

TANZANIA CHAMBER OF MINERALS AND ENERGY

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UPDATE ON INDUSTRY ECONOMIC CONTRIBUTION

Total mineral exports in the year 2005 was US dollars 692.8 compared to just US dollars 16.1 million in 1997 with gold alone rising from US dollars 13.1

million in 1999 to US dollars 639.2 million in 2005.

In 2005, mining companies paid to the Government of Tanzania a total of US dollars 68.9 million in the form of royalties, taxes and other contributions compared to only US dollars 2.15 million US dollars in 1997. From 1997 to 2005, the Government received a total of US dollars 255.5 million in statutory taxes and royalties.

To date mining has created over 8,000 direct jobs. This doesn't include the thousands of jobs created in other sectors as a result of the mining industry. Mining companies are committed to training of Tanzanian citizens in all disciplines, teaching them state of the technology to build a sustainable Tanzanian force and provide careers for graduates from technical schools and universities.

PUBLIC RELATIONS AND MEDIA PLAN

As part of the Chamber's strategic plan to disseminate information on the mining industry, a training workshop for 15 journalists was conducted from 22nd May 2006 to 25th May 2006. Presentations included: mining and what it is all about, touching on operational, technological and fiscal issues. Presentations were also made on the legal and regulatory framework of mining industry

Following the Training Workshop there has been extensive coverage of articles on mining in various print media.

According to the PR and Media plan, after the training workshop, the journalists will be given field assignments to visit the various mining operations to write feature stories and prepare documentaries on several key aspects of the mining industry. Radio and TV will also be employed in this exercise.

MEMBERS' DONATIONS TOWARDS FOOD RELIEF

The Chamber heeded to a call by President Jakaya Kikwete to contribute towards food relief following severe drought that had hit the country.

A cheque for TShs 228,150,000 (US Dollars 190,000) was presented to the Prime Minister on 17th May 2006. The following companies made contributions:

Geita Gold, TanzaniteOne, Bulyanhulu Gold, North Mara Gold, Tulawaka Gold, Resolute Tanzania, Williamson Diamonds, SDV TransAmi, IAM Gold (formerly EAML), Northern Mining &

Consultancy, Caspian Mining, Analabs, SGS Superintendence, Kabanga Nickel Company, Sandvik Mining and Construction, Twigg Gold and African Explosives Ltd. The Chamber wishes to express profound gratitude to companies for coming forward and generously contributing towards such a worthy cause.

MEETING WITH NEW INSPECTOR GENERAL OF POLICE (IGP)

The Chairman Ambassador Ami Mpungwe and Executive Secretary Mr. Emmanuel Jengo had a very fruitful discussion with the IGP Mr. Saidi Mwema on 22nd August 06. The discussion enlightened the Chamber of the vision of a "new" police force; and had the opportunity to brief him of the two meetings that were held last year with the previous administration.

The aim of the meeting was two-fold firstly to pay courtesy, secondly to inform the IGP and solicit his support on a proposed TCME security committee meeting that was held in Mwanza on 25th August 06 involving high level police officials from mining areas to exchange ideas on the state of security in exploration sites and mining operations. The move is geared towards assessment of the obtaining situation and determination of appropriate future actions.

The meeting with the IGP provided an insight of the main thrust of the "new" police force which is fourfold:

- Renewed vigour in combating crime.

- Building trust and confidence with the public
- Modernization of the police force Using information and communications technology in day-to-day operations.
- Improving the working environment: better recruitment procedures, training, and remuneration so as to attract, retain, and motivate the police force.

This, he said would be achieved through allocating adequate financial resources through the government budget. He was impressed by the initiatives of the Chamber and hoped that the meeting would spearhead future open-ended dialogue.

The IGP expressed optimism that with the co-operation of the private sector a lot could be achieved in combating crime. There was brief discussion on an initiative known as Business Against Crime being championed by the CEOs roundtable; he expressed his readiness in supporting and participating in the initiative.

