

## TANZANIA

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There was an overall slowdown in economic growth in 2001. This was caused by the slowdown in the world economy and by depressed markets for agricultural products and minerals. The modest growth of Tanzania's economy in 2001 was largely caused by low growth (3.4%) in the agricultural sector, which contributes nearly 50% to the GDP. However, Tanzania maintained a stable macroeconomic performance. Inflation continued to decline, falling to 4.9% in December 2001. International reserves of the Bank of Tanzania were approximately US\$1.2 billion at the end of 2001, being equivalent to over five months of imports of goods and services.

The government continued to pursue its prudent financial policies, which contributed to good macroeconomic performance (notwithstanding the difficult external environment and external insecurities caused by the terrorist events of September 11).

Last year was characterised by several milestone events in the mining sector. The most notable of these was the commissioning of the Bulyanhulu mine on July 18, 2001. Owned and operated by Kahama Mine Corp., a subsidiary of Barrick Gold Corp., by end of 2001 Bulyanhulu had produced 3.9 t of gold worth US\$25.4 million and 20.4 t of gold-rich copper concentrate worth US\$43.3 million. This made it the second largest producer of gold in the country after Geita Gold Mining Ltd, jointly owned by Ashanti Goldfields Co. Ltd and AngloGold.

In a public address during the official opening of Bulyanhulu, President Mkapa, a strong advocate of private investment and a true believer in the mining sector as an engine of growth, reiterated his government's commitment to the creation of a conducive environment for inward foreign investment,

especially in mining. He said that his government will remain committed to making Tanzania a low investment risk destination, and would create and maintain a welcoming environment (despite local constant criticism that Tanzania has given away too much in creating such an environment).

During 2001, exports recorded an increase of 16.7% to US\$784.8 million, from US\$672.3 million recorded during the year to end-November 2000, mainly due to a 39% increase in non traditional exports to US\$520.2 million from US\$375.1 million in the year to end-November 2000. All non-traditional exports, with the exception of horticultural products, recorded increases during the period under review.

Tanzania's exports of manufactured goods, fish products and other exports increased by 12.1%, 29.1% and 6.2% respectively. On the other hand, traditional exports decreased by 11% to US\$264.6 million, from US\$297.2 million recorded during the previous year (to end-November 2000), following a downward trend in export unit prices in the world market.

Mineral exports increased by 77.2% to US\$311.9 million from US\$176 due to improved performance in gold exports. These rose by 118% to US\$262.6 million, from US\$120.5 million (in the year to end-December 2000). The increase in mineral exports is attributable to the increase in investment in the mining sector.

Geita Gold Mining recorded gold production of 20.8 t, worth US\$144.2 million. Geita's exploration work concentrated on reserve optimisation at the Nyankanga pit, where a feasibility study for underground mining is being contemplated, and at the Chipaka deposit where a resource of 200,000 oz was delineated.

**Value of Mineral Exports (US\$ million)**

	1999	2000	2001
Diamond	32.35	45.75	30.55
Gold	38.95	120.53	262.6
Gemstones	14.04	18.50	18.76
Other Minerals	0.23	-	-
<b>TOTAL</b>	<b>85.57</b>	<b>184.78</b>	<b>311.91</b>

Resolute Ltd's Golden Pride mine produced 6.2 t of gold worth US\$48.6 million during 2001. Another company in the advanced stage of mine development, is Australia-based Afrika Mashariki Gold, whose projects are at Nyabirama and Nyabigena in Tarime District, Mara Region. With a resource of over 41 Mt, averaging 2.7 g/t Au, the mine is scheduled for commissioning in September 2002 with a capacity of 200,000 oz/y. The mine, whose total investment is US\$90 million, is projected to have a life of nine years. It will be an open pit with a maximum depth of 100 m.

During the year, Williamson Diamond Mine Ltd rehabilitated its processing plant and embarked on a mining programme targeting the lower grade ores at the new Alamasí mine. Mining at Alamasí, and working of old tailings, enabled Williamson to record production of 212,334 ct of diamonds, worth US\$29.73 million, in 2001.

There was a slight increase in diamonds recorded from diamond dealers, which increased from 41,877 ct in 2000 to 41,937 ct in 2001. The increase in trade by dealers was as a result of increased interest in the trade and the improved regulatory system of the Ministry of Energy and Minerals.

The volume of gemstone production rose by 42%, in 2001. However, the increase in dollar value was only 1.4%, indicating that more ornamental materials were exported, particularly ruby-zoisite blocks and blue agate.

Last year was not the best one for tanzanite since its performance in the international market declined, especially after the terrorist events of September 11. In a very unfortunate development, there were claims (originating essentially from the US), that tanzanite was associated with financing terrorist activities. Although the claims were refuted strongly by the authorities, both in Tanzania and abroad and were later found to be not true, they had a significant impact on the market of the mineral worldwide. Following this, the Government of Tanzania has embarked on establishing a credible system of warranties that will involve the development of certificates of origin. The system will provide stakeholders with a credible basis to ensure the origin of the products and that they originate from legitimate and formal sources.

AFGEM, a gemstone company listed on the Johannesburg Stock Exchange, and which has developed a US\$20 million tanzanite mine at Merelani, had difficult times with its neighbours - the artisanal and small-scale tanzanite miners in Merelani. The conflict climaxed in May 2001 when the small-scale miners invaded AFGEM's property during a dispute over the licence boundary. Later, another conflict developed when AFGEM started marketing tanzanites using its brand 'The Tanzanite Foundation'. The small-scale tanzanite miners have interpreted this as a deliberate attempt by AFGEM to dominate the tanzanite market. However, if properly regulated, branding of tanzanites could provide a practical solution to the current problem of unregulated mining and marketing of the mineral, which are closely associated with environmental degradation, child labour and illegal trading. There has, however, been positive developments in resolving the conflicts between the tanzanite miners at Merelani following high-level intervention by government authorities.

On the exploration front, some companies had ongoing exploration programmes, especially for gold and base metals. During the year, Barrick Exploration Africa was engaged in

active exploration for gold in the Lake Victoria Goldfield, with particular focus on Iramba Senkeke and Tulawaka. Kabanga Nickel Co., a subsidiary of Barrick Gold, continued with detailed feasibility of the Kabanga nickel deposit in northwest Tanzania. Lakota Resources Inc. of Canada, with its Australian joint venture partners Spinifex and sub-Saharan Resources NL, is participating in an exploration programme on Ikina Reefs Ltd's prospecting licence in Kahama District. The Ikina property, adjoining the western side of the Bulyanhulu mine licence, wholly-owned by Barrick Gold, is considered to have high potential for a major gold find.

Other companies with active exploration programmes during the year under review

include the following: Tan Range Exploration Corp.; Spinifex; Sub Sahara Resources NL; Twigg Minerals and TANZAM 2000, all in Lake Victoria Goldfield. The Australian junior companies Nyati Mining (Goldstream) and Tumbili Ventures continued with exploration for nickel and platinum group metals (PGM) in south and southwest of the country. Goldstream announced interesting PGM anomalies at Luwumbu in southeast Tanzania. Luwumbu contains the 2,000 million-year-old Upangwa layered igneous complex, similar in age to the Bushveld Complex which underpins South Africa's platinum industry. Known occurrences of platinum, chrome, nickel and cobalt give excellent potential to this prospect.