

TANZANIA CHAMBER OF MINES

**NEWSLETTER
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Inside:

- ❑ **Activities of the Chamber**
- ❑ **News from the industry**

ACTIVITIES OF THE CHAMBER

REPORT ON MINING INDUSTRY ISSUES

The Chamber was involved in consultations with government ministries particularly Ministry of Energy and Minerals and Ministry of Finance in pursuing critical

mining industry issues for consideration in the 2003 / 2004 Government budget. The process involved collection of inputs from members to compilation and discussion in the relevant Subcommittees and finally the Governing Council. In brief the process entailed:

- ❑ Circulation of a letter containing the issues to all members for comment.
- ❑ Comments were compiled, re-circulated to members and finalized.
- ❑ Letter containing the issues was submitted to the Minister of Energy and Minerals.
- ❑ Minister of Energy and Minerals submitted the issues to Minister of Finance since they were mostly tax related.
- ❑ Minister of Finance submitted the issues to the tax task force revenue committee in the ministry of finance for deliberation and resolution.
- ❑ Outcome of the deliberation of the task force was not favourable on the concerns raised by the Chamber.
- ❑ One thorny issue being a proposal to delete item 7 of the Third Schedule Special relief VAT Act 1997 granting special relief to mining, exploration, assaying.

It was pointed out that since the recommendations of the task force would significantly erode fiscal stability agreements the

following action was taken on an urgent basis:

- ❑ TCM Policy committee met deliberated and agreed to meet with the minister of energy and minerals to appraise him of the consequences to the mining industry if the proposals and task force recommendations are adopted.
- ❑ A meeting with the Minister of Energy and Minerals was held which included a VAT Consultant with PricewaterhouseCoopers representing the Chamber. A request was tabled before the minister to request that TCM engages with the tax task force/think tank in the Ministry of Finance to discuss the issues.
- ❑ The PWC consultant was commissioned by the Chamber to prepare a paper focusing on effects to the mining industry if the tax task force recommendations are to be adopted.
- ❑ The paper was prepared and circulated to all members for comment and final document was submitted to the Ministry of Finance.
- ❑ The Chamber also took advantage of the Investors Round Table by availing the paper to senior executives of mining companies through their respective in-country CEOs so that it could form the basis for dialogue during the meeting with H.E. the President of the United Republic.

- ❑ The Chamber also had the opportunity to meet with the Minister of Finance to brief him on the issues at hand and their implications to the mining Industry.

During the budget speech the Minister of Finance proposed the inclusion of contractors in mining industry in the Third Schedule something that was vehemently contested by MPs in the course of the debate. In the end the Minister retracted the proposal and to date the status quo remains.

The Chamber takes the opportunity to express profound appreciation for the inputs from members that enabled this exercise to progress – a clean testimony that the Chamber’s strength lies in its membership.

Presidential Environmental Excellence Award Certificates

Consultation with the Vice Presidents Office – Department of Environment with a view to finalizing the editing of Presidential Environmental award certificates has been in progress.

By the time of compiling this newsletter an official approval of the designs had already been given by the State House. The Certificates are now at the stage of printing.

NEWS FROM THE INDUSTRY

The Mineral Sector Policy of 1997 states in it Vision and Mission Statement that for the next twenty five to thirty years the mineral sector is to have a strong, vibrant, well-organized private sector led large and small scale mining conducted in a safe and environmentally –sound manner;

contributing in excess of 10% of the GDP; a well-developed gemstone cutting and jewellery industry making Tanzania the gemstone center for Africa; and providing dependable employment to Tanzanians.

In support of this initiative AFGEM have issued a statement which is reproduced below:

In his speech on 13 June 2003, the Minister for Finance, Hon. Basil P. Mramba (MP) made clear the Tanzania Government's intention to work towards closing the value gap in the tanzanite industry, by encouraging the development of a sustainable tanzanite cutting and polishing industry in Tanzania.

AFGEM, which has just completed phase 1 of the development of its tanzanite mine in Tanzania, welcomes the principles of the proposed initiative.

"The cutting and polishing industry in Tanzania could certainly be developed if the right conditions are put in place by government", said Ami Mpungwe, Chairman of AFGEM Tanzania. Such conditions may include meaningful regulatory procedures and tax incentives that would allow cutting and polishing factories achieve competitiveness in the highly competitive global environment that characterizes the gemstone industry.

