

**TANZANIA  
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***NORTH MARA GOLD  
MINE OFFICIALLY  
OPENED***

The North Mara Gold Mine was officially opened by H. E. Benjamin Mkapa President of the United Republic of Tanzania on 12<sup>th</sup> September 2002. The event was attended by the Minister of Energy and Minerals, Hon. Daniel Yona, cabinet ministers and Members of Parliament, Chairman and members of the Tanzania Chamber of Mines. North Mara Mine is the fourth modern gold mine to be built and has a capacity of producing 200,000 ounces of gold per annum.

Mr. Geoff Stewart, the Chairman and Managing Director of Afrika Mashariki Gold Mine (AMGM) in his welcoming speech said opening of North Mara Gold mine was a culmination of 9 years of work. He commended the exploration team, which worked tirelessly for many years to achieve an understanding of the geology of the area. He said that with the average grade of 3 grams per tonne, production rate of 200,000 ounces per annum and from reserves proved to-date, mining will continue for 8.5 years with potential for extension of mine life. He also mentioned that the gold processing plant is amongst the most modern, high efficiency plants yet constructed and is capable of achieving world class efficiency in compliance with world standard environmental practices, ensuring a competitive gold mine for Tanzania. He pointed out that a total of US\$100M has been

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invested. He further mentioned that Tanzania would benefit significantly from the mine through earnings which will provide in excess of US\$ 50 per annum in export income and from the payment of taxes to the Government.

On socioeconomic contribution Mr. Stewart said the company has adopted a policy of providing direct benefits to the community it works with. A number of completed development projects include:

- Renovation and building of 8 schools, 2 clinics and one police post.
- Construction of over 60kms of road, providing access for the villagers to the main Musoma-Mwanza road and to markets for their produce.

In his inauguration speech, H.E. President Benjamin Mkapa expressed his enthusiasm for the opportunity to open the fourth modern operating gold mine and said, "Today, I believe I speak for the community, around this mine, and the Tanzanian society as whole, when I say we are no losers on account of Afrika Mashariki Gold Mines Limited shaking the dust here in Nyabirama, and winning. As a matter of fact we are all winners and have equal reason to rejoice. We have equal stake to make this investment fruitful and mutually beneficial."

The President commended Afrika Mashariki for corporate responsibility and sense of community service for the infrastructural, social and community

programmes which were undertaken even before the mine came on stream. He mentioned that before Afrika Mashariki began to make money from the mine, they had already invested over USD 3.1 million as follows:

- USD 2.5 mil. for roads;
- USD 50,000 for a Police Station;
- USD 30,000 for clinics;
- USD 250,000 for primary schools;
- USD 150,000 for a secondary school; and USD 190,000 for miscellaneous assistance, including student sponsorship and general community assistance.

The President further praised Afrika Mashariki Gold Mines Limited for support towards improving primary education. He pointed out that, the programmes which Afrika Mashariki is involved in, form a solid foundation for trust between the mining company and the local community. And he encouraged the company to consolidate further this trust through working closely with the Tarime District Council in identifying priority community projects for implementation each year against agreed budget. He also mentioned that special emphasis be put on health and education investments that touch the security and quality of life of people.

The President said the people of Tanzania expect to benefit from the mine through job creation, skills development and opportunity to provide auxiliary services and consumer goods. He emphasized that whenever trained and qualified personnel are available locally they should be accorded due preference.

He urged all mining companies to put in place a comprehensive human resources development and capacity building programmes with the aim to increase local content in the high echelons of their staff disposition.

He further urged mining companies to give local companies an opportunity to supply goods and services to their mines and added that with proper guidance training and goodwill, local entrepreneurs can and should, be encouraged and facilitated to improve the quality of their services and goods to meet required standards.

