

# MINING & TRADE *Review*

ISSUE NO. 31 November 2015

The Voice of the Business Sector in Malawi

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# Kayelekera mess up

**INSIDE**

● Political interference foils Malawi's largest mining investment

By Marcel Chimwala

**W**hile Namibia continues to reap from investment in uranium mining by dual listed Paladin Energy, Malawi has lost the opportunity to keep production afloat at Paladin's Kayelekera Uranium Mine partly due to political interference and failure to provide necessary infrastructure to support the investment.

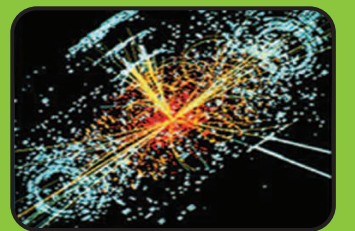
Paladin mothballed the Kayelekera Uranium Mine in Karonga in early 2014 citing low uranium prices on the global market which had a knock on effect on the profitability of the company's operations.

Late former President Bingu Wa Mutharika officially launched the Kayelekera Uranium Mine in April 2009 and the mine was still operating when Mutharika died in April 2012.

*cont. on page 3*



Marriage of convenience: Former President Joyce Banda visits Paladin pavillion at an exhibition



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# Globe scouts for buyer for Kanyika niobium

By Marcel Chimwala

**A**frica-focused resources group, Globe Metals and Mining, says it is seeking buyers for the niobium which it wants to start mining at Kanyika in the district of Mzimba.

Globe Metals and Mining Managing Director Neville Huxham tells *Mining & Trade Review* that the signing of pre-purchase contracts will be a significant step for the company to secure financing for mine construction, which is estimated to cost US\$450-million.

"We are optimistic that financing for the project will be realized once potential buyers for the resources are identified. The agreed price will also determine the profitability of the project taking into account interest rates that will be charged by the financiers," says Huxham.

He says Globe, which had earlier hoped to acquire project development financing from Chinese financiers, is currently talking to local banks which are expected to syndicate with international banks to provide funding for the mega project.

"We earlier expected to rope in Chinese financiers but with the economic slowdown in China, we feel chances of sourcing funding from that country are somehow slimmer. We are, therefore, talking to local financiers to consider giving us loans to develop the project, and this will be easy if we identify a ready market for the products," he says.

Giant financial institutions including Standard Bank and National Bank of Malawi already expressed interest to finance mining projects.

Said Standard Bank's CEO Andrew Mashanda in an earlier interview: "We are always ready to finance business ventures with an established business plan and viable outlook. Because of our history as a mining bank and our enduring expertise in

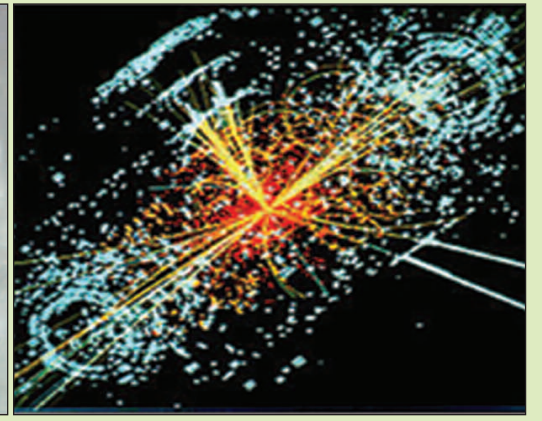
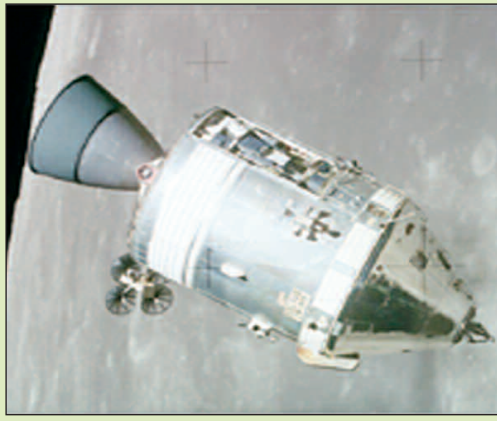
this sector, we work to understand our client's individual requirements. We coordinate and execute our client's financing and banking requirements across Africa and emerging global markets. Our highly regarded commodity and currency trading desks offer 24-hour trading capabilities to support price-risk management and hedging strategies."

"In addition, we carry out in-depth analyses of commodity trends and stay on top of the latest developments in the mining and metals industry. We continue to play a leading role in arranging facilities for many of the most significant mining projects in Africa and other key emerging markets."

The Malawi Government earlier this year granted a mining licence to Globe to develop the Kanyika Uranium prospect. However, Globe can only start executing mine construction works after concluding negotiations with the government on the development agreement.

