

**Tanzania Chamber of Mines Newsletter # 12 June 2000**

# TANZANIA CHAMBER OF MINES

NEWSLETTER  
NUMBER 12  
JUNE 2000

## **CHAIRMAN'S LETTER**

*Dear Members,*

*The Chamber's Governing Council has had some changes with new members on the Council. This follows changes in the Constitution and restructuring of membership classes agreed upon during the last Annual General Meeting. The Chamber has also moved from the TDFL Building to the PPF Towers. I take this opportunity to congratulate those elected in Council and bank on their support and contribution towards the fulfillment of the Chamber's objectives.*

*On the other hand, the Chamber has continued to play its role in promoting the industry in various fronts through presentations to Government, private sector, the ruling party and multilateral organizations. The Chamber will continue to hold bimonthly Cocktail parties to serve as a medium of exchange between the members themselves and with senior public officials whom we invite. The Cocktails are now being complemented with presentations of relevance to the minerals industry including updates from various companies with exploration or mining interests in Tanzania.*

*S. L. Lwakatare*  
**Chairman**

### **The new Governing Council**

The following have been elected into the Chamber's Governing Council:

Mr. Samuel L. Lwakatare	Chairman
Mr. Tony Thornton	Vice Chairman
Mr. Paddy Hoon	Honourary Secretary
Mr. R. Sezinga	Honourary Treasurer
Mr. Ray Threlkeld	Councillor
Mr. Florian Ngunangwa	Councillor
Mr. Mbude Said	Councillor
Mr. Robert Thompson	Councillor
Mr. Mike Allen	Councillor
Mr. John Acland	Councillor
Mr. Osborne Majuru	Councillor

### **New Membership Classes and their respective representatives in Council:**

#### **Senior Company Class:**

Mr. Tony Thornton	Resolute (T) Ltd.
Mr. Ray Threlkeld	Kahama Mining Corporation
Mr. John Acland	Williamson Diamonds Ltd.
Mr. Osborne Majuru	Ashanti Goldfields Company Ltd.

#### **Junior Company Class:**

Mr. Florian Ngunangwa	Tancan Mining
Mr. Mike Allen	Anglogold

#### **Senior Associates Class:**

Mr. Robert Thompson	Gailey and Roberts
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#### **Junior Associates Class:**

Mr. Paddy Hoon	Regent (T) Ltd.
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#### **Individual Class:**

Mr. S. L. Lwakatare	Engineering Associates
Mr. R. Sezinga	Tandiscovery Consultants
Mr. M. Said	Afrigold

#### **Formation of Chamber Sub- Committees**

The Chamber has two sub-committees namely:

##### **Policy Sub-Committee**

The Policy sub-committee would be responsible for deliberating on research and policy for the Chamber, to commission the preparation of research papers and address vital fiscal and policy issues necessary for the furtherance of the Chamber's objectives.

The Chairman is Mr. Paul Fortin and its members are:

Mr. Tony Macfarlane  
 Mr. F. Ngunangwa  
 Mr. R. Sezinga  
 Mr. D. Tarimo -Co-opted from  
 PriceWaterHouseCoopers

#### **Membership Sub-Committee**

This sub-committee is responsible for considering membership applications and makes recommendations to Council on new members.

The Chairman is Mr. Tony Thornton and its members are:

Mr. Mbude Said  
 Mr. Paddy Hoon

## TOUR OF MINING OPERATIONS, AN EYE OPENER TO SENIOR GOVERNMENT OFFICIALS

The Chamber recently organized visits to the major mining projects in Tanzania for a number of key senior public officials between the 23<sup>rd</sup> and 24<sup>th</sup> May. The purpose of the visit was to give a perspective of the developing mining industry in Tanzania to those civil servants responsible for acting on issues concerning the industry. Owing to the recent emergence of modern mining here, the officials might not be fully aware of the nature of modern mining business.

The itinerary was necessarily intensive, but thanks to the generosity of Kahama Mining Corporation in loaning us their Dash-8 plane for the whole duration of the trip, we were able to move swiftly from site to site in as short a time as possible whilst still having adequate time to be made familiar with each project. The basic itinerary was as follows: On Tuesday 23<sup>rd</sup> May The officials toured the Geita Gold and Bulyanhulu Gold Project operated by Ashanti and Kahama Mining Corporation respectively and toured surface construction sites and tailings dam at Geita and process plant and underground mine development at Kahama.

On Wednesday 24<sup>th</sup> May, the officials toured Williamson Diamonds operations and the Golden Pride Mine.

