

TANZANIA CHAMBER OF MINES

**NEWSLETTER
NUMBER 17
MARCH 2002**

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NOMINATIONS & NEW COUNCIL

At the end of last year members were requested to nominate representatives who will be sitting at the Chamber's meetings representing their constituents. Subsequent to the nominations, the following names of representatives for each Class of membership were announced at the Council meeting of 1st February 2002:

SENIOR COMPANIES CLASS REPRESENTATIVES

Mr. Ron Clarke
Resolute (T) Ltd.

Mr. Roy Meade
Kahama Mining Corp.Ltd.

Mr. Clement Msalangi
Geita Gold Mining Ltd

Mr. John Acland
Williamson Diamonds Ltd

JUNIOR COMPANIES CLASS REPRESENTATIVES

Mr. Florian Ngunangwa
Tancan

Ms. Kathi Clarke
Anglogold

SENIOR ASSOCIATE CLASS REPRESENTATIVE

Mr. David Gardner
Gailey & Roberts

JUNIOR ASSOCIATE CLASS REPRESENTATIVE

Mr. Paddy Hoon
Regent (T) Ltd

INDIVIDUAL CLASS REPRESENTATIVES

Mr. S. L. Lwakatare
Engineering Associates (T)

Mr. Mbude Said
Afrigold

Mr. Rogers Sezinga
Tandiscovery consultants

ELECTION OF OFFICE BEARERS

In a meeting of the Governing Council of the Chamber of the Chamber held on 1st February 2002 Council having been given the mandate to elect the leadership of the Chamber, announced the following:

Chairman

Mr. S. L. Lwakatare

Vice Chairman

Mr. Ron Clarke

Honourary Treasurer.

Mr. R. Sezinga

Honorary Secretary

Mr. Paddy Hoon

Chamber subcommittees were also constituted and the following members volunteered to work in the subcommittees:

POLICY SUB-COMMITTEE

1. Mr. Florian Ngunangwa Chairman
2. Mr. Rogers Sezinga
3. Mr. Deo Mwanyika
4. Mr. Clement Msalangi
5. Mr. David Tarimo co-opted
from PricewaterhouseCoopers

MEMBERSHIP DEVELOPMENT SUB-COMMITTEE

1. Mr. Paddy Hoon Chairman
2. Mr. Mbude Said

ENVIRONMENT, PUBLIC RELATIONS AND TRAINING SUB-COMMITTEE

1. Mr. Ron Clarke Chairman
2. Mr. Paddy Hoon
3. Mr. Florian Ngunangwa

4. Ms. Kathi Clarke
5. Mr. Clement Msalangi
6. Mr. Mbude Said

Council applauded the work done by the sub-committees throughout the year in bringing issues to the table and acknowledged that the subcommittees as working engines for the Council had been successful. Concern was however raised regarding the narrow representation of members in the sub-committees in the sense that the same people served in various sub-committees. It was resolved that the situation needed to be corrected in order to have a fair balance.

Chamber members are encouraged to come forward and join the subcommittees in order to enhance their work and as a source of new ideas.

SUBMISSION OF MINING SECTOR ISSUES TO THE TAX REFORM TASK FORCE

A few weeks ago the Chamber requested inputs from mining sector issues needing consideration by the government during the coming financial year 2002/2003. A number of submissions from Chamber members were received, compiled and conveyed to the Ministry of Finance for consideration. Most of the issues were policy and regulatory in nature and cut across the industry. Below is a reproduction of the Chamber's submission.

VAT CHARGEABLE ON FUEL SUPPLIED TO MINING CONTRACTORS

Background - Fuel

In a memorandum from the Commissioner for Customs and Excise, the control mechanism for tax exemption on fuel supplies to the mining industry was outlined. In the introduction to this memorandum (TRA/CE/C/1.20/1) it says that –

“The legal position is that all capital goods including fuel imported by the mining sector are exempt from all import duties. It has been decided by the Government that all other taxes and imposts except Road Toll shall be exempt. These include Excise Duty and

Windfall Tax, TPDC and Tipper margins, as well as payments into the Energy Fund. However, the mining companies will be required to pay a Road Toll not exceeding US\$ 200,000 p.a. on importation of fuel.”

The memorandum continues with a list of the controls that should be in place to allow the mining company to come to an arrangement with a supply agent in order that the mining company can take advantage of the incentives put forward by the Government.

While the above exemptions only apply to mining companies, all fuel imported by these companies is either for its own use or for use by its mining contractor. In the case of open pit miners, the fuel usage by mining contractors accounts for a very large percentage of the fuel imported.

