

Tanzania Chamber of Mines Newsletter # 13, January 2001

TANZANIA CHAMBER OF MINES

NEWSLETTER
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It is appropriate for me therefore to wish everyone a year filled with success and new opportunities. As has been the case in the previous years, this year will presumably present new challenges to our growing industry, I believe by working together through the Chamber, we will be able to find viable solutions for them. I would like to take this opportunity to express my profound gratitude to members of the Governing Council for dedicating a lot of their time to the Chamber for the whole period of last year. Likewise, I thank our members for being supportive and co-operative throughout the period.

S. L. Lwakatare
Chairman

Tanzania Chamber of Mines 6th Annual General Meeting

The sixth Annual General meeting was held on Friday 24th November 2000 at the Sheraton Hotel followed by the annual dinner at the same venue. The turnout of members at both the AGM and the dinner was quite

CHAIRMAN'S LETTER

Dear Members,

The New Year has begun and I believe that mineral exploitation activities have also started with new vigour after the short festive season.

commendable. Invited guests to the dinner included the Canadian high Commissioner H. E. Wayne Hammond, the Hon. Prof. Simon Mbilinyi, Member of Parliament and other dignitaries.

Members' participation to both the AGM and dinner made the event a success. The Chamber takes the opportunity to thank members for their attendance amidst other competing priorities. It is hoped that such co-operation and support would continue in future.

A number of important issues were on the agenda, one of them being reconstituting the Governing Council for 2001 as a result of nominations made by members earlier on. The results indicated that almost all the incumbent members were voted back in Council. This clearly reflected the confidence bestowed upon the Council by the members.

The new Council met on 25th January 2001 and elected new Office Bearers as follows:

Mr. Samuel L. Lwakatare	Chairman
Mr. Ron Clarke	Vice Chairman
Mr. Paddy Hoon	Hon. Secretary
Mr. R. Sezinga	Hon. Treasurer

The new Councillors are as listed below:

Mr. Roy Meade
 Mr. Florian Ngunangwa
 Mr. Mbude Said
 Mr. Peter Simpson
 Ms. Kathi Clarke
 Mr. John Acland
 Mr. Osbourne Majuru

Each of the above Councillors represents a certain Class of membership and was duly nominated by members of that Class to represent them in Council. Below are the names of the representatives and the Membership Classes they represent.

Senior Company Class:

Mr. Ron Clarke, Managing Director of Resolute (T) Ltd.

Mr. Roy Meade, General Manager of Kahama Mining Corporation

Mr. John Acland, Managing Director of Williamson Diamonds Ltd.

Mr. Osbourne Majuru, Finance Director of Ashanti Goldfields Company Ltd.

Junior Company Class:

Mr. Florian Ngunangwa, Deputy Managing Director of Tancan Mining

Ms. Kathi Clarke, Commercial and Finance Manager of Anglogold Exploration

Senior Associates Class:

Mr. Peter Simpson of Standard Chartered Bank

Junior Associates Class:

Mr. Paddy Hoon, Managing Director of Regent (T) Ltd.

Individual Class:

Mr. S. L. Lwakatare, Managing Director of Engineering Associates (T) Ltd.

Mr. R. Sezinga, Managing Director of Tandiscovery Consultants

Mr. M. Said, Managing Director of Afrigold Ltd.

The Council also decided to maintain three 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.

The Chairman of this sub committee is Mr. Paul Fortin and its members are:

Mr. F. Ngunangwa
Mr. R. Sezinga
Mr. D. Tarimo, from PWCoopers
Mr. O. Majuru

Membership Sub-Committee

This sub-committee is primarily responsible for membership development.

The Chairman is Mr. P. Hoon and its members are:

Mr. Mbude Said
Mr.

Environment Public Relations and Training Sub-Committee:

This sub-committee is responsible for taking a proactive role in addressing to issues relating to environment, public awareness, facilitation and identification of training opportunities. Mr. Ron Clarke chairs the Sub-Committee and its members are:

Ms. Kezia Aaron
Mr. M. Said
Mr. P. Hoon
Mr. F. Ngunangwa

In addition all sub-committees are free to co-opt other persons whom they deem resourceful.

6TH AGM HIGHLIGHTS

The Chairman gave a comprehensive report on the Chamber's activities and achievements during year 2000 and plans for the year 2001.

A brief review of initiatives undertaken by the Chamber during year 2000 and future plans.