Undoubtedly, the trip served to increase the overall appreciation of the size, complexity and international standards of practice adopted on the mining projects visited by the party. Mr. Rajab Permanent Secretary in the Office of the Vice-President was nominated by the Chief Secretary to head the Government party on his behalf, together with Brigadier-General Chonjo of the Tanzania Peoples Defence Forces who represented the Chief of Defence Forces. At each site visit there was ample time for members of the party to question managers of the projects on specific issues, and on several occasions the questions provoked stimulating and frank debate amongst all participants. Some of the more significant issues raised are summarized below.

- **Environmental Impact and Management.** This issue was highly prominent at the Geita project, as an inflammatory press article had

been published on the previous Wednesday 24<sup>th</sup> May. The article implied that the proximity of the Geita gold project to Lake Victoria and the use of sodium cyanide for gold recovery would *ipso facto* result in massive environmental damage to the Lake and the Nile watercourse from cyanide pollution.

By demonstrating to the participants the nature of cyanide, its recovery in the process circuit, the facilities for safe storage, destruction in spent process water and overall control and monitoring mechanisms put in place, participants were convinced that the environment was safe from mine pollution. This demonstration was backed up by the “live” example of cyanide use and control at the operating Golden Pride Mine which was visited the following day.

- **Civil security and policing in the mining areas**

At Williamson Diamonds Ltd Mwadui operation, considerable debate occurred. This happened after management there revealed that the entire future of the established mining operation and the town of Mwadui is under immediate threat of invasion and even insurrection from the large numbers of illicit diamond diggers and buyers now operating illegally on the WDL lease and nearby areas. The concern of the management is that attacks on their staff have increased dramatically recently, and the diggers appear to work without fear or concern of the regional authorities and police. The participants were flown over the Songwa Dam where many illegal diggers could be seen working, as a consequence causing siltation of the dam which also supplies Shinyanga town with water.

The issue of security was also raised at Golden Pride, where an armed gang attacked the gold room last year. The concern here was that the local police force apparently do not have the resources to make any meaningful follow-up detection work that could act as a deterrent to future attacks. The impact on investor confidence that would occur in the event of another attack was discussed and acknowledged. The factors leading to these security issues were acknowledged to be several and complex,

needing action on several fronts, but it was agreed that doing nothing would be a sure recipe for disaster. The relevant officials undertook to take up the matter immediately after the tour.

- **Interaction with local communities.**

At all four project sites, several examples were given of the benefits flowing to the communities surrounding the mining operations. Schools, community social welfare improvements, flourishing small businesses supplying the mine, and improved health facilities were all demonstrated to the party.

- **Involvement of Tanzanian-based companies in new mining ventures.**

At WDL, a presentation was made by the Managing Director of Caspian Mining and Construction, who have recently been awarded a 3-year contract by WDL to perform drill-blast-haul services to the mine. This contract was awarded in the face of international competitive bidding, and was held to be a good example of how a home grown Tanzanian business has succeeded in the new mining boom.

- **General Issues**

At WDL a number of important issues were raised and among them was the fact that WDL is an old mine and needed preferential treatment from Government for it to continue producing diamonds. Proposals put forward by management include; lowering the royalty fee to 3%, reviewing the existence of TANSORT with a view of reducing the sorting fee from US\$ 4.5 to between 1.0-1.5 per carat which is internationally accepted. Others are a reduction of power charges to US cents 8.0 and exemptions on fuel costs. All these combined would bring WDL to near comfort level of operation. Issues of bureaucracy causing unnecessary delays were mentioned as well particularly when importing capital goods and when applying for resident work permits for expatriates.

The Chamber takes this opportunity to extend profound appreciation to the Kahama Mining Corporation for availing their airplane for this tour. The Chamber is also grateful to the management of all the mines visited for availing their valuable time to attend to the officials

during the tour. Similarly, thanks go to the senior Government officials who agreed to participate in the tour out of their busy schedules.

