

TANZANIA CHAMBER OF MINES

NEWSLETTER
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THE CHAIRMAN'S LETTER

Dear Members,

We have just begun the new fiscal year 1999/2000 with the Budget unveiling new challenges and opportunities cutting across all sectors of the economy. News about power tariff reduction and deregulation of fuel prices are encouraging particularly at a time when mining companies have to find new ways to cut down operating costs in the wake of depressed gold prices.

The re-introduction of the capital gains tax at 10% may well be regarded as a disincentive in the mining industry and members are urged to send their view on this.

A very successful event took place in Dodoma on July 10th, 1999 where the Chamber was given the opportunity to address the Honorable Members of Parliament. The Chamber as well as the Members of Parliament were well represented. As we move on, the date of the National Mining Awareness Workshop is approaching and we are all very busy preparing for this important event.

S. L. Lwakatare
Chairman

GEODESA PROJECT WORKSHOP at SEAMIC, read more on page 6

MINING ACT 1998 COMES INTO FORCE

The long awaited Mining Act 1998 has finally reached fruition by coming into force on 2nd July 1999. The document is available at any Government Gazette shop at Tshs.5000/= per book. However, the Act falls short of its operational arm, The Mining Regulations, which are currently being published.

The Chamber is gratified that this work-piece which the Chamber fully participated in its synthesis has now become a reality. In the same vein, the Chamber applauds the Ministry of Energy and Minerals through the able leadership of the Minister Honorable Dr. Abdallah Omari Kigoda for the concerted effort put towards making this achievement possible.

MEMBERS OF PARLIAMENT ENTHUSIASTIC ABOUT THE MINING INDUSTRY.

The Chamber was given a rare opportunity to address Honorable Members of Parliament on July 19th 1999, in the BUNGE building at Dodoma. The Chambers delegation was led by the Chairman Mr. S .L. Lwakatare, Councilors Paddy Hoon, Charles Shaba, Mbude Said, the Executive Secretary and senior executives from

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Ashanti Gold, Resolute, Anglo American, Goldsteam Mining, Price Water House Coopers, Regent (T) Ltd, and Golden Pride. The Seminar was chaired by Honorable Shelukindo (MP) and attended by 180 members of Parliament and thereafter the MPs were invited to a reception at the NVTC. Among the dignitaries were the Prime Minister and Speaker of the National Assembly.

In his keynote address the Tanzania Chamber of Mines Chairman Mr. S. L. Lwakatare told the members of parliament in that Tanzania has provided one of the latest surprises in the world Mining industry emerging from amongst countries that mattered least a decade ago to currently becoming one of the Africa's most attractive mineral investment destinations.

"This did not just happen as a miracle. It is a result of government's recognition of the enormous mineral potential which the country has and drawing the correct vision for its development followed by correct strategies and policies needed to harness this potential," said Lwakatare, an experienced expert in the mining sector.

He further pointed out that currently there are about 400 prospecting licenses compared to hardly ten licenses issued a decade ago, some mines are currently being developed when no viable mine was opened in the country for a period of nearly 30 years prior to 1995.

Now world class multinationals such as Anglo-American, Barrick Gold Corporation, Ashanti Goldfields and others are exploring and developing mines in Tanzania..

The Chairman mentioned that Last year about 58 million US dollar (46bn-) was invested in the sector.

Recently President Benjamin Mkapa opened the Golden Pride Mine, the first gold mine in Tanzania, which will be producing 180,000 ounces of gold annually.

The MPs were further informed that other major mines expected to be operational before the end of next year included Bulyankulu gold mine in Kahama District, which is expected to produce 350,000 ounces of gold annually.

Ashanti Goldfield is now developing a mine in Geita, which is expected to produce 450,000 ounces of gold per annum. Also Africa Mashariki in Nyabigena, Tarime District, is expected to produce 140,000 ounces per annum and Anglo-American Corporation has advanced gold projects.

There are also several other companies embarking on gold and other minerals at various stages of development.