PRESIDENTIAL ENVIRONMENTAL EXCELLENCE AWARD IN MINING (PEEA)

The 2005/06 PEEA certificates that delayed the issuance of the award are now at printing stage. There were some delays caused by bureaucracy within the government. The awards are due for issuance in the near future and those who participated in the last competition would be notified. The 2006/2007 PEEA competition has already been announced through the press and members are

encouraged to participate. The forms indicating intent to participate are to be submitted by 30th September 06 and submission of the report by 20th November 06. The forms and guidelines are available at your zonal and resident mines offices.

CONSULTATION WITH ENGINEERS REGISTRATION BOARD (ERB)

The Chamber made consultations with the ERB regarding registration of engineers in mining operations. The Board pointed out that it is in the process of enforcing the law, something that had not been done for a long time. The matter was also discussed at the recent Education, training and human resources committee of the Chamber where members agreed to observe compliance with the law and extend co-operation with the Board including the recruitment and registration of foreign engineers.

MINING INDUSTRY IMPACT ASSESSMENT

The Chamber has been in consultation with the World Bank with the aim of conducting a study on the impact of mining in the Tanzanian economy. The study would establish to what extent the economy has benefited from mining activities. Consultations between TCME and WBG are still in progress.

MINERAL POLICY REVIEW

TCME and the government through the government negotiating team (GNT) have been involved in consultations regarding mineral policy review whereby the government has been relentlessly proclaiming for a win-win

situation. The talks with the GNT have been going on at both the Chamber and bilateral level where the Chamber's position has been to urge government to maintain Tanzania's competitiveness in attracting FDI into the sector and work towards improving linkages between the industry and the rest of the economy rather than relying on taxation alone. The consultations are still in progress and are expected to be concluded in the near future.

TCME INVOLVEMENT IN LABOUR ECONOMIC AND SOCIAL COUNCIL (LESCO)

The Chamber is a member of LESCO under the Ministry of Labour and Youth development. Mr. Ignas Balyoruguru, the Human Resources Manager of Williamson Diamonds and Chairman of the Chamber's Education, Training and Human Resources committee is the current representative in the LESCO.

The Council comprise sixteen members: The Permanent Secretary and three other members representing the interest of the government; four members representing the interests of employers; four members appointed because of their expertise in labour, economic and social policy formulation. The functions of the Council are to advise the government on measures to promote economic growth and social equity; economic and social policy; any significant changes to social and economic policy before it is submitted to cabinet; the promotion of a coordinated policy labour, economic and social matters and to generally advise the Minister on local and international issues as they relate to labour matters. The Council meets at least thrice a calendar year.

TCME CHAIRMAN OPENS MADINI INSTITUTE CURRICULUM DEVELOPMENT WORKSHOP

Ambassador Ami Mpungwe, Chairman of the TCME on 16th June 2006 was invited as guest of honour to open the Madini Institute in Mwanza. The workshop was designed to give an opportunity to all the stakeholders to deliberate on a proposed Madini Institute curriculum. He urged the participants to indulge in a very critical and in-depth manner, with the view to ensuring that, the final product merits its relevance and practical application to the extent it can be used in providing the requisite skills and appropriate knowledge that is needed by the fast growing mining industry.

He said, it was his expectation as well as all stakeholders that the workshop will ultimately come out with an improved curriculum that can be used to train technical personnel commensurate with the requirements of the mineral sector for many years to come.

Furthermore, he challenged the participants to focus on the dire need to empower the students in a manner that, at the end of their various training programmes, they are able to become entrepreneurs in their own right and be able to participate in organized and formalised small and medium scale mining and beneficiation activities which are currently in a serious state of underdevelopment. "A deliberate and specific focus on the training and skills needs and requirements of the small scale miners will be of substantial benefits to our economy," he said

In addition he said, let it be known that, the entire reputation, relevance, legitimacy and performance of the Madini Institute, now and in the future, will very much depend on the depth and quality that will come out of the workshop. TCME, Madini Institute and our members have been collaborating over the years in curriculum development and field placements for students in various mines.