Globe submitted a draft development agreement to the Malawi Government, which is a replica of the development agreement for Paladin's Kayelekeru Uranium Mine in Karonga which gave the government 15% shareholding in the mine in exchange for a reduction of royalties from the prescribed 5% to 3%.

The Malawi law also subject mining proceeds to a fixed



Niobium is an important metal in the space age

income tax of 30%.

Globe Metals and Mining, which is listed on Australian Stock Exchange, has spent over US\$15-million in exploration and feasibility studies to develop the Kanyika deposit, which besides niobium contains uranium and tantalum.

China Mineral Exploration and Development Bureau is a major shareholder in Globe Metals and Mining with 75% shareholding while the rest of the shares are held by Australian investors.

Niobium is one of the most important metals of the space age as the metal is found in various 'outer space' applications, including space rocket jet engine components, rocket subassemblies, and in the advanced air-frame systems in the Gemini space program.

Niobium is also used in manufacturing special steels for gas pipeline construction and in nuclear industries, electronics, optics and production of coins.

# Malawi's economic growth forecast revised to 3%

By George Lumwira - Correspondent

**T**he International Monetary Fund (IMF) has reduced its economic growth forecast for Malawi for the 2015/16 financial year from the earlier projected 5.7% to 3%.

The development follows IMF's review of its economic programme with Malawi which declared Malawi off-track on the Extended Credit Facility (ECF) implying that the country has failed to meet the Fund's conditions to keep the Facility, through which donors finance up to 40% of Malawi Government's budget, afloat.

Subsidy Program (FISP) as one of the areas that need to be trimmed in Malawi's K930 billion kwacha 2015-2016 national budget in order to ensure that things do not go out of hand.

"FISP takes a big chunk of the budget but we have a separate team that looks at what would happen if we reform FISP. It is the biggest and the most expensive," Williams said.

Reacting to this situation, Malawi's Finance Minister Goodall Gondwe said government has already agreed with IMF on some measures to take in

you now on how much we have reduced," Gondwe said.

Edward Chilima, -Executive Director for Economics Association of Malawi (ECAMA), however, expressed optimism on the possibility to turnaround the country's economic landscape to qualify for IMF program by December when the IMF team will conduct the next review of the programme.



IMF Williams meeting President Peter Mutharika at Kamuzu Palace

IMF Mission Chief to Malawi Oral Williams explained that the Malawi Government failed to meet conditions on reduction of public spending and domestic borrowing, among others.

Williams said: "Our recommendations are that the economic circumstances have changed and, therefore, in view of that we have to be prudent to re-examine the fiscal frame for the 2015-2016 fiscal year because the revenues will be less."

"But we did not only look at this year -we also want to look at what is really hurting Malawi and what hurts in Malawi is inflation and inflation has remained too high for too long for different reasons but whatever we decide has to bring inflation down because it is eroding the real purchasing power...low income and the economy has caught low income groups...businesses are uncertain because they don't know what comes tomorrow -so until we bring inflation down, the economy will not grow faster as expected."

Williams singled out the 50 billion kwacha Farm Input

mitigating the effects of the ailing economic situation.

"We have agreed with IMF that there is need to have another look at the budget and will come out with the figures of what revenues are likely to be possible in such circumstances -and then after that we are going to look at how the figures will look like for the expenditure point of view. There is no doubt at all that this means we will have to reduce total expenditure overall and I have already decided on that. I can't tell

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...from front page

Government sources told *Mining & Trade Review* that Paladin was subjected to immense political pressure from the ruling clique regarding proceeds from Kayelekera when President Joyce Banda succeeded Mutharika because some figures in her ruling People's Party suspected that the company had financial links with Mutharika.

Paladin Africa former General Manager Greg Walker commented that the government that time made it difficult for his office to process temporary employment permits for Kayelekera Mine employees who were hired as expatriates.

President Joyce Banda and other politicians openly accused Paladin "of stealing from the country" in their political rallies insisting on the need to renegotiate the development agreement that the Malawi Government signed with Paladin.

The Banda administration refused to renew five exclusive prospecting licences that Paladin held in the Kayelekera area for the purposes of conducting further exploration to extend the mine life, which was pegged at 10 years.

Further exploration would have helped the dual listed miner to raise more funds for operations at the loss making Kayelekera through the stock exchange.

Meanwhile, the current Peter Mutharika administration has renewed Paladin's three out of five exploration licences for the Kayelekera area.

Paladin's CEO Alexander Molyneux said in the company's activities report for the quarter of the year ending September 30 that the company has not been able to have the other two licences renewed because another firm, Intra Energy, holds coal exploration licences for the same areas.

The Malawi Government has deferred renewal of the licences in respect of the new law currently being formulated which stipulates that licences do not overlap.

Said Molyneux: "Government of Malawi is endeavouring to clear these license overlaps before the introduction of the new Mining Act."