The Chamber through, the year 2000 had made a number of initiatives, below are some of the major ones:

Mining Act 1998 and Regulations

An Australian mining expert subjected the Mining Act, which came into effect on 2nd July 1999, and Regulations to scrutiny. The Australian Government in collaboration with our member, RESOLUTE, sent a Consultant, Mr. Otto Gilbert an experienced mining engineer, to the ministry of Energy and Minerals to review environmental and safety aspects contained in the Regulations. Mr. Otto Gilbert has already submitted his recommendations to the Ministry of Energy and Minerals. The Chamber will be involved in commenting on the recommendations at some point in future.

Value Added Tax (VAT)

Following the frequent claims brought to the Chamber by our members, the issue of Value Added Tax especially delayed refunds had continued to be of major concern to members throughout the year 2000.

The Chamber made various presentations through meetings and written submissions, and was engaged in dialogue with Tanzania Revenue Authority. This slightly alleviated the situation but almost all companies still complain of delayed payments.

In the financial year 2000/2001 a new system has been introduced. In this system companies are required to submit to TRA documents that are duly certified by a registered audit firm. However, the new system has not yet produced the desired results. A follow-up with TRA would continue.

Dialogue with Contractors Registration Board CRB

During the year 2000 the Contractor's Registration Board required all contractors working in mines to be registered with the Board. The implication of this move meant that contractors would be subjected to undue payment of exorbitant registration and annual fees. The

Chamber feels that not only would this move fuel the already high cost of doing business in Tanzania but would subject contractors who by nature of activity are regulated under a different legislation.

It is for this reason that the Chamber held several meetings and submissions to the CRB. including organizing a tour of their senior officials to major mining operations. It is the Chamber's hope that CRB will respond positively on the issues.

Mining Industry Fiscal Stability

One important area for the Chamber is ensuring a consistent fiscal regime for mining sector. Last year there were indications that IMF would review fiscal incentives given to the mining sector on the premise that they were too generous. This issue prompted a meeting between the Chamber and the IMF Resident Representative. It emerged that the country was now reaping the fruits of a competitive fiscal regime which did not therefore require any changes.

Chamber's Presentation to Private Sector CEO's meeting with H.E the President.

The Chamber was invited to make a presentation on the mining sector in at a meeting convened by the private sector and attended by H. E. the President. The main purpose of the meeting was to find ways and strategies to stimulate and accelerate growth of the economy amidst changes in the new global economic order, and to gather views from the business community on how the country could revamp and sustain the industrial sector.

The Chamber's presentation focused on the present state of the mining industry particularly on the success registered. The paper called for the need by the government to continue supporting the mining industry so as to ensure

continued investor's confidence that would result in significant future investments in exploration and mine development.

Chamber's Presentation to CCM Economic Committee.

The Chamber's Chairman, Mr. S. Lwakatare was invited to make a presentation to the CCM economic committee on policies and strategies for the mining industry. The paper covered policy, fiscal and strategic issues and the future outlook in terms of projected mineral output and contribution to the national economy for the next decade.

Cooperation with other Chambers and organizations

MIASA

The Chamber is a member of the Mining Industry Association of Southern Africa (MIASA) and has continued to be an active member. MIASA continues to execute its role of influencing SADC mining policies through engagement during SADC mining Ministers' meetings. During the last MIASA meeting issues of common interest were discussed including environmental, policies, the problem of AIDS in mining areas, harmonization of mine health & safety reporting, trade and development issues and the Global Mining Initiatives.

The Global Mining Initiatives essentially aims at improving public perception on mining. Currently some US \$ 3.0 million has been contributed by various large mining companies for this initiative.

South African Chamber of Mines

Last Year the Chamber was invited to attend the 110th Annual General Meeting of the South Africa Chamber of Mines. Similarly, the Chamber in collaboration with Ashanti organized a tour of Geita Gold Mines for the President and the Chief Executive Officer of the Ghana Chamber of Mines.

These exchange visits offer opportunities for our Chambers to discuss issues of common interest and also serve to consolidate co-operation with other African mining Chambers.

Tanzania Private Sector Foundation (TPSF) and Tanzania National Business Council (TNBC)

The Chamber has been fully involved in the consultations which led to the formation of the Tanzania Private Sector Foundation (TPSF) which is a coordinating body for articulating private sector interests.

It comprises of business associations such as TCCIA, CTI, TCM, TFA and others. The Chamber of mines is formally registered as one of the founding members of the foundation as well as a Board member. The TPSF has since been restructured to allow for a broader membership.

The TNBC which is the focal point for Public/Private sector dialogue, is now duly constituted and the Chairman represents the Chamber. TNBC is expected to be fully operational in the near future.