On the environment the President observed that mining has the potential to exert severe strains on the environment. That is why the Government has placed particular emphasis on environmental protection and management. He commended Afrika Mashariki Gold Mines Limited for developing strict environmental management standards and for planning the mine in compliance with our mining regulations and international standards. He said that during the inaugural ceremonies of the three previous gold mines he directed that there be established a Presidential Award for Excellence and Leadership in Environmental Management in Mining in order to motivate individual mining companies towards higher than average standards of environmental management and protection. He expressed his gratitude for learning that he was going to present the award to the first winner on that same day.

Regarding coexistence of small-scale and large scale miners the President reminded the mining community that the mineral policy recognizes the

contribution to the economy, and to the war on poverty, of both small and large-scale miners. He said it is important for the two groups to co-exist harmoniously; or enter into mutually beneficial partnerships. Due to problems of capital and technological limitations, which prevent the small-scale miners from mining beyond 60 meters, it is in their best interest to enter into joint venture agreements with medium or large-scale miners that safeguard their interest. He sited the mutually beneficial arrangement made between the former claim owners at Nyabirama and Afrika Mashariki Gold Mines limited as a step in the right direction and he encouraged it.

He encouraged large scale mines to extend a helping hand to small scale miners operating in their neighborhood because they need assistance in mining technology, in environmental management and, in dealing with health hazards associated with their activities. He also emphasized that no effort should be spared in curbing the spread of HIV/AIDS in the mines and surrounding communities because it is well known that mining communities are among the most affected by HIV/AIDS.

Regarding war on poverty the President said he committed himself and the Government towards a war on poverty in all its aspects and manifestations. He said, "To me, therefore, the policy, legal and administrative reforms we embarked on to make Tanzania attractive to investments in our mining industry is part of the broader and deeper onslaught on poverty. Our country is rich in natural resources; there is no reason why our people should continue to wallow in abject poverty."

He pointed out that it is one thing having resources and another thing to have capital, technology and skills to turn these abundant resources into incomes and revenues that can be applied in our war on poverty, especially targeted at meeting the Millennium Development Goals in a sustainable way. For this reason, we have created among the most competitive mining investment regimes in the world. He commended all mining houses that have responded positively, and are involved in prospecting or mining in the country. He said the challenge is to translate this interest into solid gains in our war on poverty.

The President observed that at the level and intensity of mining activities attained so far and the vast potential we all foresee, there is need for a joint and urgent endeavor to create an effective, efficient and competitive institutional infrastructure and industry supporting the mining sector, that will provide linkages to the rest of the economy in a more integrated and meaningful way. He called for renewed partnership with mining companies, with companies providing services to the sector, and with those processing the minerals found in this country, to invest more in mining support and upstream industries and services. He mentioned that for those willing to invest in producing finished products there will be special incentives including Export Processing Zone facilities.

***In his usual manner he expressed hopes that during the opening of the next mine, concrete proposals under the auspices of the Chamber of Mines would be in place.***

### **TCM PARTICIPATION IN DAR ES SALAAM INTERNATIONAL TRADE FAIR**

The Chamber participated in the 26<sup>th</sup> Dar es Salaam International Trade Fair which took place from 28<sup>th</sup> June to 8<sup>th</sup> July 2002. Members who participated include: Resolute (T) Ltd, Kahama Gold Mine, Geita Gold Mining Limited and Stanley Mining Services. The Ministry of Energy & Minerals were also present. The fair was generally acknowledged as a good public awareness and public relations exercise and should be continued. The Chamber takes the opportunity to thank all participants for putting in their valuable time and resources.

### **PRESIDENTIAL ENVIRONMENTAL EXCELLENCE AWARD**

The awarding event took place on 12<sup>th</sup> September 2002 during the official opening of North Mara Gold Mine. The awards were presented by H. E. Benjamin Mkapa. The winners from the various mining categories were awarded as follows:

The Award Winner: Resolute Tanzania Ltd.; Certificates of Merit were awarded to Geita Gold Mine Ltd, Kahama Mining Corporation, and Tanga Cement company Ltd. Certificates of Participation went to TAZARA Kongolo Quarry and Williamson Diamond Ltd.