"Paladin will continue to monitor the situation and liaise with the Malawi Mines Department and prepare for the introduction of the new legislation."

Paladin's exploration work in the September quarter concentrated on surface geophysical surveys, stream sediment sampling and geological mapping in areas to the east of the

mine.

A member of the licensing committee confided to *Mining & Trade Review* that the committee was previously directed by the Joyce Banda administration not to renew Paladin's licences because of a number of issues including environmental concerns, which politicians and civil society leaders raised on Kayelekera.

When she met leaders of opposition political parties at the New State House now known as Kamuzu Palace, Banda received complaints from the politicians who raised a number of allegations against Paladin that were forwarded to the then Paladin Africa General Manager Greg Walker through the Ministry of Mining.

"It was laughable that one of the allegations from the politicians was that we were also mining diamonds at Kayelekera. However, even the country's top geologists including Dr. Leonard Kalindekaffe who was the Principal Secretary for the Ministry of Mining at that time would agree that uranium and diamonds do not occur in the same geological environment," said Walker.

Private sector sources say mining investors in Malawi have also been under pressure from politicians who siphon money from the companies purportedly to finance presidential initiatives such as One Cow per Family and Mudzi Transformation Trust.

Besides political interference, Paladin and other mining investors have been complaining of the failure by the government to provide them with relevant infrastructure including adequate electricity for the operations.

"Kayelekera is a high cost uranium producer because we can not tap power from the national grid due to the country's inadequate generation capacity," said Walker whose company is listed on both Australian and Canadian Stock Exchanges.

Paladin has, meanwhile, closed its Malawi head office in Lilongwe and has just left a skeleton of staff to take care of the mine currently on care and maintenance.

Seasoned geologist Grain Malunga told *Mining & Trade Review* in an interview that Malawi would continue to lose its attractiveness to investors if it keeps on mistreating existing investors.

He observed that it was the coming in of Paladin that



Msaka blamed the media

symbolized to the world that Malawi was ready to receive big investment in mining and it was sad that the investor suspended operations at Kayelekera while it continues operations at its Langer Heinrich mine in Namibia.

Malunga said he was trying to talk to the government to renew the other Paladin exploration licences and had already convinced the coal miners in the licence areas to allow that the licences overlap.

"Let us use the existing 1981 legislation. We cannot be using a law that has not been enacted. Under the existing law, licences can overlap," said Malunga.

Despite politicians and some civil society leaders in Malawi questioning Paladin on environmental issues at Kayelekera, the mine's environmental plan won kudos from several miners in the region who used it as a model to develop their plans.

Minister of Natural Resources, Energy and Mining was reported to have accused the media of failing Kayelekera through negative reporting at a media sensitization workshop that his ministry conducted in Liwonde a couple of months ago but the media hit back accusing the government of foiling the investment.

## 'Chuma Chili M'nthaka': The Case of Mineral and Oil Extraction in Malawi ...Government must make the most of it for the benefit of all Malawians

By Citizens For Justice (CFJ)

Following independence in 1964, Government urged Malawians to work hard in their gardens emphasizing that the national economy was agro-based. The political leadership kept advocating that 'Chuma Chili M'nthaka' and, indeed, agricultural production has gradually improved the economy of the Malawi nation.

Under the feet of Malawians lies fertile land for meaningful agricultural production towards national economic growth and prosperity. Under the same feet of Malawians also lie an abundance of rich resources that need to be extracted which will build up to the economic growth of the national economy. In a nutshell, our own land has potential for magnificent economic boom in the best interest of all Malawians with proviso of good economic governance.

Malawi, like other countries in the Southern Africa region, is endowed with a variety of mineral resources that include bauxite, coal, uranium. Unfortunately, all along, efforts have only been focused on small-scale mining involving quarry stone, gemstone, limestone, pottery-ceramics as well as sand and clay which has had very minimal contribution to the country's gross domestic product (GDP). It is only recently that the Malawi Government shifted focus towards large scale mining which has witnessed huge mining developments at Kayelekera in Karonga and Kanyika in Mzimba, among others. This new initiative in the mining sector is anticipated to generate millions of United States dollars for the country's economy, considering that Malawi would fall among the five largest producers of uranium in the world.