Informal member meetings and Presentations

During last year, the Chamber introduced formal presentations on the mining industry during the bimonthly Cocktail parties.

This new approach has had a big impact on those attending particularly public officials who are not well informed on what has been happening in the sector.

Kahama Mining Cooperation made a presentation on its Bulyanhulu project, secondly ANMERCOSA on the development status of the Kabanga Nickel and thirdly Mr. Otto Gilbert, a mining engineer and consultant from Australia on environmental issues relating to mining.

Letter from H. E. President Ben Mkapa

The Letter from the President was to acknowledge receipt of a letter from the Chairman of the Chamber of Mines congratulating him on his being re-elected President of Tanzania.

In his letter of appreciation H. E. the President reiterated the need for Chamber to pursue the following issues vigorously:

- (a) The need to build gemstone lapidary industry in Tanzania
- (b) Training of Tanzanians in the relevant mining skills
- (c) Establishment of the Presidential Award on Environmental Excellence and Leadership in the mining sector.

The Booklet on "What Mining Means for Tanzania"

The Chamber has been preparing a Booklet titled, "What Mining Means for Tanzania". The aim of the Booklet is to enlighten the public on mining and its benefits to the country. The Booklet that has now been completed is scheduled for official launching in March 2001.

Chamber Welcomes New members

It is encouraging to note that the Chamber is growing gradually as reflected by an increase of new active members. The new members who have recently joined the Chamber are; Tanga Cement Company, Tanzania Portland Cement, AngloGold Exploration, Merelani Mining, African Mining Services, Caspian Construction Ltd, Caltex CXA Exports, Jubilee Insurance Ltd, Twigg Gold and Under rock Mining Co. Ltd.

The Chamber welcomes all new members and bank on their co-operation and support. It is expected that they will contribute significantly towards strengthening industry in general and the Chamber in particular.

Future Plans

This year the Chamber plans to continue and accomplish what has already been started and work towards a few carefully selected new initiatives and objectives. These are:

Building an information database

The Chamber aims at building a good information database and capacity for research within the Chamber for the benefit of the members, government and other institutions.

Award for Environmental Excellence

The Chamber will work, in collaboration with the Ministry of Energy and Minerals and National Environment Management Council towards the establishment of the "Presidential Environmental Award for Excellence and Leadership" in environmental management, to heed to the call made by the President when opening the Golden Pride Mine in 1999 and reiterated during inauguration of the Geita Gold Mine in 2000.

The Chamber was given the responsibility of preparing guidelines, criteria, and designing an appropriate format that will be applied in issuing the award. The Chamber, through its member RESOLUTE, prepared draft guidelines for the Award which was extensively discussed and is now nearing completion following it will be submitted to Government for approval.

Good liaison with government

The Chamber will continue to maintain good and effective liaison with government ministries on fiscal, legal, security and other issues of importance to the industry through direct meetings and participation in various meetings or workshops organized by government and public institutions.

Support for small-scale mining sector

The Chamber will continue with its effort in identifying ways of supporting small scale mining sector wherever possible and also initiating programs related to the protection of the environment, and also addressing the HIV problem which is already affecting mining communities.

Mining Awareness Program

The Chamber plans to promote mining industry through arranging for workshop/seminars /tours for members of parliament, government officials and continue public awareness campaign through the media.

Management of the licensing division

In enabling better management of the licensing division Chamber of Mines will work closely with Ministry of Energy and Minerals in streamlining licensing database and processing of licenses.

News from the Industry

Twigg Gold Ltd. acquires new license

Twigg Minerals has entered into agreement with Geotang Limited of Tanzania to acquire a majority interest in the Mwabomba prospecting license, which lies along strike of Twigg's Miyabi hills gold discovery

Twigg discovered gold at Miyabi in late 1999 by geochemical survey.

Combined geophysical, geochemical and geological work by the company over the last year has revealed a zone of at least 6-km long containing up to eleven "reefs". A pilot-drilling program on four of the eleven reefs in October 2000 yielded very encouraging results. Drillhole intersections yielded between 2.47 g/t and 52 g/t.

Ashanti withdraws from joint venture:

Ashanti Goldfields company, which for the past year has been exploring on some of Spinifex Gold's Tanzanian properties, Buckreef-Rwamagaza and Kitongo projects in terms of a farm-in and joint venture agreement has notified its withdrawal from the agreement.