The Chamber extends profound gratitude to all participants particularly where logistical support for the Technical panel

and selection committee was required and provided freely.

### **CHAMBER DONATES TOWARDS DISASTERS**

Not so long ago the nation was engulfed in two major catastrophic incidents. One was an underground mine accident that occurred at Merelani in Simanjiro District in one of the Tanzanite mines where 39 people died, and another one which claimed over two hundred and fifty lives was a train accident that occurred at Msagali near Dodoma. In these unfortunate incidents, the Chamber and its members mobilized resources in terms of technical expertise, material and financial dispensation. At Merelani a rescue team from Geita Gold Mine and AFGEM Merelani Mining Ltd. teamed up in rescue operations which to a large extent enabled access to the bodies and ultimate lifting them to the surface. This would not have been possible without the availability of gas detector, oxygen tanks and compressors to clear the air, which were supplied by the Chamber members.

Similarly, the Dodoma train accident brought together Chamber members at the site of the accident whereby paramedics, various materials such as medicines and food worth US Dollars 13,800 were supplied by Kahama Mining Corporation. In addition, various Chamber members contributed a total of US Dollars 12,400 and TShs. 950,000 as relief funds for the injured and relatives of the deceased.

The Chamber takes this opportunity to thank the following members who participated and contributed in kind in these endeavours:

Geita Gold Mining Ltd, Kahama Mining Corporation, AFGEM Merelani Mining Ltd., Caspian Construction, Resolute (T), Anglogold, Stanley Mining Services, Gailey and Roberts, African Mining Services, Consolidated African Diamonds, Energy and Telecom, East Africa Mines Ltd. Goldstream Mining, Willianson Diamonds, Geita Gold Mining and Tancan Mining.

### **GOVERNMENT NOTICE ON CLAUSE 7 AMENDMENT**

Amendment of Item 7 of the VAT Act 1997 was proposed by the Chamber so as to include mining contractors, the seclusion of which was considered the root cause of the problem associated with back charges on fuel.

In tackling the problem, several meetings and consultations were held to propose a suitable amendment of item 7. The amendment was made after taking into consideration members' views which were compiled, discussed in the Policy subcommittee and finally submitted to TRA for discussion. The new Item 7 was agreed upon with TRA following which the amendment was signed by the Chamber and dispatched to TRA. A Government Notice (GN) which is the instrument for enforcing the amendment is in progress and follow up with TRA and Ministry of Finance is being made.

This is a result of several consultative meetings between the Chamber, Ministry of Energy and Minerals and TRA both in Dar es Salaam and Dodoma.

The Chamber wishes to thank all members who offered suggestions and even logistical support such as airlifting officials to Dodoma to accomplish this important task.

## **EXCISE DUTY ON FUEL**

### **Background**

Under the 2002/2003 budgets the Government has abolished exemptions of Excise duty on fuel enjoyed by mining companies and has instead introduced a pay and refund system whereby eligible companies will be refunded excise duty paid for fuel. The reason being to curb illicit dealings on fuel destined to the mining companies.

The main issue of concern to the Chamber lies in the abolition of exemption of excise duty on fuel by its members and the subsequent imposition of a pay and refund system. The majority of the fuel consumed by the Chamber members who are engaged in mining is through the mining contractors and by the mines themselves to power their power stations and supply fuel to their light vehicle fleets. The major raw material cost for the mining industry is fuel and based on the statistics on the consumption of fuel by Chamber members the new system will certainly result in increase in working capital requirements.

In view of the concerns the Chamber has put forward to the Government the following proposals:

- Consideration be given by the Ministry of Finance to exempt holders of Special Mining Licenses and those who hold Development Agreements with

the Government from the pay and refund system.