The gold production will amount to one million ounces annually worth over 300 million US dollars (about 225bn/-) in exports even under the current depressed prices of gold, said Mr. Lwakatare.

The Managing Director of Geita Gold Project Ashanti Goldfields, Harry Michael, told the seminar that mining development in Tanzania is taking place at a time when the price of gold has sunk to a 20-year record low, sending the world gold producing countries into crisis with the loss of thousands of jobs in major gold producing countries such as South Africa, Australia and the United States.

Harry Michael pointed out that the Geita gold project will cost nearly 400 million US dollars before the first ounce is produced in Geita. He said in Geita the mine will provide nearly \$150 million in direct taxes and royalties to the Government over the life of the project. He added that Tanzania is uniquely blessed with good quality mineral deposits. One of the reasons that they are now available for development, when similar deposits would have been mined many years ago is that for some time Tanzania's mineral policies and laws did not encourage mineral investment. Now that this has changed, these same deposits are still undeveloped, and provide an attractive opportunity for investment. He said, that is why Tanzania has been able to swim against the tide, and attract mineral investment in a declining world situation.

He further remarked that Tanzanians can justifiably feel proud of their political system, stability of government and unity as a Republic. For any serious investor this is critical. A level playing field, transparency in legislation and security of tenure are all critical before and

during the development of a major project. Additionally for the mineral investor who tends to have his "office" in remote areas, a supportive District Commissioner and local support are also important. We at Ashanti Geita are fortunate to have all of these, which makes our development desire by our stakeholders as well as our shareholders. He However pointed out , there is no "free lunch" in achieving these aims for the long term investor such as Ashanti. Time, education, understanding and support are required from the investor.

He said, we believe and we have undertaken other responsibilities even at this early stage of our construction program to ensure all stakeholders of the project are satisfied and feel part of the development of the Geita Project. I have used the word stakeholders a few times now. Who actually are the stakeholders?

By stakeholders I mean the Government of Tanzania, the local communities we affect, the District and Regional Authorities, our employees and of course our investors. A balance between all these must be struck. Paramount in striking this balance however is the common objective by all that the continued prosperity and longevity of the project is critical. For without the development none of the other benefits would have meaning or be achievable. The mining investor must also recognise that it must add value to the lives of the communities involved in the project and the country it works in.

He said, Ashanti has upgraded a number of wards in the local hospital. We have also sunk bores and supplied pumps to provide clean water, supplied and fuelled a generator to provide power to that hospital. He said that this is done through an Investors Committee which has as its members, investors of the area such as Ashanti and key district representatives such as the District Commissioner. Ashanti are also upgrading the road from Ilogi to Geita, a distance of 68km to improve regional infrastructure and stimulate business development at a cost of nearly \$2 million (TShs. 1.6 billion) When completed it will provide an unbroken, high quality transport route all the way from Dar es Salaam to Geita, via the rail terminal at Isaka. It is the believe that this will help open up the Geita District, and other locations along the route which will lead to increased agricultural development and other marketing opportunities as producers find that

there is now a reasonable low cost route to transport their products to markets further afield. Ashanti also plans to develop a 30 km pipeline from Lake Victoria to the Mining operation. Ashanti has also constructed a new public aerodrome, which allow large aircraft to operate to Geita.

He said that Geita may soon be setting up modern electronic banking facilities. He added that Ashanti has also entered into discussions with the University of Dar es Salaam to provide computer hardware and software for Mining Engineering and Geology students to ensure that they are exposed to the most modern computer aided evaluation tools and techniques to fully develop and round out their education.

In his presentation the Operations Manager of Resolute (T) Ltd. told the MPs that construction of Nzega-based Golden Pride Mine, about 17 kilometers north of Nzega town, started in October 1997 and in November 1998 during the commissioning stage the first gold was produced and full production was achieved February 7, this year.

He said that the cost of construction of the processing plant associated with infrastructure, blasting and moving the gold bearing rock amounted to 70 million US dollars (52.5bn/-)

MEMBERSHIP AND STRUCTURE OF CHAMBER UNDER SCRUNITY.