### **CHAMBER MEETS WITH INTERNATIONAL MONETARY FUND REPRESENTATIVE.**

Chamber officials lead by the Chairman of the Policy Committee, Mr. Paul Fortin met with the IMF Resident Representative concerning IMF's intentions to review fiscal incentives given to the mining sector. This follows a report, the Zee Report that spelt out that incentives given to the mining sector are overly generous. From this meeting and various other sources it transpired that the IMF has retreated from its original position and will ostensibly desist from pursuing the matter further due to the following reasons:

- i) There is pressure on IMF from the Tanzania government to refrain from recommending changes to the present fiscal regime applicable to mining as the Government is pleased with development of the mining industry resulting from its new fiscal and legal framework.
- ii) There is pressure from the US Congress on IMF to curtail micromanaging the economic affairs of its members.
- iii) IMF recognized that comparable arrangements exist within SADC countries and other mining countries.
- iv) The recognition that mining companies are spending large amounts of money in infrastructure, education etc.
- v) Reluctance of the IMF itself in getting involved in another confrontation with developing countries (HIPICs), such as what happened during the recent gold price crisis.
- vi) There was pressure on IMF exerted by the Canadian embassy in Washington that Canadian companies had large mining investments in Tanzania.
- vii) Recognition by the IMF that Tanzania will develop from payment of royalties and taxes from mining companies if the current fiscal regime is maintained.

The above reasons notwithstanding, it certainly is too early for the Chamber to drop guard but to continue being alert on this question.

### **CHAMBER MAKES PRESENTATION TO PRIVATE SECTOR CEO'S MEETING WITH H. E. THE PRESIDENT**

The Chamber took part and made a presentation on the Commercial Mining Sector. Mr. Thornton and Paul Fortin made the presentation. Minister Iddi Simba of Industry and Commerce organized it as a sequel of a similar one held at Lobo Lodge.

The main purpose of the meetings was to find ways and strategies to stimulate and accelerate growth of the economy. Others are to respond to changes that are rapidly taking place in the global economic order, and to gather views from the business community on how the country can best revamp and sustain the industrial sector currently at lowest ebb.

The meeting was structured to have sectoral presentations which dwelt on current positions as well as problems. Sufficient time was also devoted to question and answer session whereby the President had time to respond to issues. An atmosphere of constructive issues characterized the meeting.

The Chamber's presentation focused on the current status of the mining industry in the context of the success registered in the sector. A rundown of achievements by company followed by environment analysis (SWOT analysis) of the industry was made. The paper called for the need of government to continue nurturing the nascent mining industry so as to ensure continued investor confidence that would result in significant future investments in exploration and mine development.

The presentation was concluded by a request to the President to meet and continue the dialogue with stakeholders in the mining industry in the not so distant future.

### **CHAMBER'S PRESENTATION TO CCM ECONOMIC COMMITTEE**

The Chairman made a presentation to a Special CCM economic committee. The paper covered policy, fiscal and strategic issues pertaining to the mining sector in Tanzania and the future outlook in terms of projected mineral output and contribution to the national economy for the next decade. Members of the CCM economic committee which constituted some Ministers and

Speaker of Parliament and other dignitaries very much appreciated the presentation.

To further influence public opinion on mining sector, the Chamber is currently preparing a Booklet titled *"What Mining means for Tanzania"* scheduled to come out during June/July this year

### **PLANS TO START A CENTRAL MINES HOSPITAL UNDERWAY**

Mr. John Acland, who is Managing Director of Williamson Diamonds Ltd. offered the mining community to 'convert' the WDL Hospital into a Central Mines Hospital. He said the Hospital has the advantage of its central location relative to other mines being developed as well as the various exploration sites. He pointed out that the Hospital has presently 50 beds and well equipped to treat trauma, malaria and other common ailments. X-rays analysis was also available. The Hospital has abundant running water, power and qualified doctors, but needs a bit of upgrading. It was however not immediately known as to how much it would cost to upgrade the Hospital to the required standard.

Resolute (T) Ltd. currently uses the services of the Hospital. Mr. Acland said that the Hospital could serve as a substitute to flying patients to Nairobi for treatment, which is undoubtedly a more costly alternative.

The Governing Council is in full support of this idea and calls for the support of other mining companies in the industry to embrace it and play a part in developing it to its fruition.

### **COMMERCIAL COURT**

The Chamber is a member of the Commercial Court Users Committee represented by Mr. Mbude Said. The purpose of this committee, which comprises 12 members, is to provide a forum for information exchange and dialogue, to ensure all key players (users) feel part of the process of developing this new institution. Functionally, it will be the responsibility of the commercial Court Users Committee to advise the Commercial Division of the High Court on matters of Court practice and submit a list of persons knowledgeable in commercial matters to

serve as assessors, or in other words "Expert Judges".

The Chamber was represented at a Commercial Court Assessors Course held at the University of Dar Es Salaam faculty of Law where Swedish and Danish experts and Tanzania law professors guided participants through what is expected of assessors in the Commercial Court. Assessors who attended were senior and respected people in the community, retired civil servants and businessmen. Among other things, assessors are expected to build confidence of the Commercial Court, ensure it is corrupt free, and in addition be expected to maintain integrity. Assessors from the mining sector include Mr. S. L. Lwakatare, F. Ngunangwa and Mr. A. Y. Hangi.

