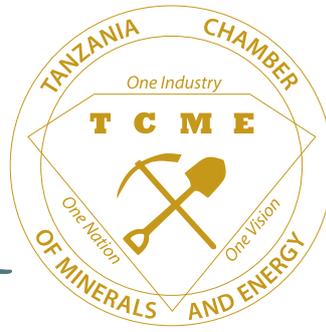


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TANZANIA EXTRACTIVE INDUSTRY UPDATE

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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 gold prices falling in June to around \$1,200 an ounce for the first time since 2010, and currently hovering at around \$1,300 an ounce, this year has become difficult for gold miners globally. Indeed, in Tanzania, our gold mining industry has been hit hard. The story is complex with mining firms facing losses and worse as they react to the current prices in a high cost environment. Importantly, while gold prices have risen considerably over the last decade, so too have mining costs and tax burdens. In the last few years' steel, diesel and labour - all vital inputs - have each increased dramatically. While the Tanzanian government forcefully, and contrary to contractual obligations, raised gold royalties

for established investors by 33% (from three percentage points to four) and is now giving mixed messages on VAT relief status, confusing accounting, slowing cash flow and, again, going against contractual obligations. The Tanzania Revenue Authority now owes several millions of dollars to mining firms in VAT refunds, damaging confidence in investing in the country and placing heavy burdens on firms already operating in here. On the exploration front, the situation is exacerbated by punitive increases in mineral rights fees and rents. Such a business environment goes a long way to damaging confidence in the country and places a heavy burden on firms already operating here.

The cost of producing an ounce of gold in Tanzania's larger mines now ranges from \$1,100 - \$1,250. With a price hovering at around \$1,300 and forecasted by Goldman Sachs, amongst others, to fall further, it is clear that incomes barely exceed costs, and in some cases mines have become totally unprofitable.

Average costs of production needn't be so high. Across Africa the average cost is \$957 an ounce, while Asia and South America come in at \$824 and \$710 respectively. In North America, the cheapest continent to mine gold, it costs just \$598 an ounce. When you take into account these figures, it's clear to see why small mining firms in Tanzania, ●●●

••• and across Africa, are struggling to secure financing and larger firms are scaling back plans, and implementing cost cutting measures.

Why are costs so high in Africa and Tanzania in particular? It is attributed to a variety of factors but a quick summary of some of the top internationally uncompetitive costs in Tanzania would include logistics, fuel and security. Importing of equipment and goods is a slow and expensive process in Tanzanian's inefficient transport network. Reliance on heavy fuel electricity generation is prevalent as mines are often off TANESCO, or the service is unreliable, requiring generator back up. Many mines in Tanzania have witnessed years of invasions by criminals, diesel theft and other illegal activities on their sites; the expense of protecting even basic operations is high.

With such overwhelming burdens shouldered by the companies, it is imperative for the powers that be to desist from adding salt to injury, by helping to bring costs down. Bringing costs down is not just to protect profit making for investors but, crucially, it protects jobs, tax revenues and significant multiplier effects in the economy. The scale of these links is huge. For example, between 2000 and 2012, AngloGold Ashanti, owners and operators of Geita Gold Mine, paid nearly \$500 million in taxes, royalties and other contributions to the Government of Tanzania. In the same period the investment has only generated \$200 million profit for the firm.

That doesn't even take into account the thousands of Tanzanian's employed and the many businesses that survive in and around the mine site. Tanzania Chamber of Minerals and Energy figures show that procurement spending in Tanzania by mining companies between 1997 and 2012 was over \$2.6 billion; local salaries over \$700 million; training of Tanzanian employees over \$40 million and corporate social investment over \$50 million. Each of these items increases money supply and brings vital skills into Tanzanian communities, supporting tens of thousands of livelihoods and families across the country.

All stakeholders have a responsibility to work together in protecting the Tanzanian business environment. The industry must ensure that it behaves responsibly, and considers the environment and social impacts of its work. The government needs to take a long term view of balancing revenue generation with sustaining industries, short term thinking now can massively damage long term prospects. The police have to be supported in their efforts in ensuring that mine sites are not targeted by criminals, security costs can be enormous. Our ports must reduce inefficiencies. The Ministry of Energy and Minerals and President's Delivery Unit need to achieve the Big Results Now targets, which promises to eliminate the problem of electricity shortages and other impediments to economic development.