TCME REPRESENTATIVE IN THE ASSOCIATION OF TANZANIA EMPLOYERS (ATE)

Mr. Abraham Materu, the HR manager for Geita Gold Mining, Ms. Barbara Womersley HR Manager of Barrick North Mara Gold and Ms. Jean Milliken HR Manager of Kabanga Nickel have been nominated by the Education Training and Human Resources committee to be the Chairperson Vice Chairperson and member respectively of ATE Mining division.

Mr. Materu said that this is a good opportunity for presenting mining views as they relate to labour issues, problems and recommendations on the way forward on Human Resources, training labour Laws and issues which need to be resolved properly.

NEWS FROM THE INDUSTRY

SAFETYWATCH

EARTHMOVING VEHICLES TYRES

Mines are using vehicles with pre-filled substances in the tyres. The tyres, which

are solid, have the following hidden hazards. The moment when the tyre is reverted back to a normal tyre that needs to be inflated by air or nitrogen the danger could exist that the bead seats and lock rings have been cracked and could come loose and create a very dangerous condition.

When reverting back to normal operations use an overhauled or new rim with new lock rings and bead seats.

CAUSES OF SCRAPER WINCHES ACCIDENTS

An investigation was conducted by SIMRAC, project SIM 030501 into winch related accidents and revealed that winch operators, stope workers, general miners, shift bosses and drillers are prone to scraper winch accidents, in that order.

In addition, most injuries occurred at the beginning of the morning shift when most workers are in groups. Occupational and fatal accidents occurred mostly during night shifts when there was absence of supervision, loss of concentration and awareness amongst workers.

Principal causes of the scraper winch accidents in relation to the workers were due to poor adherence to standards and procedures lack of training and its practical application to the actual working environment, poor hazard identification skills and perceptions of risks.

An underground visit and interviews with mine personnel were conducted with mine management and operations of scraper winch systems to identify

practices and causes of accidents. The main finding of the underground observations was that rigging, signalling devices and winches being started without warning were identified as the main or significant hazards.

A health and safety risk assessment was conducted with respect to design, installation and operation of winch systems. The risk assessment confirmed hazards such as being struck by a winch, during transportation, installation, operation or removal of ropes, scoops, snatch blocks, punctured by rope strands and entanglements. The risk assessments identified significant shortcomings in scraper control measures, limitations in rules and standard procedures, lack of training, lack of routine inspections, and inadequate communication systems.

Overall the research work indicates that scraper winch accidents are primarily a managerial and operational issue.

A great deal of further effort is directed at changing peoples attitudes to risk identification and hazard recognition, appropriate training, adherence to mine standards, as well as management and supervision of scraper winch systems is required. Mines must continue to be diligent to ensure that standards are implemented and enforced. Furthermore, risk assessments need to be integrated with the mine standards.

From the TCME Environment Occupational Health & Safety Committee

**XSTRATA ASSUMES FULL
MANAGEMENT CONTROL OF
FALCONBRIDGE**

Xstrata emerges from the acquisition of Falconbridge as a new global mining supermajor, the fifth largest diversified mining company in the world, with an outstanding portfolio of cash generative operations, promising growth projects and the financial flexibility to realize the Group's potential to create further value for all stakeholders, both existing and new. Xstrata is responsible for the Kabanga Nickel project together with Barrick gold Tanzania.

Press release

Xstrata has on 21 August 2006 assumed full management control of Falconbridge Limited, creating a new major mining group with top five industry positions in copper, thermal and coking coal, ferrochrome, zinc, nickel and vanadium, a smaller but profitable aluminium business, recycling facilities, additional exposures to gold, lead and silver and a suite of global technologies, many of which are industry leaders. The enlarged Xstrata's operations and projects span 18 countries: Argentina, Australia, Brazil, Canada, Chile, Colombia, the Dominican Republic, Germany, Jamaica, New Caledonia, Norway, Papua New Guinea, Peru, South Africa, Spain, **Tanzania**, the USA and the UK.