In a meeting in Dar es Salaam tanzanite industry stakeholders were given an opportunity to express their views to government regarding the proposed initiatives. AFGEM, which has always been a committed player in the development, formalization and growth of the global tanzanite industry is encouraged by government's

consultative approach to the process and is strongly in favour of continued consultation and comprehensive analysis of the impact of the initiatives on the industry and the country as a whole.

"We are certain that the government, in close consultation with industry players, will work to ensure that the integrity of the tanzanite industry is protected and the country gets maximum benefits from this unique resource. In that regard, any new initiatives need to be phased in carefully, taking due cognizance of the impact on global tanzanite business, the tanzanite industry in general and Tanzanite." Mpungwe asserts.

The budget, which focuses on raising domestic revenue in an effort to reduce Tanzania's dependence on foreign aid, includes strategies to improve the small business environment and to empower the disadvantages.

AFGEM, who established a cutting and polishing facility in Tanzania a year ago, is encouraged by the reforms for the year ahead. In February this year, AFGEM was granted permission by the South African Reserve bank to dual list onto the Dar es Salaam Stock Exchange ("DSE"). Once the company has received approval from the relevant Tanzanian authorities, shares will be made available to Tanzanian citizens and institutions and AFGEM will become truly Tanzanian.

"We have total confidence in the Tanzanian government's will and ability to protect, nurture and develop its most unique industry", Mpungwe conclude.

**Issued on behalf of The AFGEM
Group on 27 June 2003**

REFLECTIONS ON GEITA GOLD MINE

Anglogold and Ashanti Goldfields Company jointly own Geita Gold mine. The mine was inaugurated in August 2000. It is one of the biggest gold mining operations in Africa. The mine has 9.4 million ounce reserve, a 16 million ounce resource, a 15-year life and a 5.6 Mt per annum plant. At the time of the opening, the mine had around 850 employees, including 370 from the various contractors but the figure has grown to over, 1,800 people. Some 600 are employed directly by GGML and over a thousand by the contractors. GGM has about 50 expatriates.

Geita mine is not linked to the national power grid and has to generate its own power. The mine has its own power station on site with a capacity of 39 MW, although the current demand is 23 MW. The power station is equipped with seven Rolls Royce engines firing on heavy fuel oil or diesel fuel. This asset is managed and operated by Geita Power Ltd, a subsidiary of Rolls Royce power Ventures under a 10 year agreement.

Mining is carried out at Nyankanga pit where most of the mineralisation is hosted in hard, competent basement rocks requiring drilling and blasting. Nyankanga has a life of 10 years. Production in the pit is running at a million bank cubic metres a month.

Nyankanga is supplemented by two other pits; Lone Cone and Kukuluma. The ore mined at

Kukuluma is trucked to the plant at a rate of 5000t/day.

The Australian Company AMS originally handled mining but now it is in the hands of DTP Terrassement. The grade control and exploration drilling is undertaken by Stanley Mining Services while explosives are supplied by AEL.

The ore is treated in a conventional CIL plant designed and constructed by Australian Company Lycopodium the plant was originally designed to treat 4 Mt per annum but last year it was increased to 5.3Mt per annum mainly as result of de-bottlenecking. A secondary crushing circuit has been added and this has upgraded capacity up to 5.7 Mt per annum.

The mine's environmental policies are consistent with the best practice worldwide and the mine has become the first in either Ashanti or Anglogold to achieve ISO 14001 accreditation. Particular environmental concerns are ensuring no pollution of the Mtakuja stream, which runs through the lease area and drains into lake Victoria.

In the field of community relations, Geita Gold Mining and its contractors have made a determined effort to forge effective relationships with local communities and to assist with health, infrastructural, education and business development projects.

The mine also maintains close liaison with the Geita District Council to ensure that the priority projects are identified for assistance. In 2002 US\$ 150,000 was put into community projects by the mine. Geita Gold Mining is participating in a three-year project the African Medical and

Research Foundation (AMREF) designed to minimise the impact of AIDS on the mine. The initiative with AMREF focuses on preventing the escalation of the local epidemic via workplace and community prevention and awareness programmes while also providing care and support for those who are already HIV positive. Geita Gold Mining and its Contractors are providing the funding of US\$325,000.

