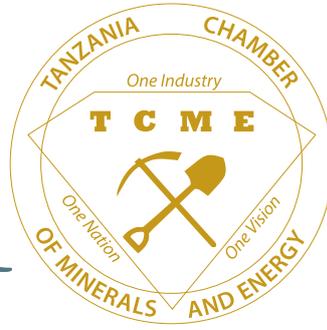


# PAMOJA

TANZANIA EXTRACTIVE INDUSTRY UPDATE



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Newsletter edited by [africapractice](http://africapractice.com) Tanzania Ltd - 1PO Box 106173 - Plot 34a, Winding Avenue - Oyster Bay - Dar es Salaam, Tanzania - +255 (0)222 668 389

PAMOJA is free and those interested in receiving the monthly update are invited to register by simply sending an email with their full name, job title and email address to: [info@tcme.or.tz](mailto:info@tcme.or.tz)

We also welcome your comments, queries and any suggestions on how we can further improve PAMOJA.

## About us

Established in 1994, the Tanzania Chamber of Minerals and Energy represents the interests of its members in the Tanzanian mineral sector. Acting as a voice for the industry the Chamber plays a pivotal role within the sector as a mediator between the mining investment community and key stakeholders, most notably the Government of Tanzania and the public.

With close to 60 members the Chamber represents a broad spectrum of relevant players in the mining industry, including small-scale miners, individuals, service providers, and international mining companies of all sizes who have identified Tanzania as a worthwhile place to invest their money. These companies are carrying out a range of activities within the mining sector from exploration to production.

## Industry Insights

With the recent budget announcement of Honourable Professor Sospeter Muhongo, Minister for Energy and Minerals, it is timely to discuss the importance of mining and the extractive industries to the economy and highlight some of the challenges the minerals industry is facing. Mining picked up in Tanzania after the economic reforms in the 1990s, from no commercial mines at the end of the decade, it reached a high point of six large scale modern gold mines, two commercial diamond

mines and one commercial Tanzanite mine in 2009. Since then two of the gold mines have commenced on their closure plans, some existing mines are looking for optimal growth within resource base and there are prospects for new large scale and medium-size mines for various minerals. In 1997 annual mineral production in Tanzania was just over US\$ 16 million (representing 1.7% of GDP), while in 2012 production passed US\$ 2 billion (representing 3.7 per cent

of GDP, a huge leap given Tanzania's consistently growing economy). Importantly between 1997 and 2012 the mining industry has made substantial contributions to Tanzanian economy, for example between 2000 and 2012 the country's total export merchandise grew five-fold reaching a peak of US\$ 5.2 billion in 2012. This annual rapid growth of 15 per cent per annum was largely concentrated on gold which accounted for over 40 per cent of the total merchandise export during this period.●●●

••• Other contributions are both as well as indirectly, through salaries, procurement and infrastructure development. Royalties, taxes, and other payments to the government from TCME member companies between 1997 and 2012 was US\$ 1.4 billion; the mining sector procured over US\$ 2.5 billion in goods and services from companies within Tanzania, and salaries paid to Tanzanian workers exceeded US\$ 713 million. Similarly, employment rose from 1,900 in 1997 to over 15,000 in 2012.

Mining is a long term investment with significantly high risk, meaning that profit is far from guaranteed. It took eleven years for one of our members, AngloGold Ashanti, operators of Geita Gold, before their mine made any profit (during which time the Government had received over US\$ 300 million in direct contributions via taxes and royalties).

Profitability in the Tanzanian gold sector is not easy, while many focus on the price of gold, few take note of the cost of mining precious

metal. On average, Africa is the most expensive continent to mine gold in the world with Tanzania being the most expensive in Africa. Issues such as cost of power, security, supply chain logistics and taxation push gold production costs in the country to over US\$ 1000 per ounce, and, in some mines, to over US\$ 1100 per ounce. With gold price falling to almost US\$ 1300 per ounce, profit margins are significantly threatened. Besides gold, other mineral commodities under intensive exploration in the country have not been that bullish, hence greatly impacting on investment decisions. When a mine can take ten years or more to reach profitability, understanding the long term business environment is vital. Under the prevailing situation it is important to realize that Stability of agreements with stakeholders is crucial, as is the sanctity of those agreements.

Infrastructure remains a key challenge for countries in the region including Tanzania. However, the mining sector is a key catalyst in infrastructure

development. The nature of mining investments and where deposits are found has almost always resulted in speeding up the delivery of key infrastructure like water, roads, electricity, schools and health centres. It should be taken into consideration that this can only be made possible in a supportive regulatory environment that enables the business to build a cushion within its operating margins in order to finance projects that enables its operations while concurrently benefiting the community.