VAT

Payment and repayments of tax are dealt with under Section 17 of the VAT Act 1997. If refunds are due for VAT, they can be done on a six-month basis or under certain circumstances the VAT registered entity can apply to the Commissioner for refunds to be done on a monthly basis.

The problem with VAT refunds has been the availability of funds from the Government to meet the claims on a timely basis as per the VAT Act. As a consequence of this, the Government introduced under Schedule 3 (Special Relief) Clause 8, which states:

“The importation by or supply to a registered licensed exploration, prospecting, mineral assaying, drilling or mining company, of goods which if imported would be eligible for relief from duty under customs laws and services for exclusive use in exploration, prospecting, drilling, or mining activities.”

When carrying out their audits, the TRA argue that mining contractors are excluded under the Special Relief and therefore not eligible for Special Relief under the VAT system.

THE ISSUE

Fuel Supply

All the major mining companies appear to have inadvertently not raised invoices when supplying fuel to their mining contractors which has brought this whole issue to the attention of the mining community and the TRA. Per the VAT Act, the invoice for the supply of fuel should include VAT at 20%. Clause 8 of the Third Schedule cannot be used by the mining contractor to gain relief from VAT as is presently enjoyed by virtually all the other types of companies involved in the mining industry.

Depending on the refund status of the mining contractor, they may have to wait for a period of up to 9 months for their VAT refund and in that time, these contractors can suffer loss through the following –

- ❑ Loss of interest due to the tying up of working capital.
- ❑ The devaluation of the Tanzanian Shilling against the US\$ (the majority of the large mining contractors are entitled to have their books of account in US\$.)

SUGGESTED COURSE OF ACTION

VAT chargeable on fuel supplied to Mining Contractors

The Chamber believes that the intention of the Government was always to include mining contractors in Clause 8 and it was always the intention of the Government to create a level playing field for all entities involved in the mining industry. It seems prejudicial to the mining contractors to not be allowed Special Relief when clearly other types of contractors in the industry such as drilling companies, assaying companies etc., are allowed to have this benefit.

It is proposed to the Task Force, therefore, that the Third Schedule, Special Relief be amended to include mining contractors and if this course of action is adopted, then the playing field will be level once again.

In terms of fiscal benefits to the Government, the proposals as above are revenue neutral and are therefore an initiative that can easily be adopted

without any consequence to the revenue stream of the Government.

VAT CLAIMS FOR SPECIAL RELIEF ON OTHER SUPPLIES AND SERVICES

Background - Supplies and Services

Our members cover the whole spectrum of the mining industry. Per Schedule 3, Clause 8 of the VAT Act, the majority of these members are entitled to take advantage of the Special Relief afforded by this Clause. The problem being experienced by virtually all our members is the narrow interpretation of the key word “*exclusive*” that is being adopted by the TRA.

VAT

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The problem with VAT refunds has been the availability of funds from the Government to meet the claims on a timely basis as per the VAT Act. As a consequence of this, the Government introduced under Schedule 3 (Special Relief) Clause 8, which states:

*“The importation by or supply to a registered licensed exploration, prospecting, mineral assaying, drilling or mining company, of goods which if imported would be eligible for relief from duty under customs laws and services for **exclusive** use in exploration, prospecting, drilling, or mining activities.”*

In dealing with other supplies and services, the TRA have a very narrow interpretation of the meaning of the word “*exclusive*” and often the interpretation of whether a particular commodity is eligible for Special Relief is different depending on which VAT office is approached. The result of the above narrow interpretation of the word “*exclusive*” means that many things that are needed for the entity to operate (as set

out in Clause 8) are not eligible for Special Relief.

SUGGESTED COURSE OF ACTION

VAT claims for special relief on other supplies and services

The Chamber is of the view that the words “*Exclusive use*” have been included in the legalization to ensure that where a company has income from both mining and non-mining activities, special relief only applies to expenses incurred in relation to the mining activity.

It is proposed to the Task Force that the word “*exclusive*” be defined in the VAT Act on the basis of the above paragraph.

15% ALLOWANCE ON UNREDEEMED EXPENDITURE

Background

The 15% allowance on unredeemed expenditure was part of the fiscal benefits put forward by the Government of Tanzania for the benefit of new investors to the Mining Industry and was incorporated into the New Financial Amendments Act. It also formed part of the Development Agreements that were signed by the Investors and the Government of Tanzania

THE ISSUE

In his speech, the Minister stated that “the additional 15% allowance on unredeemed expenditure under the Mining Act 1998 be maintained for the existing investors only. New investors should not be granted this incentive. This move stems from the fact that Section 17 of the Act already allows 100% capital allowance deductions. Moreover, this measure will assist in simplifying tax administration in the mining sector.”