Over the last 20 years, many of the policies that have been put in place have produced very encouraging results, with the mining sector growing from almost nothing in the 1990s, to a major section of the economy in the 2000s. The main challenge therefore is to ensure that we maintain and improve the mineral investment momentum; with the overall aim of increasing the mining sector's contribution to GDP from 3.7% to 10% by the year 2025, in line with the Mineral Sector Policy. To achieve this, a stable fiscal regime needs to be maintained. Undue revision of incentives to the industry has adverse and possibly irreversible negative effects on future mineral investments.

Tanzania, being in its nascent stage in mineral development compared to many countries in the continent, needs to continue establishing a good track record and building investor confidence internationally. This will help in attracting investors in developing other known mineral deposits such as nickel, uranium, kaolin, soda ash, coal, and platinum, eventually turning these latent resources into wealth for the benefit of the nation.

We must each realise that only together can the long term benefits of a successful mining industry be ensured. Mining is a long term industry bringing long term benefits, to succeed this requires long term commitments from investors, governments and societies.



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## News from Tanzania's Minerals and Energy Industry

### Tanzanian projects take centre stage for Kibo

*bdlive.com, 2 July 2013*

When releasing the company's results for the 15 months to December, Kibo Mining announced its intentions to prioritise gold and coal exploration projects in Tanzania.

[Full Story](#)

### Tanzania illegal miners disrupt Geita Gold Mine

*4traders, 2 July 2013*

According to the company's management, Geita Gold Mine (GGM) is the latest site to be hit by a surge in illegal mining activities in the country with the company's mine security and police apprehending more than 1,000 illegal miners within GGM's license areas this year.

[Full Story](#)

### Spearheading development through Geological Survey of Tanzania research plans

*allAfrica, 6 July 2013*

By the year 2025, Tanzania is expected to be among the fastest growing economies in the world, due to further developments in the oil and gas sectors.

[Full Story](#)

### Tanzania: Government draws up strategy for small scale miners

*allAfrica, 8 July 2013*

The government through State Mining Corporation (STAMICO) has embarked on a series of programmes to educate and support small scale miners across the country.

[Full Story](#)

### International experts warn African nations against rushed oil and gas contracts

*allAfrica, 2 July 2013*

African governments have been urged to refrain from endorsing oil and gas extraction projects before establishing a strong regulatory framework with honest and competent accountants and auditors.

[Full Story](#)

### Tanzania revises up coal reserves to as much as five billion tonnes

*Reuters, 3 July 2013*

Energy and Minerals Minister, Sospeter Muhongo confirmed that Tanzania has coal reserves of up to five billion tonnes, more than thrice its previously stated figure of about 1.5 billion tonnes.

[Full Story](#)

### Five killed in Tanzania tanzanite mine collapse

*China Daily, 8 July 2013*

Manyara Regional commander, Akili Mwapwa confirmed that at least five people were killed and one severely injured in a tanzanite mine collapse in Mererani area, northern Tanzania.

[Full Story](#)

### Tanzania police swoops on gold mine trespassers

*allAfrica, 9 July 2013*

Tanzania police swooped on groups of illegal miners that were attempting to steal waste rock and diesel at Geita Gold Mine.

[Full Story](#)

## Tax reform is the backbone of fairer mining deals in Tanzania

*Industrial Minerals, 11 July 2013*

Tanzania's has proved its intentions to reform with the tax and legislative systems for the mining industry with the government announcing that all mining companies will be obliged to list on the Dar es Salaam Stock Exchange, and that tax exemptions allowed to resource firms are set to be reviewed.

[Full Story](#)

## Government loan out Tsh6.4 billion for small-scale miners via Tanzania Investment Bank

*The Guardian, 13 July 2013*

The Government through the Tanzania Investment Bank has allocated Tsh6.4 billion in subsidies for small-scale miners to help improve artisanal and small-scale mining activities.

[Full Story](#)

## Montero Mining makes big move towards grant of mining license as massive rare earth project draws investor interest

*Proactiveinvestors.com, 15 July 2013*

Montero Mining and Exploration, a junior explorer, has received an environmental impact assessment (EIA) certificate, towards securing a mining license for its Wigu Hill project in Tanzania.

[Full Story](#)

## Tanzania extends Afren's oil/gas exploration licence

*Reuters, 17 July 2013*

The Tanzanian government has extended an oil and gas exploration licence to Afren that owns 74 percent interest, in the Tanga Block located offshore and onshore north-east Tanzania.

[Full Story](#)

## Red tape 'fails artisanal miners'

*The Citizen, 11 July 2013*

Speaking at three day training course for Sothern Zone miners, Mr. John Shija explained that poor response and lack of cooperation from mining officers were among the main obstacles for the development of the sector.

