

# TANZANIA CHAMBER OF MINES

NEWSLETTER NO. 26

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## THE CHAIRMAN'S LETTER

*Dear Members,*

*The New Year has just begun and exploration and mining activities are I believe progressing well. As has been the case in the previous years, this year will presumably present new challenges as well as opportunities to our growing industry. I believe by working together through the Chamber we will find viable solutions. I take this opportunity once again to express my sincere appreciation to members of the Executive Council for their continued commitment to the Chamber and for dedicating a lot of their valuable time to the Chamber during the year. I would also like to thank our members for their commitment, support and cooperation throughout the period. The multifaceted activities of the Chamber would not have been implemented had it not been for the diligent work of the secretariat, which is highly commended.*

*May I also take the opportunity to welcome the new Council for 2004 and extend my profound appreciation to outgoing Councillors, Ms. Kathi Clarke who was Chairperson of the Public Relations and Training committee and Mr. Paddy Hoon who served for many years as the Honorary Secretary. Their presence in the Council will greatly be missed. I welcome Mr. Quentin Gray and Mr. Deo Mwanyika onto the Council, they bring a wealth of experience into the Chamber and the same applies to Mr. Tim Baker and Mr. Pierre Louw who are co-opted members. To conclude, let me wish everyone a year filled with success.*

*Hon. Prof. Simon M. Mbilinyi*

*Chairman*

## **NEW GOVERNING COUNCIL**

**The full list of the new Councillors for 2004 are as shown below:**

### **Senior Companies representatives**

1. Mr. Deo Mwanyika
2. Mr. Grant Pierce
3. Mr. Peter Turner
4. Mr. Tony Guthrie

### **Junior Companies representatives**

5. Mr. Joseph Kahama

### **Senior Associates representatives**

6. Mr. John Martin

### **Junior Associates representative**

7. Mr. Quentin Gray

### **Individual Class representatives**

8. Prof. Simon Mbilinyi
9. Mr. Samuel Lwakatare
10. Mr. Rogers Sezinga

### **Co-opted Members**

11. Mr. Tim Baker
12. Mr. Pierre Louw

**The new Council met on 30<sup>th</sup> January 2004 and elected new office Bearers as follows:**

Prof. Simon Mbilinyi	Chairman
Mr. Grant Pierce	Vice Chairman
Mr. Deo Mwanyika	Hon. Secretary
Mr. Pierre Louw	Hon. Treasurer

## **TANZANIA CHAMBER OF MINES 9<sup>th</sup> ANNUAL GENERAL MEETING**

On November 28<sup>th</sup> 2003 the Chamber held its 9<sup>th</sup> Annual General Meeting at the Royal Palm Hotel in Dar es Salaam followed by the annual dinner at the same venue. The turnout of members at both the AGM and dinner was commendable. Members'

participation made the event a success. The Chamber takes this opportunity once again to thank members for their attendance. It is hoped that such cooperation and support would continue in future.

A number of important issues were on the Agenda and the following are the highlights of the AGM.

### **9<sup>th</sup> AGM HIGHLIGHTS**

During the AGM, which brought together chamber members, the Chairman Prof.S. M. Mbilinyi gave a comprehensive report on the chamber activities and achievements during year 2003 and plans for the year 2004. A brief review of the Chairman's report to the annual general Meeting is given below:

#### **Improving the image of the industry**

The Chairman pointed out that one of the major tasks during the year was to educate the public and also to address the negative publicity the mining industry has been subjected to. This was done through educational campaigns by outlining what mining is all about and its benefits to the economy. Activities done in this aspect are as outlined below:

#### **Mines Tour and Seminars for various groups.**

The rapid growth of the mining industry in the last six years has brought criticism that mining may not benefiting the nation. In addressing to these issues, it became necessary for the Chamber to respond in a manner that would bring to light what the industry is doing, what it seeks to achieve and to show the benefits that accrue to the nation. In this direction the Chamber organized two mine tours to Geita and Bulyanhulu Gold Mines and two seminars for various groups including the following: journalists, government officials, members of NGOs, private bodies and academics. The

tour was conducted on 15th October 2003, and a seminar on a seminar on 16<sup>th</sup> October 2003 at the Courtyard Hotel.