In the subsequent legislation per the Special Bill Supplement dated 14 June 2001, the 15% Capital Incentive has been withdrawn for all investors including existing ones with effect from 1 July 2001.

For clarification we sought legal advice and their advice is as follows:

“As regards the amendment to Section 16 of the Income Tax as found under Section 13 of the Finance Bill, it would appear that the 15% Capital Allowance has been removed for all investors whether new or old.”

This is contrary to the Development Agreements which some of our members hold and a contradiction to the budget speech made by the Minister of Finance.

SUGGESTED COURSE OF ACTION

The Chamber believes that the above issue was an error in drafting the legislation and the Chamber therefore proposes that amendments be made to Section 16 of the Income Tax Act 1973, in the Second Schedule, to reflect the Minister’s speech which was that the additional 15% allowance on unredeemed expenditure be maintained for existing investors only.

There are no revenue consequences for the TRA by making this amendment.

DUTY PAYABLE

Background

In the budget speech, the Customs Tariff Structures was amended as follows:

“Raw Materials, capital goods and replacement parts” be reduced from 5% to zero.”

THE ISSUE

A number of raw materials used by the mining industry attract Customs Duty:

HS CODE	DESCRIPTION
8474 9000	Shell Liners
7325 9100	Grinding Media
3402 9000	Expense (AEL)
3602 0000	Explosives (AEL)
2710 0071	Lubricants

SUGGESTED COURSE OF ACTION

That the raw materials as listed above be duty rated at 0%. By doing this the inconsistencies whereby some raw materials attract duty and others do not will be done away with and all raw materials used in the mining process will be 0%. The Tanzanian Chamber of Mines believes this was the intent of the legislation.

There will be a revenue loss to the Government of 5% for these items.

The Chamber would like to thank members who responded to this very important exercise.



Golden Pride Mine which is located in Nzega was the first modern gold mine to be opened in Tanzania in 1998. In the quest to extend the life of the mine, the company Resolute (T) Ltd. is currently investing in expansion of the mine and beneficiation plant.

The following article by Mr. Ron Clarke, Managing Director of Resolute (T) Ltd. gives an insight of the developments.

HISTORY

Since mining commenced, the Project has achieved the following:

Tonnes mined 19.57 million tonnes
Ore mined 7.01 million tonnes
Ore milled 5.72 million tonnes
Average recovery 93.95%
Gold Produced 573,265 ounces.

The design throughput for the plant was 1.65 million tonnes per annum. The plant however, has consistently achieved in excess of 2 million tonnes per annum on the softer ores.

Since the commencement of operations at the Golden Pride Project, additional drilling has

been carried out. In June 2001, a review of the Golden Pride resource and geology showed that there was potential to add reserves through additional deeper drilling of ore shoots at the western end of the deposit and selected other positions along the pit length.

Initial drilling up to the end of December 2000, was successful in that it showed a potential for more than 300,000 ounces of gold to be converted to reserves by deepening the pit. Follow-up drilling in early to mid 2001 confirmed this potential and resulted in a new pit design that contains 13.8 million tonnes grading 2.5g/t for 1.12 million ounces.

REVISED RESERVES

The resulting resource model was subsequently used for a series of independently determined pit optimizations. The final design contains a proven and probable mining resource of 13.8 million tonnes at a grade of 2.53 g/t for 1.12 million ounces. In addition to this, there are low grade stock piles of 3.5 million tonnes and medium grade stock piles of 1.5 million tonnes giving the project a total reserve of around 18 million tonnes. The low and medium grade stockpiles should produce an additional 126,900 ounces of gold.

*The revised reserves are summarised in the following table:
(As at 31 December 2001)*

Reserve Category	Tonnes	Grade	Ounces
Proven	7,444,598	2.58	618,327
Probable	6,328,777	2.47	502,958
Proven & Probable	13,773,375	2.53	1,121,285

▪ **CURRENT POSITION**

The Golden Pride Project is currently budgeted to process oxide ore at an annualised rate of 2.1 million tonnes per annum. During the past 6 months, the throughput at Golden Pride has been adversely affected by a “sanding” problem causing a large recirculating load. As a consequence throughput has dropped to

around 1.5 million tonnes per annum and additional grinding capacity is seen as the practical solution to remedying the situation.