[Full Story](#)

## Mining in Tanzania under the spotlight

*Mining Weekly, 13 July 2013*

With production at Russian company Atomredmetzoloto (ARMZ) Uranium Holding's Mkuju River mine, in Tanzania, imminent, the country's mining sector is entering a new phase in which its gold output is increasingly balanced by a more diverse mining portfolio.

[Full Story](#)

## Oil, gas discoveries boost FDI's to Dar, Kampala

*allAfrica.com, 16 July 2013*

With the ongoing oil and gas discoveries, Tanzania and Uganda have managed to record an increase in foreign direct investments (FDIs) for 2012 against the global trend that saw investment inflows declining.

[Full Story](#)

## Natural gas extracting firms contribute Tsh321 billion in VAT

*The Daily News, 20 July 2013*

In the past seven years, the government has collected over Tsh321 billion in value added tax (VAT) from natural gas extraction companies and manufacturers using the resource.

[Full Story](#)

## Beyond taxes and royalties: Mining sector's true benefits to Tanzania

*The Guardian, 20 July 2013*

Mining contributes considerably to the Tanzanian economy through employment, supplier contracts, investments, payment of government taxes and multiplier effects from business linkages to other sectors.

[Full Story](#)

## Ministry seeks community benefits accounting from gas, oil firms

*The Guardian, 21 July 2013*

The government has directed gas exploration and extraction companies to submit reports showing how the surrounding communities benefit from their operations.

[Full Story](#)

## Richland Resources employee shot dead by illegal miners

*Proactiveinvestors.com, 21 July 2013*

TanzaniteOne Mining, a subsidiary of Richland Resources announced that one of its employees was shot dead by illegal miners in Tanzania on July 21.

[Full Story](#)

## Tanzania to construct new coal rail link from Southern Tanzania

*CoalGuru.com, 26 July 2013*

Tanzania government expects to construct a railway in Southern Tanzania with the aim of enhancing transportation of coal and iron ore from Southern Tanzania.

[Full Story](#)

## Gold mines collapse

*The Guardian, 21 July 2013*

Tanzania's gold mining sector is facing a serious crisis as gold prices have tumble down in the month from US\$1900 to US\$1,277 per ounce at the beginning of the year.

[Full Story](#)

## UN institution in Tanzania to train small-scale miners

*Business Daily, 21 July 2013*

A Tanzanian institution expects to hold a training course for local miners on best practices at the Southern and Eastern Africa Mineral Centre in Dar es Salaam.

[Full Story](#)

## Deal will boost Tanzanian mining

*allAfrica, 23 July 2013*

Local artisanal miners, the international mining companies and the government have reached an agreement on regulating small scale mining and preventing any further conflict in the future.

[Full Story](#)

## Tanzania: Delegates call for local content policy in gas, oil sector

*allAfrica, 27 July 2013*

Tanzania has been urged by delegates who attended the first ever local oil and gas suppliers conference, to have a strong local content in the nascent oil and gas industry for its citizens to gain skilled manpower and a competitive supply edge.

[Full Story](#)

## Gas detections reach 13 trillion cubic feet

*The Daily News, 27 July 2013*

BG Group announced that it has raised its estimate for gross recoverable resources of natural gas from its Tanzania discoveries to around 13 trillion cubic feet.

[Full Story](#)

## Gold price fall may cause layoffs in Tanzania: official

*Globaltimes.com, 30 July 2013*

Senior government officials have suggested that mine workers of the biggest mining companies in the country are likely to lose their jobs following the drastic drop in gold price on the world market.

[Full Story](#)

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## Upcoming Events

### 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](#)

### The 2<sup>nd</sup> Tanzania Oil and Gas Conference - 2013

*23 - 24 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](#)

## Arusha International Gem and Mineral Fair 2013

*28 - 31 October 2013 - Mount Meru Hotel, Arusha, Tanzania*

The event expects to attract international participants in the mining industry presenting them with an opportunity to exchange their experiences, discuss value addition options and sell or buy minerals at reduced prices. The event will continue to have a special focus on empowering women in the gemstone trade through education in the areas of cutting and carving, and mentoring by strong female leaders. [Visit the event website](#)

## Africa's Premier International Oil & Gas Event

*25 - 29 November 2013 - Cape Town International Convention Centre, Cape Town, South Africa*

The event is consider as one of the world's leading meeting on Africa for corporate deal-making, Roadshows and senior-level networking across the oil/gas industry in and on Africa, and designed to build the African Continent's economic future. This year, the event expects to feature over 1,000 delegates from six continents with 90 presentations made during the week. [Visit the event website](#)

