") for U.S. federal income tax purposes with respect to a U.S. Holder if, for any year in which the U.S. Holder owns stock in the company 75 per cent. or more of the company's gross income, as determined for U.S. federal income tax purposes, is "passive income" as defined by the passive foreign investment company rules ("PFIC Rules") or 50 per cent. or more of the company's average assets produce or are held for the production of such passive income. This test is applied by attributing to the company its proportionate share of the income and assets of each other foreign company in which it owns, directly or indirectly, 25 per cent. or more of the stock.

For purposes of the PFIC Rules, income earned by a company from sales of commodities, such as the income realised by the Company from its sales of copper and silver, will be deemed to be passive income unless substantially all the company's gross receipts are attributable to "qualified active sales" in the course of the company's business as an "active producer, producer, processor, merchant or handler of commodities." For the purpose of these rules "substantially all" means at least 85 per cent. of the Company's gross receipts for the year, as determined for U.S. federal income tax purposes (the "85 per cent. test"). Gross receipts is defined to include gross revenues from the sale of any property, including sales of securities and other financial assets.

On the basis of the 85 per cent. test the Company believes that if it had had U.S. Holders during 1995 or 1996 it would have been classified as a PFIC with respect to such U.S. Holders. If the Company were treated as a PFIC, U.S. Holders (other than tax-exempt U.S. Holders, such as certain pension funds) would be subject to adverse tax consequences. The Company does not believe it is or will be a PFIC in 1997. In addition, in order to reduce the risk that the Company will be classified as a PFIC in the future, the Company has given assurances to the Joint Global Coordinators that it will: (i) put in place investment rules designed to prevent the purchase of securities in situations that would cause the 85 per cent. test to be violated; (ii) put in place systems for monitoring compliance with these rules; and (iii) put in place management information systems which will provide timely information of the Company's compliance with the 85 per cent. test.

On the basis of these procedures, and the expectation that the Company will not have any significant non-qualified gross receipts other than receipts generated from sales of securities, the Company believes it is unlikely it will be deemed to be a PFIC in the future. This conclusion is based on the Company's belief that the 85 per cent. test is required to be applied to the Company on a stand-alone basis, rather than by taking into account the gross receipts of its subsidiaries. The Company has been advised that while the matter is not free from doubt, such gross receipts should not be taken into account in applying the 85 per cent. gross receipts test to the Company.

Information Reporting and Backup Withholding

In general, information reporting requirements may apply to dividends paid in respect of Shares or the proceeds of a sale, exchange or redemption of Shares that are paid to non-corporate U.S. Holders, and a 31.0 per cent. backup withholding tax may apply to such amounts if the U.S. Holder fails to provide an accurate identification number or to report in full interest and dividends required to be shown on its federal income tax returns. Non-U.S. Holders are generally exempt from the information reporting and backup withholding rules but may be required to comply with certification and identification requirements to prove their exemption. Any amounts withheld under the backup withholding rules will be refunded (or credited against the Holder's U.S. federal income tax liability, if any) provided the required information is furnished to the U.S. Internal Revenue Service.

United Kingdom Taxation

The comments below are of a general nature and are based on current United Kingdom ("UK") law and practice at the date of this Offering Circular and the provisions of the double taxation agreement between the UK and Poland. The summary only covers the principal UK tax consequences for holders of Shares or GDRs (1) who are resident or ordinarily resident in the UK for tax purposes; (2) who are not resident in Poland; and (3) who do not have a permanent establishment or fixed base in Poland with which the holding of Shares or GDRs is connected ("UK Holders"). In addition, the summary (1) only addresses the tax consequences for UK Holders who hold the Shares or GDRs as capital assets, and does not address the tax consequences which may be relevant to certain other categories of UK Holders, for example, dealers and (2) assumes that the UK Holder is not interested in or deemed to be interested in 10 per cent. or more of the share capital or the voting power of the Company.

The following is intended only as a general guide and is not intended to be, nor should it be considered to be, legal or tax advice to any particular UK Holder. Accordingly, potential investors should satisfy themselves as to the overall tax consequences, including, specifically, the consequences under UK law and practice, of acquisition, ownership and disposition of Shares or GDRs in their own particular circumstances, by consulting their own tax advisers.

Taxation of Dividends

Where a UK Holder is entitled to a dividend from the Company the dividend will, in general, be taxable in the UK. A credit for any Polish withholding tax should be given against any UK tax liability in respect of the dividend.

Where a dividend payable to a person in the UK in respect of Shares or GDRs which are not held in a recognised clearing system (such as Euroclear or Cedel Bank) is entrusted for payment or distribution to a person in the UK, that person shall deduct income tax at the lower rate (currently 20 per cent.) unless there is an applicable exemption. For example, there is an exemption if the person beneficially owning the Shares or GDRs and beneficially entitled to the dividend is not resident in the UK and certain administrative and procedural requirements are satisfied, including the making of declarations as to status and eligibility.

A person in the UK who in the course of a trade or profession:

- (i) acts as a custodian of the Shares or GDRs and receives dividends on such Shares or GDRs or directs that such dividends be paid to another person or consents to such payment; or
- (ii) by means of coupons, warrants or bills of exchange, collects or secures payment of or receives dividends on Shares or GDRs for another person; or
- (iii) arranges to collect or secure payment of dividends on Shares or GDRs for another person

will be required to withhold UK income tax at the lower rate, currently 20 per cent., subject to certain exceptions, including the following:

- (a) the person beneficially owning the Shares or GDRs and beneficially entitled to the dividend is not resident in the UK and certain administrative and procedural requirements are satisfied including the making of declarations as to status and eligibility (For the purposes of this description it is assumed that the Inland Revenue will treat the GDRs and the Shares as a single security. There is no established practice to this effect in relation to depositary receipts relating to equity. There is such a practice, however, in relation to depositary receipts relating to debt); and
- (b) the Shares or GDRs are held in a recognised clearing system and either:
 - (i) the collecting agent pays or accounts for the dividend directly or indirectly to the recognised clearing system and certain administrative and procedural requirements are satisfied including the making of declarations; or
 - (ii) the collecting agent is acting as depositary for the recognised clearing system in respect of the Shares or GDRs.

Taxation of Capital Gains

The disposal or deemed disposal of Shares or GDRs by a UK Holder or, in certain circumstances by a holder who is carrying on a trade, profession or vocation in the UK through a branch or agency in connection with which the Shares or GDRs are held, may give rise to a chargeable gain or an allowable loss for the purposes of the UK taxation of capital gains. Indexation allowance may reduce a chargeable gain but not create or increase any allowable loss.

Stamp Duty and Stamp Duty Reserve Tax

No liability to UK stamp duty will arise on a transfer of Shares or GDRs provided that the instrument of transfer is executed outside the UK unless it relates to something done or to be done in the UK and the instrument of transfer is brought into the UK.

No UK stamp duty reserve tax will be payable on an agreement to transfer GDRs or Shares.

Canadian Taxation

Prospective purchasers of securities should consult their own tax advisers with respect to the Canadian federal and provincial tax considerations applicable to their individual circumstances.