Throughput is critical to the financial success of a mining operation as reduced throughput results in reduced gold production and higher operating cost. Fixed costs that for a mine like Golden Pride are relatively high, can be reduced to improve the economics of the project, if spread across higher tonnages (throughput). For Golden Pride to remain economically viable with an average grade of 2.5g/t gold and the current gold price it is imperative that the milling rate be increased. This will ensure the financial success of the Project for both the company and the Government of Tanzania.

THE PLAN

Resolute (Tanzania) Limited is to undertake a staged upgrade that will have the ability to increase the Project’s throughput to more than 3 million tonnes per annum. To achieve this, a 3.73 MW ball Mill has been purchased and will be installed along with a Pebble Crushing Circuit. In addition, minor modifications to the plant will improve several areas that currently limit throughput. Initially, these modifications will enable the plant to operate at approximately 2.6 million tonnes per annum. This expansion will include:

- ❑ New tailings dam
- ❑ New standby power station (five additional 1 MW gensets will be added to the existing power plant)
- ❑ Power lines and associated electrical equipment will be upgraded to handle the future load
- ❑ New waste dump south of the existing pit
- ❑ Concrete footings for the future thickener and leach tanks (2).

To achieve the 3 million tonnes per annum throughput, it will be necessary to remove various bottlenecks in the present system. Initially, the company will concentrate on bringing the throughput up to 2.6 million

tonnes per annum but will carry out the preliminary work in order to achieve a higher throughput at a later date.

***N*EWSPAPER FROM INDUSTRY**

Tan Range and Tanzam sign letter of Intent to Consolidate Interests. The following is a news release.

Tan Range Exploration Corporation ('TNX') has entered into a letter of Intent to acquire the privately owned Tanzania American International Development Corporation, known as Tanzam and controlled by Mr. James Sinclair and his family of Connecticut, United States. Both companies are engaged in gold exploration in the United Republic of Tanzania.

Norman Hardie, Chairman and Chief executive officer of Tan Range stated: *"The signing of the letter of agreement opens the way for appropriate due to diligence and the completion of negotiations. We expect to finalize all details in the course of the next two months and then submit the agreement to regulators and to our shareholders for approval."*

Mr. Hardie added "we see the consolidation of our interests leading to significant development of our gold properties in Tanzania. As a result of the completion of this agreement Mr. Sinclair and his family become the largest single shareholder in Tan Range. We greatly welcome to James Sinclair's confidence in our company as well as the mining industry and financial expertise that he will bring to Tan Range."

James Sinclair noted: I am delighted to sign this letter of intent, which will pave the way for the expansion over time of Tan Range. Upon completion of the proposed agreement the Sinclair family will own more than 25 % of the outstanding Tan Range equity. This underscores

my family's commitment to Tan Range's shareholders, its staff and its partners.

The closing of the Tan Range acquisition of Tanzam will be subject, among other considerations, to the final agreement receiving all necessary regulatory approvals, including the appropriate approvals from the Toronto Stock Exchange, and securing the approval from special meeting of shareholders.

Mr. Marek Kreczmer, President of Tan Range, explained that consideration would be given to proposing to Tan Range shareholders that Mr. Sinclair be nominated as Director and Chairman of the company, while Mr. Hardie would continue as a director and as the Chief Executive Officer.

Mr. Marek Kreczmer stated that Tan Range and Tanzam have both been engaged in extensive gold exploration activities in the region south of the city of Mwanza in an area close to the Bulyanhulu property that is now being mined by a subsidiary of Barrick Gold Corporation. Tanzam has rights to 51 properties and is engaged in a number of joint ventures with Barrick.

The Bulyanhulu property was explored and significantly developed in the first half of the 1990s by Sutton Resources of Vancouver, whose Chairman in this period was Mr. Sinclair. Barrick acquired Sutton. Prior to taking the helm of Sutton in the late 1980s, Mr. Sinclair had been a prominent international expert on commodities and in the course of the 1970s he headed one of the largest precious metals trading firms on Wall Street.

Tanga Cement to be listed on DSE

The process to list Tanga Cement Company Ltd on the Dar es Salaam Stock Exchange DSE is on the final stages and the company may be listed any time within this year. This will be the fifth Equity Company to be listed. Other companies listed on DSE are Tanzania Breweries Ltd, Tanzania Tea Packers, Tanzania Cigarette Company and Tanzania Oxygen Limited. Two bonds are traded, one from the African Development Bank and the other from the Government.