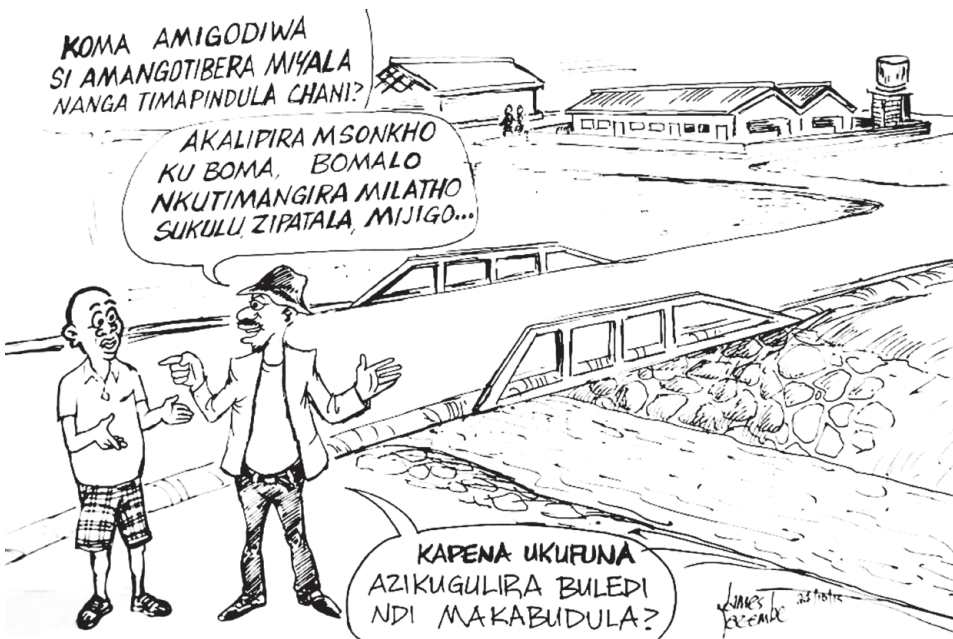
With the launch of the 'Mining Governance and Growth Project' which has seen planes flying low and above people's heads in the name of Kauniuni, optimism for abundant mineral extraction in Malawi is substantially high. However, poor governance and rampant corruption will end up frustrating the much anticipated mining ventures into the socio-economic development of the country. Civil society organisations, therefore, have a very important role to play in this aspect.

Many countries in the southern African region do have formally established country platforms for promoting good governance in the extractive industry. It, therefore, goes without saying that it is now the right time for concerted efforts to strengthen civil society collaboration and build CSOs' capacity in order for them to engage in effective advocacy initiatives that will bring about an efficient mechanism for transparent revenue collection and utilisation in the

extractive industry in Malawi.

While Government leads the way with new initiatives in the mining sector, it will also be important for Government to focus attention on fulfilling fundamental principles of economic governance that demands of the extractive industry, including the more important legislative provisions and Malawi joining the Extractive Industry Transparency Initiative (EITI) among others. Civil society organisations are looking forward to becoming an important partner in this agenda of ensuring transparency and accountability in the extractive industry towards sustainable economic growth for the benefit of all Malawians.

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# GIMM showcases water drilling solutions

## ...local contractor employs latest technologies in industrial and domestic water drilling

By Chiku Jere

A local water drilling company, GIMM Water Expert and Drilling, says it provides innovative expertise in industrial and domestic water drilling aided by state of the art equipment capable of drilling in any geographical terrain and soil formations.

GIMM Chief Executive Officer, who also doubles as Director of Operations, Grant Chikweza tells *Mining & Trade Review* that his firm maintains a work ethic regime that upholds client-centred approach, a tradition that has helped ensure satisfying service delivery needs to its customers.

"This kind of approach is what has quickly transformed our company into a leader in water drilling field as our works that are complemented with efficacy are greatly being appreciated," he says.

The CEO says one of the strict rules of the company is to always employ modern technology acquisition and application, and he believes that this is what sets GIMM far ahead of the rest in as far as reliable water drilling and borehole rehabilitation services are concerned.

"Application of latest and effective technology has propelled our entity to reach the stage we are. We are always associated with high standards and able to deliver services in a convenient possible time frame, satisfactory to the needs of our diverse group of clients," narrates Chikweza.

He says the company boasts of drilling techniques and methodologies that are second to none, in terms of dynamic and modernity aspect, citing Air, Mud and Percussion as among the methods the company is able to competently deploy in the course of duty to achieve palpable results.

Chikweza explains that GIMM Water Expert and Drilling values much the investment of its clients, hence it strives to offer the best services possible.

"So, apart from using latest methods, we also attract the best of human resource available. We go to every length assembling well qualified and highly motivated crop of

personnel, whom we ethically nurture to achieve better results to meet the requirements of our clients," says Chikweza.

He asserts that GIMM Water Expert and Drilling does not compromise on value of its personnel, hence, it invests in its human resource through constant capacity building as one way of keeping the staff abreast with modern technological standards for efficient, effective and sustainable delivery of service.

Chikweza also says his company remains a Work and Safety-compliant organisation that keeps its work force motivated by paying close attention to health needs of the employees as well as ensuring their welfare.

The CEO also spoke highly of the modern machinery that the company has saying it is the best that is found on the market and of international standards.

Further, he says, GIMM equipment is capable of performing the required drilling job in any geographical terrain as well as in all soil formations.