The Commercial Court is yet to hold its first sitting due to a number of problems.

## **N** **NEWS FROM THE INDUSTRY**

### **ASHANTI AND ANGLOGOLD JOIN HANDS....Pours first Gold bar..**

**T**wo largest gold mining companies in Africa will co-operate in the development of one of the largest gold mines in Africa. According to a news release issued recently by Ashanti, it would sell an effective 50% joint venture interest in the Geita Gold project to AngloGold, the world's largest gold producer. For this, Ashanti will get US\$ 205 million in cash and US\$ 130 million towards Geita project financing.

The parties intend to enter into a joint venture agreement that will govern the operation and management of the Geita mine. The mine would be governed by a committee with equal representation by both parties and equal voting rights with joint Chairmanship.

Ashanti and AngloGold propose to explore the feasibility of expanding the Geita Joint Venture plant capacity from 4 million tonnes per annum to 7 million tonnes per annum by 2004. The parties also intend to form a joint venture to which AngloGold will contribute its adjacent Nyamulilima Hill property (Ridge 8) and Ashanti expects to contribute its entitlement

under its Spinifex Joint Venture. The JV will be held equally among Ashanti and AngloGold.

The two companies have agreed to enter into a strategic alliance in Africa, Geita being first step in a broader African partnership. They have agreed to consider inviting the participation of each other in any future mining future projects in any part of the African continent including their respective home countries.

These developments indicate that Tanzania continues to be the destination of mining investors, as **Sam Jonah put it:** *"Attracting a third major gold mining company in the Lake Victoria belt illustrates the growing confidence the global mining community has in doing business in Tanzania, and the prospectivity of the region. We are confident that with an African partner of AngloGold's stature, we can develop this asset to its maximum potential for the benefit of all Tanzanians and the shareholders of both partners."*

In line with these developments, on 8<sup>th</sup> June Ashanti produced the first 6 Kg. Gold bar from the Geita project and expects to pour another 300 Kg. In the near future. The mine is scheduled for official opening on August 3<sup>rd</sup> this year.

The Chamber is proud to have two African gold mining giants converging in Tanzania. It is indeed a very healthy development and hopefully the beginning of a new chapter in Tanzania's gold mining boom.

### **AFRIKA MASHARIKI GETS GREEN LIGHT**

North Mara Gold Mine, a subsidiary of Australia's East African Gold Mines company expects to begin developing the 3.6 million ounce North Mara mine within the next 12 months following EAGM 's success in fighting off a legal challenge to the project.

The locally- owned MobraMa Gold Corporation had contested the Tanzania government's decision to grant the North Mara mining license to the EAGM affiliate but the parent company defended the case in the high court and now the appeals court in Dar Es salaam has upheld the lower court's finding. EAGM has some influential backers, as AngloGold hold a 12% stake in it while other shareholders include Macquarie Bank in Australia and the London -

based Commonwealth Development Corporation. Geoff Stewart, who established and ran one of Australia's most successful gold producers, North Flinders Mines for 24 years, founded EAGM. He left the company when the Normandy group won majority control.

North Mara has an open-cut resource of 41.3 million tons of ore at an average grade of 2.7 g/t. The project lies north of the Mara river in the northwest where the Kenya - Tanzania border meets Lake Victoria, and located south - east of the town of Tarime.

Even though it is planning an open-cast operation EAGM is drilling to target resources suited to underground mining. It hopes one of the two main deposits, Nyabirama, will produce grades of between 4g/t and 5g/t at depth. Nyabirama has an estimated open-cut life of eight and a half years. EAGM plans to produce 180,000 oz. Per year at a cost of \$ 180 per oz. The company's overall investment in the venture has been put at \$ 90 million, of which \$ 30 million has already been spent.

#### ***PANGEA RELEASES DRILL RESULTS FROM IMWERU PROJECT IN TANZANIA***

Pangea Goldfields Inc. released the results from a recently completed rotary air blast (RAB) drilling program at its 143 -square kilometer Imweru project in Tanzania. The 100% owned project is located within the western extension of the prolific Geita greenstone belt, which also hosts the 12 million-ounce Geita gold mines as well as the 2.2-ounce Ridge 8 deposit.

Following 4000-sample geochemical program, several soil gold anomalies were selected for follow-up drilling. Widely spaced drill fences of shallow RAB holes were drilled over each anomaly to a vertical depth of 30 meters.