As an industry we are committed to working hand in hand with the Government and wananchi to achieve Tanzania's Development Vision 2025. TCME hopes that it can work with all stakeholders to ensure that Tanzania remains a hospitable place to do business and specifically suggests all parties recognise Vision 2025's assertion that the country must "ensure stability, continuity and predictability of the environment in which economic decisions are made"



## News from Tanzania's Minerals and Energy Industry

### **Firm strikes new graphite zone in Nachingwea**

*allAfrica, 6 June 2013*

A new graphite zone has been discovered by Uranex Limited at Nachu Tenement, 40 kilometres from Syrah's Nachingwea graphite deposit in Mtwara.

[Full Story](#)

### **Small scale miners seek partnerships**

*The Citizen, 11 June 2013*

The Buziba Gold Mine has called on investors to partner with them in extracting gold at their poorly-equipped mine.

[Full Story](#)

### **Government paid Sh20 billion by oil and gas firms**

*The Citizen, 12 June 2013*

The Ministry of Energy and Minerals announced a total collection of Tsh19.88 billion from 25 oil mining and exploration companies operating in the country.

[Full Story](#)

### **Deals avoid issues like the environment, informed consent, and democracy**

*Straight Good News, 13 June 2013*

Canada plans to work with governments, civil society and companies, in collaboration with other G-8 countries, in both Tanzania and Peru to improve regulatory oversight, tax and audit coordination, and the management of royalties collected by local and regional governments from oil, gas and mining companies.

[Full Story](#)

### **Uranium mining in Tanzania**

*AfriqueJet, 8 June 2013*

The European Union pledged its support to uranium mining in Tanzania after being convinced by the manner in which the country regulates its international safety standards.

[Full Story](#)

### **Zanzibar reinforces oil sector**

*The Daily News, 12 June 2013*

Tanzania's mining industry is envisaged to double in value of the sector to US\$ 1.28 billion from US\$ 0.64 billion between 2010 and 2015, thanks to major foreign investors.

[Full Story](#)

### **Tanzania's mining industry to hit US\$ 1.3 billion by 2015**

*allAfrica, 12 June 2013*

Tanzania's mining industry is envisaged to double in value of the sector to US\$ 1.28 billion from US\$ 0.64 billion between 2010 and 2015, thanks to major foreign investors.

[Full Story](#)

### **Tanzania Chamber of Minerals and Energy challenges media to promote country's image**

*The Daily News, 14 June, 2013*

Tanzanian journalists have been urged by the Tanzania Chamber of Minerals and Energy to portray the good image of the country and stop with misleading reporting tendencies.

[Full Story](#)

## Dar es Salaam readies to tap oil, gas finds

*The Daily News, 17 June 2013*

Tanzania has expressed its plans to make capacity building a priority to ensure effective utilization of oil and gas reserves in the country.

[Full Story](#)

## Gold exports dwindle, rake in US\$ 2 billion

*The Daily News, 17 June 2013*

Gold exports dropped for another year after sales abroad dropped to 37 metric tons in the year ended April 2013, from the preceding year's 39.3 tons. [Full Story](#)

## Review Tanzania Minerals Audit Agency role, government urged

*allAfrica, 19 June 2013*

Mr. Dalaly Peter Kafumu, a former commissioner of minerals, urged the government to review Tanzania Mineral Audit Agency's mandate and responsibilities arguing that they overlap with other institutions, such as the Tanzania Revenue Authority and the office of the Controller and Auditor General. [Full Story](#)

## Muhongo mulls Tanzania Petroleum Development Corporation, Ophir Energy deal

*The Daily News, 20 June 2013*

Ministry of Energy and Minerals has commenced discussions with Ophir Energy Plc regarding a planned joint venture between the London based firm and TPDC in upstream oil and gas exploration. [Full Story](#)

## Geita Gold Mine (GGM) keen on expanding business

*The Daily News, 17 June 2013*

GGM, owned by AngloGold Ashanti plans to expand exploration by pumping into its operations Tsh 478.6 billion (US\$ 300 million).

[Full Story](#)

## Mineral smuggling subjects Dar es Salaam to substantial loss in uncollected tax

*The Daily news, 18 June 2013*

Tanzania Minerals Audit Agency has called for stakeholders to assist the government in curbing rampant mineral smuggling by small and medium miners in the country. [Full Story](#)

## Tanzania's first uranium mine under pressure

*Mining.com, 20 June 2013*

Mkuju River uranium project is reported to be behind schedule due to pending issues yet to be agreed between the government and the investor. [Full Story](#)

## Deal sealed for gas power plant

*The Daily News, 21 June 2013*

General Electric and Symbion Power Tanzania signed a cooperation agreement for the development of 400MW gas fired power plant in Mtwara expected to commence early next year.

[Full Story](#)

## Government decides to own shares in mining

*The Citizen, 22 June 2013*

The government outlined its plans of owning shares in new mining, gas and oil ventures arguing that the move will enhance transparency and revenue collection from the sector.