Ian Pearce, formerly Chief Operating Officer of Falconbridge Limited, has been appointed as Chief Executive Officer Xstrata Nickel, based in Toronto, and is responsible for the Xstrata Group's nickel operations and projects worldwide. In his introductory letter to the Chamber he said, "I am excited by the opportunities before me and encouraged by the great potential to create value for all our stakeholders in the future".

Source: Xstrata website

SHANTA GOLD

Shanta Gold Limited is an exciting new gold exploration and development Company, focused on one of Africa's most significant gold-producing regions, Tanzania. Established in 2001. It is an active member of the Chamber

Shanta Gold is engaged in exploration for and development of multi-million ounce gold deposits through grass roots exploration in highly prospective under-explored areas in Tanzania. The Company was admitted to the London Stock Exchange's Alternative Investment market (AIM) on 11 July 2005. The Company raised Pounds 3,486 million (net of expenses) through the placement of 17 224 735 ordinary shares of 25p per share. At listing the company's market capitalization amounted to Pounds 15.5 million, and in only six months has increased to Pounds 24.3 million.

The following are the projects:

Mgusu

Mgusu is an advanced gold exploration project located in the Geita Greenstone belt in northern Tanzania, just 14 kilometres west of the Geita gold mine. It is estimated that the Mgusu deposit contains a total resource of 741,000 ounces of gold at 3,7g/t.

Shanta Gold has planned an initial drill programme of 8,800 metres of drilling (5,200 metres of diamond drilling and 3,600 metres of reverse circulation drilling) in the current year. A second phase programme is planned thereafter, during which time a feasibility study will be undertaken. Expenditure of US \$ 1.1 million is planned for 2006.

Singida

An initial 12 month exploration programme covering the area of 2,954km across 24 prospecting licences in central Tanzania is nearing completion. Anomalous gold concentrations have been recorded at several locations along a 5 km NW-SE aligned shear zone with a 1,500 metre section containing levels above 100 parts per billion (ppb). Gold concentrations in the core of the anomaly, which is up to 400 metres wide, range between 200 ppb and 1225 ppb gold. Planned expenditure on this prospect for 2006 is US \$ 1.3 million.

Simba Nguru

This project is located 120 kilometres south-west of the capital city Dodoma in central Tanzania. Shanta Gold commenced exploration in 2003, carrying out mapping, rock sampling and airborne geophysical survey, with promising results achieved. Further work is now required to establish the grade and extent of mineralisation. Simba Nguru has the potential to contain in excess of 300,000 ounces of gold.

Shanta Gold has planned an initial drill programme of 3,000 metres, and a further 5,000 metres dependent on initial results, planned expenditure on the Simba Nguru project is US \$ 0.175 million in 2006.

Musoma District

Shanta Gold has three projects in the Musoma Greenstone Belt-Katario, Ikungu and Suguti – all within 25 kilometres of each other.

Tarime Joint Venture

The Tarime project is located 4 kilometres north-west of the Nyabigena and Gokona open pits at Barrick's North Mara gold mine. Shanta Gold Completed preliminary geological mapping and sampling in September 2003. In August 2004 Shanta Gold entered into a joint venture agreement under which Placer Dome Exploration Limited was granted an option to earn an 80% beneficial interest in the project, on incurring exploration expenditure of US \$ 0.5 million within a four-year period, commencing in August 2006

Source: Shantagold website

Songea

Shanta Gold has been granted four prospecting licences covering 250km² and has applied for a further 11 prospecting licences in the Songea district in southern Tanzania. There is a history of artisanal gold mining in the district, and the properties were selected on the basis of previously known gold occurrences and regional aeromagnetic anomalies. Shanta Gold plans to complete its first phase geological reconnaissance in the area shortly. Planned expenditure at the Songea project is US 0.1 million in 2006.

Chunya

Shanta Gold has recently been issued with four prospecting licences covering 427km² in the Chunya district, one of which is located in the highly prospective Lupa district. Shanta has applied for a further five licences in this area. A first phase programme of geological mapping, stream sediment and soil sampling is planned to determine the potential of each claim area. Expenditure of US \$ 0.1 million is planned in 2006.