The Chamber also organized an exclusive mines tour of MPs on 8<sup>th</sup> November 2003 for both Mines.

The programme culminated in a Seminar that was held at the Parliament in Dodoma on 9<sup>th</sup> November 2003.

The tours and seminars served as an eye opener for the participants most of whom had their first encounter with modern large-scale mining. Papers presented during seminars include economic benefits of new mines and fiscal incentives to the mining sector and Mining legislation.

#### **Negotiations with Ministry of labour Youth Development and Sports on Establishment of TAMICO operations**

As a result of the mining industry in the form of increased mineral exploration activities and the opening of new modern gold mines thus creating employment opportunities for many Tanzanians, the Trade Union – The Tanzania Mines and Construction Workers Union (TAMICO) saw the need to establish Trade Union Branches in the respective mining companies. The Chamber and its members viewed as important that any unionization of mines evolve in an orderly manner. In view with this objective, the Chamber of mines prepared a Code of conduct, which generally aimed at:

- Creating an effective channel for an ongoing dialogue between the parties to protect and advance their mutual interest
- Affirming the principles and values of internationally accepted labour relations and human resource practice in accordance with the International Labour Organization Standards.

- Establishing a procedure for the resolution of disagreements that may arise from time to time

The Code of Conduct formed the basis for discussions through a series of meetings between the Chamber of Mines and the Ministry of Labour Youth and Sports together with TAMICO. The Code of Conduct was signed by two mining Companies with the understanding that they will be followed by an Access Agreement and a Recognition Agreement

#### **Draft Income Tax Act 2003**

The Tanzania Chamber of Mines has shown concern about the likely negative impact that the proposed legislation will have on the industry which might result in a substantial reduction of foreign direct investment in the Tanzanian Mining environment due to the fact that:

- It will make Tanzania an uncompetitive and unattractive destination for foreign investment;
- It will erode investor confidence due to uncertain investment environment and changing fiscal regime.
- It will pose an increased risk environment that will result in shareholder returns that cannot be sustained by mining project economics

#### **Mining Contractors and VAT special relief**

The Chairman reported that the Chamber has been negotiating with the Ministry of Finance and the Tanzania Revenue Authority regarding the inclusion of mining contractors in the VAT Act 1997 Third Schedule Special Relief. The authorities were satisfied with the reasoning behind the Chamber's proposal and the issue was presented in Parliament in July. Unfortunately the proposal had to be retracted due to lack of support from the

Members of Parliament and to date the status quo remains.

**Cooperation with other organizations.**

The Chamber is represented in the following important bodies.

- SEAMIC board of Governors.
- Commercial Court
- Public Expenditure Review Committee
- Small scale mining demonstration plant in Chunya
- Tax Review Task Force
- Mining Industry Association of Southern Africa (MIASA)
- International Council of Mining and Metals (ICMM) through MIASA
- National Employment Council (NEC)
- Tanzania Private sector Foundation (TPSF)
- Tanzania national Business Council (TNBC)

**Chamber's informal Gatherings**

The Chairman pointed out that the cocktail parties have been instrumental in enabling Chamber members to meet informally and get the opportunity to acquaint with senior government officials. During the year the Chamber held four Cocktail parties. Four Companies made presentations. Geita Gold Mine showed efforts being made by the Company in combatting HIV/AIDS. Southern and Eastern Africa Mineral Centre (SEAMIC) presented the services they can offer to the mining industry and similarly for Stanley Mining Services. The University of Dar es Salaam made a presentation on the end use plan of the Golden Pride Mine. Senior Government and public officials attended these events.

**Lake Victoria /Shinyanga Water Supply Scheme**

This project aims at supplying water from Lake Victoria to a number of villages and mines for domestic, industrial and livestock purposes in Shinyanga Region

During a meeting, which was convened on 11th August 2001 by the Prime Minister, emphasis was on the participation of mining companies in the project. The Chamber was asked to make a contribution towards the feasibility study, subsequently a Chamber donation of US\$18,823 was formally presented to the Ministry of water and Livestock Development.

