

Tanzania Chamber of Mines Newsletter # 14 February 2001

TANZANIA CHAMBER OF MINES

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Co- option of Mr. David Gardner onto Chamber's governing Council

During the Chamber's Council meeting that was held on 25th January 2001, the Governing Council co-opted Mr. David Gardner onto Council. Mr. Gardner has been co-opted based on article XX1, clause 49 (b) of the Chamber's Constitution which allows co-option of persons with special knowledge or sectoral interest or skill in affairs of the mining industry.

Mr. Gardner is Managing Director of Gailey & Roberts and has had previous experience with the Ghana Chamber of Mines. His knowledge will be of great assistance towards activities of the Chamber.

Comparative Tax Study and Mining Industry Survey in Tanzania

The Chamber in collaboration with PricewaterhouseCoopers is planning to conduct a comparative tax study and a Tanzania mining industry survey. The aim of the study is firstly to have a comprehensive picture of the mining industry thereby portraying its true image and secondly to provide a good and reliable source of information about what is happening in the industry.

PricewaterhouseCoopers has earmarked a number of key issues for the study:

- Custom duty and VAT treatment of capital equipment and supplies.
- Basis of Royalties calculation and rate (and details of other turnover taxes if any).

- Income tax rate: Basis of Capital deductions, ability to account in stable currency and loss carry forward restrictions.
- Withholding tax payments to non-residents for the following: interest, Management fees, Professional fees, Services rendered other than management or professional and Dividends.

The Countries suggested for the comparison include Ghana, South Africa, Zimbabwe, Mali, Guinea, Indonesia and Peru. The project is planned to have a duration of five years.

Wrangle for payment of Stamp duty soon to be resolved

Recently there have been demand notes from TRA to various mining companies regarding stamp duty payments arising out of overseas share transactions among companies not registered in Tanzania.

In pursuit of the matter a meeting was held on 8th February 2001 between officials from TRA, the affected parties, Ministry of Energy and Minerals, Tanzania Chamber of Mines as well as consultants from PricewaterHouseCoopers, and MRK & N Advocates.

While TRA is insisting that overseas transactions between companies not registered in Tanzania are stamp dutable, research has shown that this is not the case in other countries with a similar law namely U.K. and Australia. Discussions aiming at resolving the matter are still underway among the parties and TRA.

Progress on the Presidential Award for Excellence and Leadership in Environmental management in Mining

Preparations towards the establishment of the proposed award for environmental management in mining have been progressing well. The purpose and objective of the Award is to recognize excellence and leadership in environmental management beyond simple regulatory compliance. The Award will be made on annual basis and will cover three categories of mining and exploration activities.

- Large scale mining
- Medium scale mining

- Small scale mining

Those eligible for the large-scale mining are bodies or organizations holding special mining licenses.

Companies or organization within medium scale mining are those companies which hold a mining license.

Small - scale miners are those who hold a primary mining license.

There would be three types of Awards namely:

- Presidential Environment Excellence Award - this award can be given to any individual or company in the three categories.
- Certificates of Merit
A certificate of merit will be issued to those entries that meet the objectives of the award and have been approved by the selection Committee.
- Presidential Environmental Encouragement Certificate.

This certificate would be issued to the small-scale mining group.

All the certificates together with the Presidential Environmental Excellence Award are to be presented by the President at a function to be held on Environmental day, 5th June annually.

There will be a Technical Panel and a Selection Committee. Their duty will be to recommend to the President the entry which fulfils the requirements of the objectives of the award.

For the success of the event, all eligible Chamber members are strongly encouraged to participate.

Establishment of Mining Engineering and Mineral processing degree programs at the University of Dar es Salaam

The University of Dar es Salaam has recently established new degree programs namely:

- (i) Bachelor of science in mining Engineering
- (ii) Bachelor of Science in mineral processing.

The faculty of Engineering, University of Dar es Salaam confirmed this. Currently a total of 40 students have been enrolled into the two programs which are temporarily hosted by the department of Chemical and Processing Engineering.

The duration of the programme would be four years following a syllabus based largely on proposals by different mining companies and related parties within the mining industry in Tanzania.

In light of the Chamber's experience and knowledge from its large and varied membership it would assist in areas that might need immediate attention like;

- Practical training place for the students starting in June 2001.
- Laboratory equipment for the program
- Books and other reference materials.
- Professional attachment to mining activities for academic staff.
- Student scholarships
- Guest lectures by experts from the mining industry.

The Chamber is supportive of the achieved development as it bodes well with future development of the mining industry and therefore will continue to carry out its facilitative role.

News from the ***Industry***

Mbeya Cement enjoys 36 percent sales growth

Mbeya Cement Company (MCC), which at the end of last year became East Africa's first Cement company to win the International ISO 9002 Award for quality standards, has hit a 36% increase in sales of its ordinary Portland and Pozzolana Cement.

In September last year MCC enjoyed the highest volume of Sales and production in MCC's history. This is contained in a recent press release from Mbeya Cement Company.