Tanga Cement Company, which is among the three reputable cement producing companies in Tanzania, has made an investment of US\$ 12 million since it was privatized in 1996. The company is also the holder of International Organization for Standards (ISO 9002) certificate. Since its privatization in 1996, the company has exhibited successful progress. ***The coming of Tanga Cement into DSE is expected to make the Dar bourse more challenging.***

UPCOMING EVENTS

"The Commonwealth-Africa Investment Forum" is to be held in Abuja, Nigeria from the 22-24 April 2002.

The focus of this PAN-African conference is unique as it is coupled with the NEPAD (New Partnerships for Africa's Development) initiative, developed by African leaders, providing a potential trading and negotiating platform enabling real growth and development opportunities throughout Africa as well as opening Africa up to the global business community. The theme for the conference is ***'Advancing African Development: New Partnerships between Business and Government'*** and is the first in a series of highly focussed investment conferences which will bring together a unique mix of public and private sector leaders from throughout the Commonwealth and global business community.

Over 400 participants and speakers are expected including chairmen and chief executives of leading companies, Heads of Government and Ministers, trade and investment authority representatives, and representatives of industry associations and Chambers of Commerce.

The Forum focuses on cutting edge issues and maximizing the potential for growth in trade and investment. The programme structure involves plenary discussions, followed by private / public sector dialogue sessions. One to one working meetings between delegates will also be facilitated during the Forum.

The Forum provides a unique opportunity to contribute to key policy recommendations to Heads of Government, conduct business with

other international partners and network with government and business leaders and managers.

Further information can be found on website located at: www.cbc.to

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WORLD SUMMIT ON SUSTAINABLE DEVELOPMENT (WSSD) (RIO + 10) JOHANNESBURG, SOUTH AFRICA

WHAT IS JOHANNESBURG SUMMIT 2002?

Johannesburg Summit 2002 – the World Summit on Sustainable Development – will bring together tens of thousands of participants, including heads of State and Government, national delegates and leaders from non-governmental organizations (NGOs), businesses and other major groups to focus the world's attention and direct action toward meeting difficult challenges, including improving people's lives and conserving our natural resources in a world that is growing in population, with ever-increasing demands for food, water, shelter, sanitation, energy, health services and economic security.

WHY NOW?

At the 1992 Earth Summit in Rio, the international community adopted Agenda 21, which is viewed as an unprecedented global plan of action for sustainable development. But the best strategies are only as good as their implementation. Ten years later, the Johannesburg Summit presents an exciting opportunity for today's leaders to adopt concrete steps and identify quantifiable targets for better implementing Agenda 21.

WHEN & WHERE IS IT?

The Summit will take place in Johannesburg, South Africa from 26 August to 4 September

2002. The Summit will be held in the Sandton Convention Centre, just outside Johannesburg. A non-governmental forum will take place at the nearby Gallagher Estate.

WHO WILL BE GOING?

Broad participation and inclusiveness are key to the success of sustainable development. All sectors of society have a role to play in building a future in which global resources are protected, and prosperity and health are within reach for all of the world's citizens. In addition to governments, there will be active participation by representatives from business and industry, children and youth, farmers, indigenous people, local authorities, non-governmental organizations, scientific and technological communities, women and workers and trade unions. These represent the Major Groups identified in Agenda 21.

GETTING INVOLVED

If your organization wants to participate at the Johannesburg Summit or the global preparatory committee meetings (PrepComs), it must first be accredited with the United Nations. Individuals wishing to participate should be affiliated with an accredited organization.

WHO IS ORGANISING THE SUMMIT?

The tenth session of the UN Commission on Sustainable Development (known as CSD10) has been and will be acting as the Preparatory Committee for the Summit - the central organising body. CSD10 is scheduled to have had four preparatory meetings for the Summit during 2001-2002, known as PrepComs. These meetings are being held as follows:

PrepCom 3: 25 March - 4 April 2002, New York
PrepCom 4: 27 May - 7 June 2002, Bali, Indonesia

CSD10 sessions are steered by a Bureau which consists of 2 representatives from each region of the world (10 members in total). The Bureau for CSD10 has meetings between the CSD10 Sessions to guide the process for, raise political awareness of and engender support for the Summit among member governments and major groups.

LOGISTICS

Logistical organization of the Summit within South Africa is being managed by the Johannesburg World Summit Company (JOWSCO), on behalf of the Government of South Africa. For information about logistical issues related to the Summit, including events and exhibitions during the Summit outside the Sandton Centre, travel, accommodation and tourism in the area, *visit the JOWSCO website: www.joburgsummit2002.com*