The withdrawal coincided with the first anniversary of the agreement, which would have required Ashanti to reimburse Spinifex a cash sum of US \$ 1.75 millions as well as spend a further US \$ 3 millions on exploration over the next twelve months. Commenting on Ashanti's withdrawal directors of Spinifex said, they were naturally disappointed" with this development.

"However, they noted that with Ashanti's expenditure of approximately US\$ 2.3 millions on these projects in the last one year and a cash reimbursement of US\$ 1.25 millions by Ashanti at the beginning of the agreement which had been utilized on other Tanzanian projects (principally Nyakafuru), a total of approximately US\$ 3.5 millions have been spent on the Tanzania properties in the twelve months.

Importantly, there has been no dilution of Spinifex's equity in any of these projects and the global resources on the Tanzanian projects stands at 1.6 million ounces of gold.

A further resource upgrade is expected to be announced in the first quarter of 2001.

Spinifex is aware of a number of major mining houses that have shown keen interest in these projects and will commence negotiations with these parties with a view to continuing development of these highly prospecting properties.

Spinifex - Ashanti Joint Venture before the break-up

Spinifex Gold NL is listed on the Australian and Berlin Stock Exchanges. Capital raising in 1999 positioned the Company well for the current tough phase of exploration. The company has approximately US\$ 4.0 million in liquid form.

Spinifex through its 100% owned subsidiary East Africa Gold Corporation controls approximately 1000 sq. km of prospective ground

The company owns three advanced exploration projects namely Buckreef, Kitongo, and Nyakafuru with global resource of over 1.4 million ounces. In November 1999, Spinifex entered into a US\$ 18.5 million farm-in joint venture with Ashanti Goldfields Company Ltd. to aggressively explore and develop the Kitongo and Buckreef / Rwamagaza properties.

The agreement was as follows:

- Ashanti had to farm-in to the Buckreef Project and the Kitongo project.
- Ashanti had to reimburse Spinifex a total of US\$ 9.5 million in cash over a three-year period.
- Ashanti had to solely spend US\$ 9.0 million on exploration over three years period to earn a 55% interest in Spinifex equity in the Buckreef and Kitongo projects, Ashanti could increase its interest by a further 5% of Spinifex's equity in each project by producing a bankable feasibility study at its cost.
- Ashanti had to be solely responsible for arranging project finance for each of the projects where a bankable feasibility study has been completed.
- Ashanti would have earned its interest only if it had fully satisfied all cash payments and expenditure requirements as already stated.

Spinifex's key Projects

(a) Buckreef

Buckreef mining license which cover 3.5 sq. km contains an existing global resources of 3.7 Mt @ 3.26 g/t at a 1.0 g/t Au cut-off

Category	Tonnes	Grade G/t Au	Ounces
Measured	2,800,000	3.45	311,000
Indicated	550,000	3.09	55,000
Inferred	350,000	2.02	23,000
Total	3,700,000	3.26	389,000

The resource is open pitiable at depth.

(b) Rwamagaza

Rwamagaza group of prospecting licenses covering 155 square Kilometers lies 30 km Southwest of the town of Geita.

The Rwamagaza shear zone, a major east west ductile shear structure covers a major portion of the prospecting license. Small scale workings by Artisanal miners are intense along 14-kilometres long Rwamagaza shear. Numerous targets in and around the reefs associated with some of the artisanal workings within the license area point an exploration property capable of hosting a multi million ounce deposits.

Results from a limited drilling in and around the shear confirmed a significant potential. Some of the good intersections were 14m @ 11.20g/t Au and 18m @ 3.70g/t Au at Tembo area in the eastern part of the Rwamagaza belt.

As it was in the Buckreef license Ashanti Goldfields undertook an intensive regional exploration program before its withdrawal from the joint venture.

(c) Nyakafuru

The Nyakafuru prospecting license covers 65 square kilometers and is situated about 55-km south of Buckreef.

The pits and shafts excavated through thick laterite cover by artisanal miners

expose the Archean greenstone rocks including highly sheared and sericitized derivatives of mafic volcanics with high gold concentration.

The prospecting license contains eleven exposed gold bearing reefs. The current resource is 506,000 ounces but is subject to increase to 750,000 ounces.

Category	Tonnes	Grade g / t Au	Ounces
Indicated & Inferred	3,376,000	4.70	506,000

Geodass Pty flew airborne magnetic and radiometric survey at 50-meter line spacing. Numerous structures were delineated around the artisanal workings in the northern part of the prospecting license.

(d) Kitongo

The Kitongo group of tenements, consisting of contiguous prospecting licenses with a total area of 223 sq. km lies approximately 55 km south of Mwanza.