"It is through such state of the art machinery that we've effectively accomplished many great projects that have transformed many lives, particularly in rural areas, by providing them the most essential utility in human life, water," Chikweza proudly says.

The equipment include a heavy duty DEFY 13/17 Screw Air Compressor with Rotate Speed of 2200 RPM with 17Bar/13m<sup>3</sup>/min, 2015 Model, two Drilling Rigs with capacity of drilling 150 to 200 metres, where one is trailer-mounted; lorry or tractor pulled, mud pumps for mud drilling as well as pump test gadget.

Additionally, the company has tractors and heavy duty all-terrain utility vehicles for robust mobility such as tippers, 1 to 15 ton flat bed Lorries as well as 4WD vehicles.

GIMM is credited to have undertaken big drilling projects both on industrial and community levels commissioned by a diverse clientele that include government departments and ministries, non-governmental organisations, private and public companies as well as a long list of private individuals.

"We have competently and effectively handled drilling



Chikweza (R) with Minister of Transport and Public Works Hon. Francis Kasaila (L) at the Malawi Investment Forum

projects for industrial, domestic and irrigation purposes and we have some on-going contracts, while others are on proposal stage," he says, adding "we are able to handle as many projects as there can be."

Among the long list of GIMM's numerous water works projects, Chikweza singles out those carried out in rural areas, citing a project in Karonga District as one that will remain close to his heart.

He says for a long time, people from the area in question had been denied access to clean water and his company was contracted to drill several boreholes, a development which brought relief to the settlers.

"Just imagine, women had to wake up early in the morning, walk long and gruelling distances, braving risky terrains full of all sorts of dangers, just to fetch water from unsafe sources. Our work in the area has brought to a stop all this torture these women were going through," says Chikweza with pride.

Apart from sinking of boreholes, GIMM Water Expert and Drilling also undertakes ancillary works such as supply and installation of submersible pumps, solar pumps, hand pumps and elevated water storage tanks. The company can also competently do civil works.

To underline its growing status, the water drilling entity formed part of the major participants at the recent Malawi Investment Forum in Lilongwe where it made a financial contribution of K5million towards the hosting of the event.

GIMM Water Expert and Drilling was founded as a subsidiary of GIMM Holdings Private Limited which was established and registered under the Registration Laws of the Republic of Malawi by the Registrar of Business Names Act.

Certainly, for firms and other institutions that want to execute any water projects, GIMM is the ideal partner.



Children celebrate water drilled by GIMM



Water drilling works in progress



Experts setting up a water drilling machine



Chikweza and the state of the art machinery



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**EDITORIAL**

# Kayelekera mothballing; lesson on mining governance



BY MARCEL CHIMWALA, PUBLISHING EDITOR

It is a blow for Malawi that Paladin Energy suspended the mining of uranium at Kayelekera Mine in Karonga, which is the country's biggest mining investment so far.

Of course, the dual listed miner attributed its suspension of production at Kayelekera to the falling prices for the yellow cake on the global market in the aftermath of the Fukushima Nuclear Disaster in Japan, which resulted in the closure of a number of nuclear plants in Asia.

But the question that boggles the mind is what the Minister of Natural Resources, Energy and Mining, Bright Msaka, was reported to have asked at a media workshop in Liwonde a couple of months ago: "Why did Paladin suspend the Malawi operation while its other Africa uranium mine, the Langer Heinrich in Namibia, is still running?"

The Minister allegedly blamed the media on the issue implying that the sensational coverage on Kayelekera is what frustrated the investor.

However, following our investigation and analysis of the whole issue we beg to differ with the Minister.

As reported in our main story, the issues that led to the closure of Kayelekera include poor governance of the mining sector due to political interference and failure by the government to provide necessary infrastructure such as electricity to support the investment.

It was obvious soon after its opening in 2009 that Kayelekera was regarded by many Malawians as a brainchild of the late former President Bingu Wa Mutharika who officially opened the mine.

Unfortunately, the Government never carried out awareness campaigns that would have ensured that the investment was detached from the President who only officially opened the mine as one of his day to day duties. Maybe, it was a deliberate ploy for the ruling clique to associate the investment with Bingu to christen him as a champion of development (*Mtsogoleri wachitukuko*).

However, it seemed the gimmick backfired as his opponents looked for faults on the operations of the mine including cooking up stories concerning the mine to discredit Bingu.

Even the late Robert Chasowa, a University student who is believed to have been murdered on political grounds, connected Bingu with the Kayelekera mine in his writings.

Such a scenario could not have diverted Bingu's successor Joyce Banda and her crew from linking Kayelekera with the late Wa Mutharika.

Consequently, there was an aura of animosity that existed between the Joyce Banda administration and the local Paladin Africa management and Paladin would not have survived the political ridicule it suffered in Malawi with the ruling party cohorts saying *akutibera* (they are stealing from us) while the Kayelekera mine was making losses due to the prevailing low prices for the yellow cake. It had to suspend operations!