According to the source, the cement factory's success reflects the USD 9 Million in investment that the company made in quality improvements, and the implementation of the stringent ISO 9002 systems.

According to Mr. John Mwapili who is MCC's Dar es Salaam Operations Manager, response from wholesalers and cement users across the country has been highly magnificent.

Huge growth in customer confidence for MCC products came after MCC won the ISO 9002 award. In order to meet the customer requirements MCC has recently introduced a dedicated sale line and doubled the number of customer delivery vehicles.

The ISO certification signaled enormous benefit to the company as it forces the business to stick to quality standards that are recognized the world over, a factor, which had a huge impact on customer confidence and opened up new international markets.

Last month, the company launched a 30,000 tonnes contract, with Murray & Roberts for a road - building project in Malawi. This goes hand in glove with enhanced efforts to penetrate into new areas within as well as outside Tanzania in search of more local and foreign markets.

TAWOMA Unites Women Miners for development

Tanzania Women Miners Association (TAWOMA) is a membership organization representing in excess of about 150,000 women miners in almost every region throughout the country.

According to Mrs. Martha Bitwale, TAWOMA's national Chairperson, the association started with only 22 members when it was formed on 22nd August 1997 and officially registered on 28th November 1998.

Mrs. Bitwale said that TAWOMA is essentially a policy advocate wing for women in mining with a view to mainstreaming gender and improving the economic status of all women in the mining industry. Women eligible for membership are those actively involved in mining and other related activities.

TAWOMA is affiliated to the Federation of Miners Associations of Tanzania FEMATA and a member of SADC Women in mining Trust, (SADC WIM)

The objectives of TAWOMA are as follows.

- To serve as an effective analyst and advocate the common interests of women miners and the mining community to the government on policy issues and other constraints faced by women in the mining sector.
- To lobby for national, regional and international support and recognition for women in mining.
- To identify training and technical needs for women miners in collaboration with relevant and interested organizations and conduct training programmes to market these needs.
- To set up a revolving loan and collateral security funds to enable women miners to access the necessary finance and credit for their mining operations.
- To provide environmental conservation education in mining methods which are environmentally friendly in order to minimize environmental degradation.
- Improve the quality and availability of relevant market information and to network and facilitate the marketing of minerals nationally regionally and internationally.
- To establish a database, information and library that contains data on mining.

Women in Tanzania are engaged in mining as individuals, shareholders, and directors in their respective areas of operation. Minerals mined by women include gemstones inclusive of diamonds, tanzanite, supplies, emeralds, aquamarine, alexandrite, scapolites and many other silicate gemstones. Others are precious metals such as gold, industrial minerals and building minerals.

Very few women are engaged in lapidary jewelry and salt processing. According to the Chairperson, to date no Tanzanian woman has ventured in capital intensive mining prompting TAWOMA to take charge in this sector. Mrs. Bitwale insisted that TAWOMA wants to specifically work in rural areas and also to empower youths in villages to actively participate in the mining sector and educate them on new mining technologies as well as impart them with a sense of ownership in order

recognize the value of their jobs and products they make. Many small-scale miners have no sense of prosperity and are ignorant of objective ways of how to manage their process, she said. Bitwale advised that what one earns after a lot of sweat should be wisely spent in things such as self-advancement.

Mama Bitwale has called upon fellow women miners to invest their hard-earned profits to acquire new business techniques, access to information, on new technologies and markets for their products.

She listed problems facing women miners as:-

- Access to credit and foreign markets.
- Poor equipment
- Sexual harassment
- Traditional and cultural restrictions upon women involvement in mining

Bitwale proposed the setting up of a gender desk at the Ministry of Energy and Minerals that should address a wide range of issues such as women harassment and help to organize small groups of women. The desk would also be useful as a source of knowledge and information on developments in mining and environmental matters. The unit should also address the issue of market centers in rural areas.

Bitwale thanked all supporters of the association particularly the Department for International Development of United Kingdom (DFID), the Geology Department at the University of Dar es Salaam, UNIFEM, SADC, Gender programme UNIDO and others.

CTI Calls for VAT reduction to boost competition

Confederated of Tanzania Industries (CTI) has advised government to reduce Value Added Tax from 20% to 15% to enhance industrial competitiveness in the planned East Africa Customs Union. This was said by Mr. Leon Hooper, the Managing Director of Tanga Cement Company - a Chamber member.

Mr. Hooper who is also Second Vice Chairman of CTI, said the appropriate VAT rate in Tanzania should correspond to that of Kenya and Uganda. He said the reduction of VAT rate to 15% would be a step in the right direction because it would not only improve Tanzania's

overall competitiveness in East African Community but also stimulate economic growth.

Hooper, who is also Chairman of CTI Committee on Fiscal Policy and Taxation, said that the introduction of VAT was applauded by more efficient methods of revenue collection than the sales tax system.

However, he said, the high VAT rate presented cash flow problems especially when the VAT refund procedure is not operating effectively.

He said VAT, at 20% which was passed on the consumers, raised the price of goods to consumers who were already over burdened by high electricity tariffs and taxes.