[Full Story](#)

## University of Dar es Salaam in pact to increase oil, gas expertise

*The Daily News, 24 June 2013*

In the quest to increase oil and gas industry expertise in the country, General Electric, a United States conglomerate, and University of Dar es Salaam have signed Letters of Intent (LOI) expected to increase human capital in the sector.

[Full Story](#)

## Mining sector off-2025 goal, says Chamber

*The Citizen, 24 June 2013*

African Barrick Gold's Vice President for Corporate Affairs, Deo Mwanyika, expressed his concerns regarding the possibility of the mining sector to contribute 10 per cent of the Tanzania's GDP in the quest to achieve the 2025 vision.

[Full Story](#)

## 10 students join oil, gas studies scheme

*The Daily News, 25 June 2013*

Swala Oil and Gas Tanzania announced a scholarship scheme through the Department of Geology at the University of Dar es Salaam providing ten university students with an opportunity of fulfil their dreams of being part and parcel of the oil and gas exploration fray.

[Full Story](#)

## Tanga most likely to join gas, oil producers club soon

*allAfrica, 23 June 2013*

Afren East Africa Exploration expects to commence exploration in January 2014 in Tanga, after conducting studies in the region for the last three years. The move has the possibility of seeing the region joining the oil and gas producers club should efforts to set up an exploration block next year strike any of the two resources.

[Full Story](#)

## Mining giant injects 1trn/- in local economy

*The Daily News, 24 June 2013*

African Barrick Gold contribution to the country's economy has increased to US\$ 700 million (over 1 trillion/-) in 2012 compared to 2011's US\$ 600 million (over Tsh 900 billion). [Full Story](#)

## The Incredible Shrinking Mining Sector

*The Motley Fool, June 25 2013*

As prices for gold, silver, copper, uranium, and iron ore continue to fall, miners are increasingly turning to layoffs to help meet the need to contain costs.

[Full Story](#)

## Richland Resources severely affected by illegal mining

*Proactiveinvestors, 27 June 2013*

Illegal mining took a heavy toll on Richland Resources' (LON:RLD) tanzanite operation over the past twelve months and has also badly hit the current year, it warned. Neighbouring miners tunnelling into Richland's operations put restrictions on where the company could operate as well as leading to the loss of a significant amount of high grade tanzanite.

[Full Story](#)



## Upcoming Events

### **Africa Mining Investment & Development Summit 2013**

*09 - 11 July 2013 - Holiday Inn Accra Airport, Accra, Ghana*

The summit is expected to provide insights from various stakeholders, with an extensive understanding of the mining and investment potential of Africa, similarly the conference will seek to resolve challenges and barriers, and provide a platform to learn from the Africa mining industry's pioneers and new entrants.

*[Visit the event website](#)*

### **Tanzania Oil and Gas Suppliers Conference (TOGSC)**

*25 - 26 July 2013 - Hyatt Regency Kilimanjaro, Dar es Salaam, Tanzania*

The conference cum exhibition is expected to bring together key players from the value chain together with industry stakeholders to discuss the various opportunities offered in the East African. TOGSC expects to incorporate suppliers within the oil and gas industry in a strategic event considering the recently discovered large and world class deposits of oil and gas in Mtwara and Lindi, Tanzania.

*[Visit the event website](#)*

### **Southern Africa Mining Summit 2013**

*05 - 06 September 2013 - Cape Town, South Africa*

The summit expects to feature a streamed conference that will enable local and international stakeholders discover the latest strategies and opportunities in South Africa. Attendees will benefit from the latest information on mining projects, exploration opportunities and investment across Southern Africa.

*[Visit the event website](#)*

### **Zimbabwe Mining Indaba, Harare International Conference Centre**

*11 - 13 September 2013 - Harare International Conference Centre, Harare, Zimbabwe*

Zimbabwe Mining Indaba is expected to provide a platform for showcasing investment opportunities in the Zimbabwe's mining sector and provide visitors with an opportunity to get their project on the radar of global mining investors. The conference is expected to bring together Private Equity Funds and Fund Managers from Africa, USA, Europe, Australia and around the globe, Construction and Infrastructure Companies, Government Officials from across Africa and more.

*[Visit the event website](#)*

## **6<sup>th</sup> West & Central Africa Mining Summit & Expo**

*17 - 18 September 2013 - Accra International Conference Centre, Accra, Ghana*

West and Central Africa Mining unites mining companies with investors and government officials to explore the latest projects and development opportunities across the West & Central African region.

*Visit the event website*

## **The 2<sup>nd</sup> Tanzania Mining, Energy/Power & Infrastructure Indaba - 2013**

*02 - 04 October 2013 - Mwalimu Nyerere International Convention Centre, Dar es Salaam, Tanzania*

The summit is expected to bring together stakeholders in the industry to discuss the challenges and prospects of extractive industries development and harnessing their potentials, capacity building and awareness raising. The summit also expects to cover technological issues in upstream, midstream and downstream, business taxation and finance and also discuss on institutional, policy, legal and regulatory framework. *Visit the event website*