Such a scenario should now be a lesson for Malawians on how to handle investors. Certainly, investors are not interested in our politics. Their interest is to do business and produce returns while assisting the country through the remittance of taxes to the government and provision of employment and social services through corporate social responsibility programmes.

We, therefore, urge politicians and Malawians at large to desist from politicizing investments. Presidents should also desist from personalizing investments to avoid subjecting the investments to the wrath of the public when they fall out of grace.

## MINING & TRADE *Review*

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**EYE ON MALAWI'S**

**EITI** Extractive Industries Transparency Initiative

By Rachel Eter-Phoya



Examining Malawi's journey towards EITI compliance

# Malawi approved as EITI Candidate Country



2015-10 EITI board met in Bern, Switzerland

The 22nd of October 2015 marks a milestone for Malawi in its Extractive Industries Transparency Initiative (EITI) journey. On this day, the EITI Board approved Malawi's application to join the EITI during its 30th board meeting in Bern, Switzerland. Rt. Hon. Clare Short, Chair of the EITI, and former British MP and Secretary of State for International Development, explained that, "Membership of the EITI comes at an important time in Malawi's development, as natural resources begin to be of macroeconomic importance. The Government of Malawi has made a commitment to transparency that will help the people of Malawi ensure that natural resources are managed for their benefit".

Civil society has been advocating for Malawi to join the EITI for over 6 years in the belief that it will improve transparency and accountability in the natural resources sector resulting in greater socio-economic development for all Malawians. President Arthur Peter Mutharika made a public declaration of the government's intention to join the initiative in June 2014 during his inaugural state of the nation address at the opening of parliament.

In the evening of the 22nd October, those people interested in the EITI gathered at the Capital Hotel in Lilongwe to celebrate the achievement. Mr. Crispin Kulemeka, Director of the Revenue Policy Division that houses the MWEITI Secretariat, gave the keynote address. Kulemeka highlighted that the EITI reports, the first of which is due in 18 months, "will be a useful tool for all Malawians to see how we are managing the country's natural resources, and how much revenue is being generated". The reports will contain information on licences, production data, tax payments, royalties and social expenditure, among other important information for the sector.

Kulemeka captured the sentiments of the civil society organisations, private sector, and government institutions represented in the multi-stakeholder group that manages the EITI implementation: "We hope this information will stimulate informed and evidence-based dialogue on ways of how best to utilise our finite and non-renewable natural resources to meet our national priorities".

At the moment, two GIZ-funded consultants – Lutz Neumann and Hannock Kumwenda – are conducting a scoping study which will help the multi-stakeholder group to determine how the EITI standard will be applied, i.e. what should be included in Malawi's first EITI report, due in April 2017. The scoping study will identify if required information to be disclosed is already in the public domain and any gaps and weaknesses in accessing this data and in government reporting mechanisms.

The scoping study will also discuss which natural resources should be included in the first report. Civil society is advocating for the inclusion of oil and gas exploration companies even though the companies are not yet in production so not contributing significant revenue to government. Including the companies is relevant, however, for ensuring a comprehensive picture of the sector is available in the first section of the report which provides contextual information. These companies are also relevant for two activities aspects highlighted in the MWEITI multi-stakeholder group's work plan: promoting contract transparency and understanding who are the beneficial owners of companies operating in Malawi. The finalised scoping study is expected to be available in the next three months. Watch this space for more information!



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# Malawi's top minerals

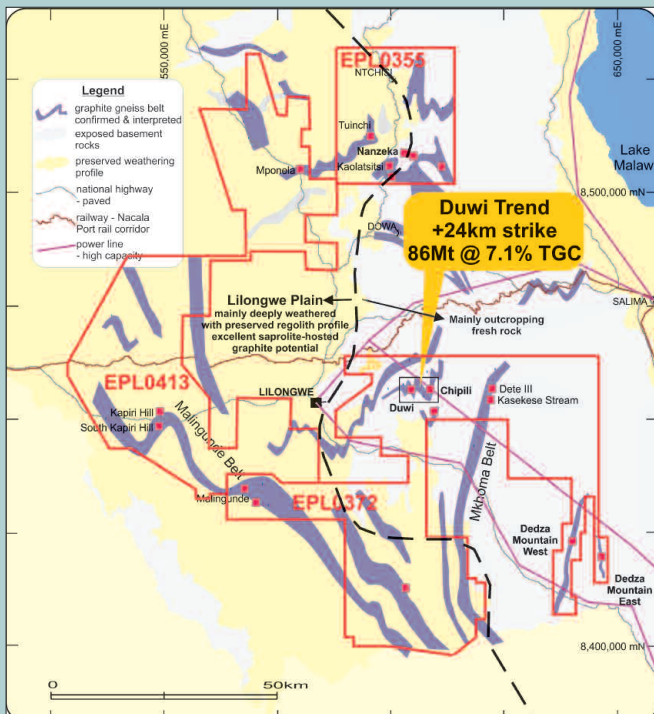
## Duwi Flake Graphite Project

The project located in Lilongwe is owned by ASX listed group, Sovereign Metals. The project's economics and technical viability are very encouraging, highlighting its potential to become a low cost/high margin flake graphite producer.