Hooper also said that Tanzanian manufacturers would have a difficult task to compete in the EAC because the playing field is uneven.

Tanzanian manufacturers will fail to compete in the regional market because of high taxes, cost of electricity as well as fuel and Tanzania's problem of industrial competitiveness and by the recent abolition of minimum dutiable values (MDVS) on certain items.

The removal of these MDVs, without any consultation with the affected industries, is a serious matter, Hooper said.

The abolition of MDVs would put strategic Tanzanian industries under immediate threat from imports from EAC and other countries.

Hooper advised CTI to propose the government to re-impose MDV 's to enable our industries to get some degree of protection.

The VAT threshold of 20m/- was too high, he said, suggesting that it could be reduced to 15m/- noting that the most important thing was to ensure that all eligible companies should actually be registered for VAT payment.

Hooper decried the bureaucratic procedures in TRA with regards to VAT refunds to registered Companies. Refunds which should be made in one month are in fact taking four months!

Hooper said that fees levied on self employed professionals were a major concern for they are a disincentive to investment and technology

transfer from abroad as well as employment of educated Tanzanians.

These fees range between 3,000/= US dollars to 4,000/= US Dollars for foreign professionals and between 300,000/= to 400,000/= for local professionals. He called for a review of 1972 Business Act with the intention of abolishing business fees levied on professionals.

New Zealand Removes Tariffs on Imports from the Poorest Countries in the World

From July 2001 all of the least - developed countries of the world will have duty free access to New Zealand for all their imports. That was announced at the APEC leaders' meeting held in Brunei.

The following is the speech presented by the Prime Minister of New Zealand Hon. Helen Clark.

This is a significant move, which demonstrates that international trade is not just about wealthy companies or well connected entrepreneurs Hon. Helen Clark said.

"We want to ensure that the world trade system has room for the poorest countries. The rich nations must ensure that the benefits of globalization are available for everyone and this is a tangible contribution" as quoted from her speech. She further elaborated that, last year, after the failure of the trade talks at Seattle, WTO Director General Mike Moore challenged the world to open up trade for the poorest countries. From their point of view, as they struggle with massive debt and huge development problems, the trade debates between rich nations can seem irrelevant. Too often, trade agreements have excluded the very poor. They have no negotiating leverage but have real needs.

As Mike More pointed out, if those countries are ever to support another round of international trade negotiations they have to know that they will gain. The best approach is to give them the key straight away, and this move will do that. I will be announcing this move to leaders at the APEC retreat today. And I will call on them to join New Zealand in this approach. Between us we could make a real difference for millions of the poorest people of the world.

They do not just want our sympathy. They just don't want our aid. They want a chance to participate in a fair and inclusive trading system.

Spinifex hits 22 million ounce milestone.

In our previous newsletter we carried a detailed article on the activities of Spinifex around Geita. In this article it is interesting to note new encouraging developments.

An aggressive exploration program returned a 400k ounce increase in resources to 2.0 M oz of gold.

Two strongly mineralized zones along the highly prospective Rwamagaza shear zone adjacent to Buckreef have been identified. These zones contributed an additional 99,000 oz and still have the potential to increase to 300,000 oz in a relatively short time.

Currently Spinifex is trading at a market capitalization / resource ounce of US \$ 7.15, less than the discovery cost/ ounce for most major gold deposits.

Significant share price upside in the medium term may come through exploration success and potential corporate action as rationalization of Tanzanian gold exploration continues.

The following is the upgraded information from the Spinifex's tenements.

(a) Buckreef (80% owned)

The resource at Buckreef mining license has now been upgraded from 3.7 mt. @ 3.2 g/t as earlier reported in issue # 13 to the present figures of 4.98 mt. @ 4.08 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
Indicated	1,630,000	5.17	249,000
TOTAL	4,980,000	4.08	614,000

The update came after the former partner Ashanti Goldfields Ltd. completed an aggressive exploration programme which included Diamond Drilling, RC and RAB drilling.

(b) Rwamagaza

- At Bingwa an inferred resource of 89,000 tonnes @ 19.62 g/t Au for 50,000 ounces was delineated.
- At Tembo an inferred resources of 136,000 tonnes @ 9.90 g/t Au for 43,000 ounces was delineated.

(c) Nyakafuru

The Drilling program which was completed during the year 2000, increased the resources from earlier reported 506,000 ounces to 730,000 ounces @ 6.32 g/t Au.

CATEGORY	TONNES	GRADE G/t Au	OUNCES
Measured	1,950,000	6.42	395,000
Indicated	290,000	5.42	50,000
Inferred	1,340,000	6.38	285,000
Total	3,580,000	6.32	730,000

(d) Kitongo

A new discovery was made in the Southern part of Isegenghe Hill during the end of year 2000 where a trench and geophysical anomaly was followed up with seven RC holes.

ISEGENGHE HILL

CATEGORY	TONNES	GRADE	OUNCES
Inferred	185,000	18.51	110,000

The RC holes intercepted an extensively mineralized area in deformed quartz-dolerite sulphide quartzofeldspathic rock and massive sulphides.