The Membership Committee of the Chamber has been deliberating on the much debated and discussed issue of fees. In a series of meetings this year, first priority was given to sorting out the existing membership list, which contained many members who had not paid fees for a number of years, and some "members" who had never even paid a penny to the Chamber. This cleanup was felt to be a necessary first action before reviewing fee levels.

After many months of sending out letters to delinquent members, giving them time to pay, it was reluctantly agreed at a Membership Committee Meeting late in September, to remove a large number of members from the Register. The Membership Committee has now provided to the Council several options for a way forward for the Chamber. A fundamental decision has been taken in Council to proceed on the basis

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that the Chamber will be receiving funding at around the current levels. The Membership Committee is now preparing proposals for a new Chamber structure and fee levels.

It is recognised that the industry in Tanzania is going through significant shifts at present, with a major slowdown in exploration activity at the same time as a number of new mines are being developed. The new Chamber structure will have to acknowledge this reality, and it is likely that several changes to the Constitution will be needed to introduce appropriate new structures. These will be put before the Annual General Meeting in October.

However, one fundamental point that is unanimously agreed by all involved in discussion on membership, is that the Chamber of Mines must continue to remain open to, and to represent, a wide spectrum of bodies and individuals with an interest in the Tanzanian mining sector, and that it should be broadly inclusive. Current proposals are that membership fees will be structured to ensure that not only individuals, but also representatives of local and small scale mining communities, can join at a modest cost."

FUEL AND POWER TARIFFS ON THE WAY DOWN

The government has announced that it would institute reduction on power tariffs from between 30% to 50% in the near future. This is great news for operating mines connected to the National Grid system. Similarly, importation of fuel would be deregulated to enable a mining company import its own fuel from a price-competitive source.

However, the reduction on power tariffs is still awaiting the necessary approvals for it to be effective. The Chamber would continue to follow up on this matter for the benefit of the industry.

NEWS FROM THE INDUSTRY

Spinifex plans pre-feasibility on three projects with continued resources of 1 Moz

Perth-based junior mining company Spinifex Gold plans to start a pre-feasibility study on its

Tanzania gold project after announcing a doubling of the resources to more than one million ounces.

After a series of good drill results over the past few months, Spinifex managing director Ron Gajewski said the company would continue drilling to increase the resource and start pre-feasibility work on three projects in Lake Victoria Goldfields. The Buckreef project contains a resource of 389,000 oz at a gold grade of 3,26 g/t, Kitongo has 479,000 oz at 1,42 g/t and Nyakafuru hosts 135,000 oz at 6,1 g/t.

At Buckreef, the resources estimate was complete in Medsystem based on detailed diamond and RC drillhole data. A 3D geological model was generated defining the laterite, saprolite and sulphide zones within a >1 g/t gold grade shell of the Main, North and south prospects. Zones of inferred mineralisation would continue along strike. Outlines of old stopes were remodeled and used to isolate the mined section of the sulphide zone and were not included in the block model and grade interpolation

Geostatistical analysis revealed that the gold mineralisation exhibited good down-dip and along strike grade continuity. This also indicated that drill hole spacing of about 120 m is sufficient to allow the resources to be classified as measured.

A 1995 scoping study by Rescan of Canada found that the mineralisation posed no metallurgical problems, with over 20% of the gold gravity-recoverable overall, the recovery is expected to be over 90% with low cyanide consumption in a CIP operation.

The Kitongo group of tenement covers the 223km² and lie about 55 km south of Mwanza. The Main Zone here is open along strike of the North and South, and at depth. At least three repeats of the same outcrop gossan /laterite mineralisation is known along a 6-km strike length. The Main Zone is notable for the high grades encountered from surface; previous gold from surface, 51 m at 3,7 g/t gold from surface, and 32 m at 9,07 g/t gold from surface. Tenement holdings cover an additional 15-km strike length of the Kiting corridor, which has yet to be explored.