### Latest developments

A scoping study has confirmed Duwi as the sixth largest graphite deposit in the world. The study confirms Duwi can support a base case scenario with graphite concentrate production of over 110,000 tonnes per annum over an initial mine life of 20 years.

The completion of the scoping study is one of the landmark developments in the preliminary stages of the development of the Duwi Graphite Project. However, the project remains at a very early stage and will need to undergo pre-feasibility and feasibility studies. Further, environmental impact study, community approval, off-take agreements and financing will all be required before production could commence.



Duwi Flake Graphite project location

## Kanyika Niobium Project

The project is located at Kanyika in the northern district of Mzimba. It is owned by ASX listed Globe Metals and Mining.



Rigging at Kanyika

### Latest developments

The Malawi Government has granted Globe Metals and Mining a mining licence for the project after the firm successfully completed field exploration work and a bulk sampling programme. However negotiations for a development agreement between the two parties still continue. Globe Metals and Mining is also seeking a market for the Kanyika products, which will include niobium, tantalum and uranium. The firm is confident that after identifying a market, it will easily acquire US\$450-million financing for the project possibly through a syndicate of local and international banks.

## Shayona Cement Expansion Project

The project involves setting up of a new state of the art cement plant at Shayona Cement Kasungu Factory located in Traditional Authority Wimbe's area hence increasing mined quantities of limestone at Livwezi and Chikowa deposits.



New cement manufacturing plant

Further developments at the factory site



Cement manufacturing process underway

Finished product ready for market

### Latest developments

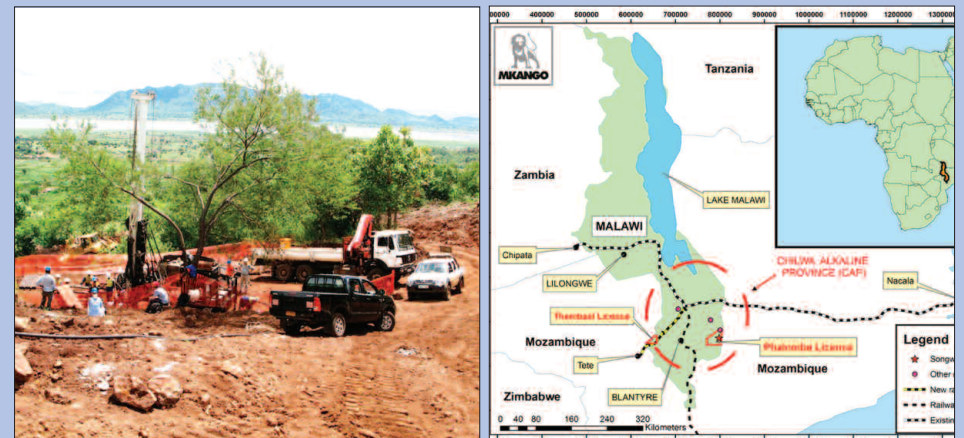
Shayona Cement Corporation has invested US\$65-million in the project, which it is implementing in phases. The first phase will see production of cement jumping to 650 tonnes before it reaches 1200 tonnes in the second.

This is a model project for Malawi as it uses over 80% of raw materials sourced locally while other cement companies continue to heavily import limestone.

As part of its corporate social responsibility programme, Shayona Cement is constructing school blocks at a nearby primary school and assisting a clinic and police station in their operations.

## Songwe Hill Rare Earth Project

The project is located at Songwe Hill in the southern district of Phalombe. It is owned by a UK firm Mkango Resources, which is listed on Canada's TSX Venture Exchange.



Drilling works at Songwe Hill

Malawi Map showing project location

### Latest developments

Mkango has embarked on a definitive feasibility study for the project after announcing positive results of a pre-feasibility study. The pre-feasibility study results announced last year peg the net value of the resource at US\$293-million and the mine life at 18-years. Mkango earlier announced a metallurgical flow-sheet that produced high grade products from a proof of concept test work. The rare earth elements recovered in the process included lanthanum, cerium, praseodymium, neodymium, samarium, europium, gadolinium, terbium, dysprosium and yttrium.

## Tengani Titanium Project

The project located at Tengani in the district of Nsanje is owned by a local firm, Tengani Titanium Minerals/Crown Minerals Limited.