The news have been adopted from Arthur Tassel's recent report on Tanzania's Mining sector in the African Mining Magazine Vol.8 No.2 of March –April 2003

EAST AFRICAN GOLD MINES RELEASES OUTSTANDING EXPLORATION RESULTS

East African Gold Mines has released what it calls “outstanding exploration results” from North Mara gold project. Drilling at the Gokona deposit indicates 0.7 million-ounce resources and a 0.6 million-ounce reserve (3.3 Mt at 5.5 g/t Au in an open pit) down to 130m. The deposit has potential for depth and eastern extensions, which will be tested by further drilling in April and July. The total resource at North Mara has increased from 3.8 million ounces to 4.4 million ounces and the total reserve from 2.4 million ounces to 2.9 million ounces

GOLDSREAM AND LONMIN IN SECOND PLATINUM JOINT VENTURE 30TH JUNE 2003

Goldstream is pleased to announce that it has signed agreement with Lonmin plc (Lonmin) to further evaluate Goldstream's Luwumbu platinum project in South West Tanzania.

Lonmin is a publicly listed British mining company capitalized at some US \$ 1.8 billion, with its major asset being its

platinum group metals operations in South Africa. Lonmin is the world's third largest primary producer and is the South African platinum industry's lowest cost producer. Lonmin also has exploration projects on three continents.

Under the terms of the agreement Lonmin may earn up to 70% equity in the Luwumbu Area of Interest. Lonmin is committed to expenditure of US \$ 500,000 (AUD\$ 750,000) in the first year, and may earn a 51% controlling interest by within a four (4) year time frame. Lonmin may earn a further 19% equity on the Indicated Mineral Resource within a further two (2) year period. Lonmin has the right to withdraw at any time after the first year commitment.

Goldstream will be the Operator during the exploration phase however; Lonmin may elect to operate at any time. Lonmin will provide technical services to the Joint Venture.

The Luwumbu project covers an area of 5,800 square kilometers and is located in southwest Tanzania. The project area has international road and rail links, and is connected to the state electricity grid.

The area geology comprises an extensive, structurally disrupted, anorthosite complex of Bushveldian age (2.0 billion years) intruded by younger layered mafic bodies Kabanga/Kapalagulu (Mibango) age (1.2 to 1.4 billion years). Both suites intrude basement Paleoproterozoic gneisses at the junction of the Ubendian and Usagaran mobile belts. The combined complexes form a compound layered igneous province extending over 160 kilometres long and 80 kilometres wide.

Fieldwork by Goldstream to date has identified four well-differentiated layered intrusions with associated drainage geochemistry anomalies within the igneous province.

The main focus for the 2003 field programme will be the Nkenja intrusion, with total strike length of about 22 kilometres.

Ultramafic units include dunite, serpentinite and pyroxenite. Chromite occurs as concentrated reefs at several locations. A band of magmatic sulphide-bearing gabbro and pyroxenite about 20 to 30 meters thick has been located in streams draining the intrusion. The presence of magmatic sulphide textures and chromite reefs render this mafic-ultramafic body highly prospective for Platinum Group Element deposits and will be the main exploration target for the 2003 field season.

Fieldwork is currently underway. A detailed aeromagnetic survey will commence in late June. The survey will assist in tracking the chromite stratigraphy. A programme of diamond drilling will follow to test platinum anomalous chromite reefs within the intrusion.

This second Goldstream/Lonmin Joint Venture in Tanzania follows the entry by Lonmin into Goldstream's Mibango Platinum Project in August last year. The total area now covered by the two Joint Ventures is 8,500 square kilometers. Seven well-differentiated layered intrusions have been identified to date within the Joint Venture area. The combined budget for the Mibango and Luwumbu Joint Venture projects for 2003 is US \$ 3.21 million (AUS\$4.8 million) and field programmes for both have commenced.

Managing Director George S. Kenway says, "the Board of Goldstream welcomes the further participation by Lonmin in Goldstream's platinum projects in Tanzania. Goldstream's exploration skills combined with Lonmin's expertise in project evaluation, development and mining, metallurgy, refining and marketing, provide a strong platform to deliver the Joint Venture objectives."