Category	Tonnes	Grade g/t Au	Ounces
Measured	3,000,000	1.56	150,000
Indicated	5,960,000	1.40	268,000
Inferred	1,540,000	1.23	61,000
Total	10,500,000	1.42	4 79,000

The discovered Main Zone with high gold concentration is open along strike to the South and North of the license. The license is characterized by numerous out-cropping gossans along a 6-Km strike length. The Main Zone is notable for the high-grade mineralisation from the surface where previous drilling results showed very promising results.

Tenement holdings cover an additional 15-Km strike length of the Kitongo shear corridor which has not yet been explored.

SongoSongo Gas to Electricity Project

SongoSongo gas-to-electricity project is one of the most important power projects in the country that if implemented would greatly alleviate the present unreliable power supply situation.

The following is a review of the stage reached in developing the project.

Three major components of the Songosongo Project have already been completed. The installation of two 37.5 MW gas turbines at Ubungo in Dar es Salaam in 1995, the rehabilitation and testing of the five gas wells at Songosongo island in 1997 and acquisition of the right-of-way for the pipeline in 1999.

In addition much of the engineering and planning for the remaining components of the project have been completed.

The Ubungo Power Plant consisting of four turbines with a total capacity of 112 megawatts is currently operating using fuel. The remaining components of the project will connect the Ubungo turbines to the five rehabilitated gas wells at Songosongo Island so that the turbines can be fuelled with Tanzanian natural gas.

The natural gas delivery system will consist of a small gas processing plant at Songosongo Island, a 25-Km marine pipeline to Songosongo on the mainland and a 207-Km underground pipeline to Ubungo. The pipeline will extend north from Ubungo to supply gas to the Twiga Cement factory and can be used for the IPTL power plant.

The utilization of additional gas for power generation and other industrial applications is planned for the future.

The legal agreements for the project have been updated over the past several months and will be ready for initialing in early February this year.

Following initialing of the agreement the project will be submitted to the executive Boards of the World Bank and the European Investment Bank (EIB) to approve the loans for the project. The World Bank approval is expected in April and the EIB in May 2001.

Immediately following approval of the loans, all agreements will be signed at a financial closing and work on the remainder of the project will begin.

The total project cost is estimated to be US \$ 320 million. Some US \$ 110 million of this has already been spent.

The project will be completed and the Ubungo turbines will be running on Tanzanian natural gas by mid-2003.

Over the past year there have been two major changes in the project investors. Trans Canada Pipeline Limited (Trans Canada) of Calgary, Canada has sold its interest in the Songosongo Project to the AES corporation (AES) of Arlington USA.

AES owns interest in 137 power plants totaling over 49,000 megawatts in 20 countries.

AES also distributes electricity in nine countries through 19 distribution businesses.

In addition to having assets in excess of 29 billion USD, the company has numerous projects in construction or late stage of development including the 250 MW hydropower plant, the Bujagali Project, on the Nile Rives in Uganda.

The Company employs roughly 56,000 people around the world.

The second investor of the project, Ocelot Energy Inc. of Calgary has changed its name to Pan African Energy Corporation Ltd. and focuses on energy

projects, oil, natural gas or electricity in Africa.

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Pan African's Investment in the Songosongo project will continue to be held by its wholly owned subsidiary, Ocelot International "(T) Ltd. Ocelot looks forward to working with the Tanzania Petroleum Development Corporation to fully develop the potential of the Songosongo gas field by developing additional market for natural gas.

TPDC and TANESCO are also shareholder in Songas and have representatives on the Board of Songas.

In 1996 when Songosongo Project was established, it included additional investors; Capital Partner (CDC), International Finance Corporation (IFC), Deutsche Investitions - Und - Entwicklungsgesellschaft- mbH (DEG), and Tanzania Development Finance Limited (TDFL).

Due to the relatively small stakes involved, IFC and DEG have decided not to invest in the project and CDC has taken up their share of the project.

Initial comprehensive Environmental Impact study for the project was completed in 1994 and since that time seventeen additional specific studies have been carried out. All the environmental studies have been compiled in two reports titled as "Environmental" and Social Assessment "(ESA Summary) and the "Environmental and Social Management Plan (ESMP). The National Environmental Management Council (NEMC) is currently reviewing the two reports ESA and ESMP.

Upcoming Events:

March 2001 11th -14th

Prospectors & Developers Association of Canada Annual Convention, Toronto.
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TANZANIA CHAMBER OF MINES

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