Results from five of the anomalies (ref. table below) tested are encouraging as they indicate the potential for mineralization to extend over a strike length greater than two kilometers, parallel to the strike of the volcanic sequences. A follow-up drill program is planned later while currently, drilling is continuing at the Tulawaka, Kakindu and Golden Ridge project in Tanzania.

**The table summarizes result where five of eight sections intersected mineralization.**

Section	Borehole	Intersection		Width	Gold (g*)
		From	To		
76000	RAB 107	9m	15m	6m	4.64
74500 S	RAB 27	30m	31m	1m	12.8
	RAB 26	5m	10m	5m	9.9
	RAB 25	31m	32m	1m	1.66
	RAB 147	6m	9m	3m	2.94
	RAB148	33m	36m	3m	1.83
74500 C	RAB 41m	18m	20m	2m	3.62
73700	RAB 62E	5m	9m	4m	46.99
70000	RAB 144	36m	39m	3m	1.9

*Assaying by SGS Laboratories in Mwanza Tanzania by fire assay.*

#### ***PANGEA SIGNS ENGAGEMENT LETTER FOR \$ 11.5 MILLION FINANCING***

Pangea Goldfields Inc. announced that it has signed an exclusive agency engagement letter with First Associates Investments Inc. of Toronto to raise up to US\$ 11.5 million through the sale of special warrants. First Associates will place the special warrants on a "best efforts" basis to qualified buyers. This transaction which is to close on or before December 15, 1999 is subject to regulatory approval.

Pangea said that net proceeds of the issue together with its current cash resources would be used to fund a feasibility study on the Tulawaka Property in Tanzania as well as future exploration work on its extensive property holdings in Tanzania and Peru and for general corporate purposes.

At the 70%-owned Tulawaka project, drilling over the past year has identified extensive high-grade gold mineralization over a one-kilometer strike length. The company also has drilling

underway in Tanzania at Golden Ridge and at the Kakindu project located east of Tulawaka. In addition, an initial RAB drill program has been completed at the recently acquired, 100% owned Imweru project in the Geita camp.

### ***BARRICK GOLD TO MAKE PRIVATE PLACEMENT IN PANGEA GOLDFIELDS***

#### ***US\$ 4 million Investment represents 4.6% interest in Pangea-***

Barrick Gold Corporation will purchase one million units to be issued by Pangea at a price of Cdn \$ 4.00 per unit for total proceeds to Pangea of four million dollars. Each unit consists of one common share and 1.2 price of Cdn. \$6.00, for a period of 24 months from the date of closing. This transaction is subject to regulatory approval.

This investment by Barrick Gold represents 4.6% of the outstanding shares of Pangea and 8.2% on a fully diluted basis and will increase Pangea's current cash position to nearly Cnd \$ 11 million.

As part of this transaction, Pangea has granted Barrick Gold a right of first refusal to match any third party offer received by Pangea for the purchase of its interest in Tulawaka project in Tanzania where a drill program is in progress.

Pangea said this investment by Barrick Gold is a further endorsement of the potential of the Tulawaka project where drilling over the past year has identified extensive high-grade gold mineralization over a one kilometer strike length. Pangea will use part of the proceeds from this financing to commence a feasibility study on the project.

The Tulawaka project is a 70/30 joint venture between Pangea Goldfields Inc. and Explorations Minerals du Nord Ltee of Montreal, with Pangea acting as the operator.

Pangea also has drilling underway in Tanzania at Ridge 8, where joint-venture partner Barrick Gold has contracted three rigs to complete 20,000 meters diamond drill program, and at the Kakindu project located east of Tulawaka. In addition, an initial RAB drill program has been completed at the recently acquired, 100% owned Imweru project in the Geita camp and results will be released shortly.

### **ADVERTIZING OPPORTUNITY**

*The Tanzania Chamber of Mines offers those connected with the mineral sector in all its spheres in Tanzania an opportunity to place advertisements in its monthly Newsletter. The News letter currently has a distribution of 150, including the members of the Chamber, several government officers international embassies and agencies.*

*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 Newsletter represents a very efficient conduit for promoting services into the sector.*

### **ADVERTISING OPTIONS**

- 1. A regular insertion of a **Business Card Entry**, or small advertisement of that size which would appear regularly in each issue for twelve issues. These may be put together in a Business Directory section.*
- 2. A **quarter-page ad**, 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 to this column. There will be only one 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. Advertisements are to be as camera ready-copy, or in common format on computer disk. The final placement and content of all copy 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.*