The Nyakafuru prospecting incense covers 65 km² and shafts excavated through thick laterite cover by artisanal miners expose archean greenstone including highly sheared and sericitized derivatives of mafic volcanics, which are gold-bearing. The prospecting licences contain eleven exposed gold-bearing reef/structures. Spinifex reports that an ore block in the laterite/saprolite zone of > 20,000t at 28,75 g/t makes this property an exciting target. There is also potential for the definition of additional resources by drilling the remaining nine exposed reef/structures which have had limited drilling to date. All structures are open at depth.

Spinifex is well funded with \$3 million in cash after a \$6 million capital injection by the Lion Selection Group in November. The Tanzania projects are held by Spinifex's 58 per cent-owned Canadian -listed subsidiary East Africa Gold Corporation.

Kabanga Nickel Project keeps growing

Sutton Resources has received a new preliminary resources and some promising mine development studies from joint venture partner Anglo American, following from an aggressive exploration and engineering program on the Kabanga nickel-cobalt sulphide project in western Tanzania. Anglo is earning a 60% interest in this project from Sutton.

Anglo has completed nearly 40,000 meters of Diamond drilling at Kabanga focused amount of drilling on the main deposit with be supplemented with additional work this year.

The results of the preliminary source calculation on the size of the Kabanga deposits to date (using a 0.8% nickel cut-off grade) indicate 15,5 Mt (million tonnes) at the North deposit grading 2.43% nickel, 0.3% copper and 0.18% cobalt. At the Main deposit, a 5.8 Mt resource has been outlined grading 1.5% nickel, 0.19% copper and 0.11% cobalt. The total resource (21.3Mt) contains over one billion lbs of nickel and 75 million lbs of cobalt. Both deposits are open and other good exploration targets remain to be tested.

A detailed pre-feasibility study is examining the viability of a mine that could produce more than

35 million lbs. of nickel and 2.5 million lbs. of cobalt per year for more than 15 years. The Kabanga deposits are sulphide deposits exhibiting good metallurgical response and good metal recoveries to concentrates. Further testing to determine the best processing plan will be carried out this year along with additional exploration drilling and other engineering studies.

On the nearby Kagera region (Anglo 60% and Sutton 40%), the regional reconnaissance licence has expired. As provided in Sutton's agreement with the government of Tanzania, a number of individuals prospecting licences over promising nickel - cobalt anomalies will be issued to new Tanzanian companies owned by Anglo and Sutton. These targets will be assessed during 1999, as individual exploration budgets are approved.

Preliminary resources estimates at Kabanga nickel project

Deposit	Tonnes	%Nickel	%Copper	%Cobalt
North	15.5 million	2.43	0.30	0.18
Main	5.8 million	1.50	0.19	0.11
Total	21.3 million	2.18	0.27	0.16

ADVERTISING OPPORTUNITY

The Tanzania Chamber of Mines offers those connected with the Mineral sector in all spheres in Tanzania, an opportunity to place advertisements in the Newsletter. Currently the Newsletter has a distribution of more than 150, including mining companies who are members of the Chamber, several government offices, international organisations, agencies and diplomatic corps.

There is currently no single publication circulating widely among the mineral sector players in Tanzania making it difficult for buyers and sellers to communicate. The Chamber's Newsletter represents a very efficient conduit for promoting services in the sector.

ADVERTISING OPTION

1. A regular insertion of a Business Card Entry, or a small advertisement of that size which would appear regularly in each issues for twelve issues. These may be put together in a Business Directory section.
2. A quarter page advertisement, occupying one half of a column, to be supplied by the advertiser in photo ready form or on disc.
3. A "Special Article" introducing the advertiser in the Newsletter, or advertising in narrative format. This would appear as a regular article and would be one column long, similar in appearance in this column. There will be only special article per Newsletter, and a different advertiser each month.

To accommodate the professional presentation and graphic capabilities required for good advertising, the Newsletter will be printed professionally. Advertising are to be as camera ready copy, or in common format on computer disc. The final placement and content would be at the discretion of the editor.

ADVERTISING RATES

Business Card Insertion: US\$ 600 for 12 issues

Quarter Page Ad: US\$ 150 per insertion

Special Article: US\$ 400 one only