- The Chamber members who consume large amounts of fuel to have a fulltime Customs and Excise Employee housed and accommodated at various sites by mining companies to monitor fuel use.
- Data relating to the consumption of fuel by the mining company and its contractors be accumulated and statistics provided to determine areas of leakages / pilferage.
- Posting a bond equivalent to two months fuel consumption.
- Establishing bonded warehouse facilities at mine sites whereby excise duty will be charged on consumption basis.

Whilst the first suggested option is to be considered by Government, the last alternative seem more practical for adoption. The Chamber also made several suggestions to the TRA and the Ministry of Energy and Minerals aimed at minimizing abuse of fuel by unscrupulous mining companies.

## **VAT IMPLICATIONS ON BACKCHARGING ON FUEL AND ABANDONMENT**

### **Background**

It is a common practice for mining companies to employ on site specialized and general contractors to carry out various activities. These contractors charge the mining company for the services they provide. Invariably the mining companies provide goods/services back to the contractor,

fuel being one of the main item supplied to the contractor by the mining companies. The goods and services provided by the mining company to the contractors are recovered by a system known as **back charging**, where the amounts involved are simply deducted from the total charged by the contractor to the mining company for their own services.

The issue here is that although the back charging system is simple to operate and has been used by all large mining companies it is not acceptable in terms of the VAT Act 1997.

Cognizant of these setbacks, efforts have been made by the Chamber to liaise with government ministries through direct meetings. It was agreed that mines affected by VAT assessment in respect of fuel and back charging should apply through the Chamber for **abandonment** of the assessments. All mines have submitted their applications and the Chamber has forwarded them to the Ministry of Finance and follow-up is being made.

All mining companies have agreed not to continue the practice of backcharging.

## **COMPANY PROFILE**

### **EAST AFRICAN GOLD MINES LIMITED**

#### **History**

Afrika Mashariki Gold Mines Limited (AMGM) was incorporated in August 1993. The company was established to acquire tenements in Tanzania prospective for the discovery of gold deposits in the Mara, Musoma and Kilimafedha greenstone belts. AMGM was established by Geoff Stewart. He

initially subscribed the majority of high risk capital for exploration; he later formed a strategic alliance with investors experienced in the mining industry to fund further development. In November 1997, **East African Gold Mines Limited (EAGM)**, a company incorporated in Australia acquired all of the shares in AMGM. Major shareholders in EAGM include Geoff Stewart, CDCD Capital Partners(UK), Anglo American Corporation (South Africa), Goodman & Company (Canada) and Macquarie Bank (Australia).

#### **Objective**

The objectives of East African Gold Mines are to:

- Discover, develop and mine gold deposits in Tanzania
- Add value to shareholders funds invested in the company
- Contribute to the development of Tanzania, the well being of the Tanzanian people and to the preservation of the Tanzanian environment.

## **NEWS FROM THE INDUSTRY**

### ***Resolute (T) Limited wins Environmental Excellence award in Tanzania***

Resolute (T) Limited's commitment to environmental best practice has been recognized with the awarding of the Presidential Award for Environmental Excellence and Leadership for its activities at the Golden Pride mine site in Tanzania.

This is the first year of the award, which is given to the company or business that

has made an outstanding contribution to the environment and social development above and beyond normal legal compliance.

“We are very pleased to receive further recognition for the high environmental standard that we set at our mine operations and be recognized as leaders in the Tanzanian mining industry for social development within the communities surrounding mining operations,” said Resolute Mining Chief executive Officer, Mr. Peter Sullivan.

This award recognizes the high standards which Resolute Mining sets at

its operations and ranks alongside previous achievements which include:

- Golden Gecko award in Australia for activities at Marymia Gold Mine in 1997
- Golden Gecko award in Australia for activities at Marymia Mine in 1998
- Best environmental Control award In Ghana for activities at Obotan Gold Mine by parliamentary Committee on Environment in 1998 and
- The EPA’s Most Environmentally Committed Company in Ghana for activities at the Obotan Gold Mine in 1999.