**FUTURE PLANS**

The Chairman said that during 2004 the Chamber will adopt proactive/and or pre-emptive strategies in addressing to critical issues that continue to affect our industry. Efforts will amongst others be directed towards the following:

- Expanding the membership base so as to increase participation in the Chamber by all players in the industry including small scale mining associations
- Continuing to give the necessary priority the subject of improvement of the mining industry's image by improving on the initiatives, which have already started.
- Work towards realization of the second Presidential Environmental Award.
- Participate fully in national economic and social programmes through participation in bodies that the Chamber is continuously invited to attend.
- Continue to lobby for members on issues related to tax legislation and mining legislation that are inclined to negate investments in the mining industry.

## NEWS FROM THE INDUSTRY

### News from Goldstream Mining

According to Goldstream 2003 Annual Report, activities of Goldstream Mining through its Registered Subsidiaries has been doing substantial mineral exploration activities in various parts of Tanzania. The most prominent one being the ongoing exploration work for platinum and other minerals around Mibango in the Kigoma Region.

It has been reported that the exploration programme currently underway at Mibango is designed to test the viability of grade and thickness of the mineralised reefs over the potential report.

Exploration activities undertaken include diamond and air core drilling, mineralogy, petrography, soil and drainage geochemistry, geological mapping and heli-magnetic geophysical survey.

The report also indicates that *Goldstream seeks to develop relationships with communities that are associated with the Company's exploration activities the key considerations being environment, health and safety and community benefits*. The Company maintains the airstrip and roads constructed by the Company assist access and the free movement of the local communities. During the field season employment benefits the local community. Goldstream is also providing opportunities for Tanzanians to develop skills associated with the exploration.

### Gold Fever in Tanzania Development of Tulawaka Gold Mine

Long famous for its superb wildlife, Tanzania is rapidly making a name for itself as an emerging gold producer. Three of the worlds' top five gold groups are operating in Tanzania.

The latest development is the announcements by Canadian heavyweight Barrick Gold Corporation that it is to spend US\$49m on the development of the Tulawaka gold mine, located about 200 km from Barrick's existing Bulyanhulu mine.

Tulawaka is a small but high- grade deposit which hosts an estimated 526000 oz of gold contained in 1.42 Mt of ore at an average grade of 11.54 g/t.

Production is expected to start in the first quarter of 2005 and the mine has an initial estimated life of just four years. It will employ about 300 people for five years, including the construction period. Estimated total cash production costs are just \$175/oz, which provides a potential profit margin of 58% on the current gold price of \$420.

Barrick moved into Tanzania with the purchase of Bulyanhulu, which, in its first full year of operations to the end of December 2002 produced 356,319 Oz of Gold at cash cost of \$185/oz.

Until last year the only other heavy weight gold producer operating in Tanzania was Anglogold which in 2000 bought 50% of Ashanti's Geita Mine for \$205m and is acquiring the rest of the mine through the full merger with Ashanti now underway. Geita produced 579,600 oz of gold during 2002 and a further 427,331 oz in the nine months to the end of September 2003.

Then a third heavyweight- Canada's Placer Dome-moved into Tanzania with the purchase of East African Gold Mines (EAGM) for \$255m in July last year. EAGM owns the North Mara open pit gold mine which was commissioned in September 2002 forecasting it would build up to full output of 220,000 oz/year at a total cost of \$252/oz. Placer Dome expects to push this to 300,000 oz/year for more than 10 years and intends carrying out an extensive exploration

programme for other viable gold deposits on the ground controlled by EAGM, which total about 423 sq.km

The increasing exposure of the world's most important gold groups to Africa is good news. Until recently the big North American Groups were not keen to get involved because of their perceptions of the high political risk involved anywhere on the continent.

***This information has been extracted from  
Brendan Ryan's report in the SA Financial  
Mail of January 16 2004)***

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