Tests continue

### Latest developments

The firm is involved in metallurgical test work, and has engaged international experts to execute the studies. Work so far has indicated that the deposit contains rutile, ilmenite and apatite with minor zircon. Metallurgical test work continues to determine how the important industrial minerals from the site could be recovered.

# sector projects of 2015

## Nkhachira Coal Mining Project

The mine is owned by Malcoal Mining, which is a joint venture between ASX listed Intra Energy Corporation and a local firm Consolidated Mining Limited. It is located at Nkhachira close to the Kayelekera mine in northern Malawi.



### Latest developments

Further exploration at the mine has upped a combined total in situ coal resource for the project to 38.4-million tonnes comprising 10.1-million tonnes measured, 13.8-million tonnes indicated and 14.4-million inferred category coal.

The firm is pursuing the project to feed its Pamodzi Coal Fired Power Project at Chipoka in Salima, which will produce up to 120MW.

## Mchenga Coal Mine

The mine located in the 90 square kilometers Livingstonia Coalfield in northern Malawi is owned by local investors after the government privatized it in 1999.



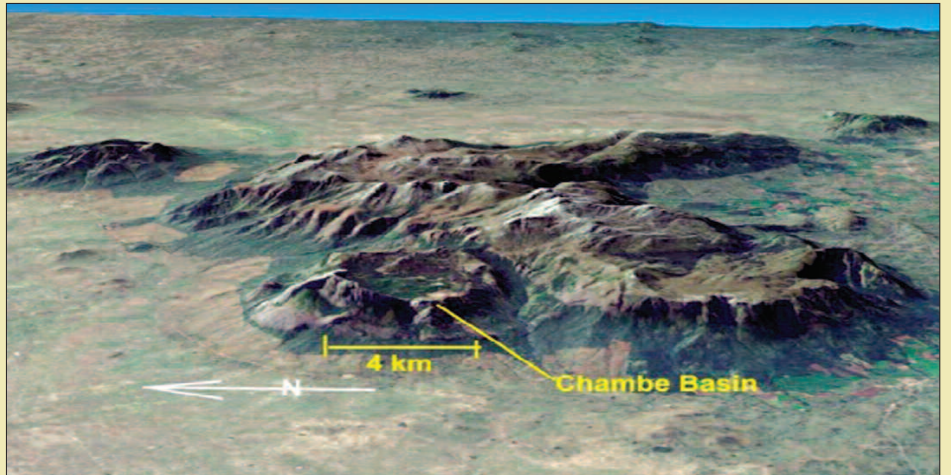
### Latest development

Mchenga Coal Mine produces 3,000 tonnes of coal per year helping to meet the growing energy demand for the local industry. The company is also helping the country serve the much needed foreign exchange through import substitution, and generates foreign exchange for the country through export of duff coal, which has no market locally.

The firm is, currently, seeking to raise capital by roping in a foreign strategic partner.

## Mulanje Mountain Rare Earth Project

The project located at Mulanje Mountain's Chambe Basin is owned by Springstone Limited, a joint venture between Canada's Gold Canyon Resources and Japan Oil, Gas and Metals National Corporation. Springstone started exploration work in 2011, and the work involved an exploratory drilling programme that came up with encouraging results.



### Latest developments

Springstone has completed the first phase of field exploration work at the site and is conducting a mineral resource calculation and economic analysis of the project including an infrastructure survey. Additional research and development work continues to seek optimum rare earth element leaching process.

## Block 1 Oil Exploration

The project is owned by South African firm, SacOil Holdings and involves exploration in Malawi's biggest oil prospecting block located in the Northern Region bordering Tanzania and Zambia.

### Latest developments

SacOil has completed an environmental risk screening study of the prospecting area. The firm engaged an independent consulting firm, Golder Associates, to conduct the study. The aim of the study was to provide a basis for more detailed environmental and social follow up and exploration planning. It will also help in the development of a geographic information system geo-database of the exploration area to assist in the planning of the exploration programme and to support decisions related to environmental, social, technical risks and overall logistics of conducting operations in the area.

## Block 2 and 3 Oil Exploration

The project is owned by an international expatriate firm, Hamra Oil, and entails exploration in blocks 2 and 3 covering the Lake area of Karonga and Nkhatabay.

### Latest developments

Hamra oil has suspended exploration work following a suspension order that was issued by President Peter Mutharika's government through Principal Secretary for Ministry of Natural Resources, Energy and Mining Ben Botolo. The suspension is to pave way for irregularities on the award of oil licences by the deposed Joyce Banda administration.

The suspension came into force after Hamra Oil had concluded a full tensor gravity survey. The firm also conducted environmental and social impact studies at the site, which involved community consultations.

## Block 4 and 5 Oil Exploration

The project located in the southern part of Lake Malawi along the oil rich Great African Rift System is owned by giant UAE Oil firm, RAKGAS MB45.

### Latest developments

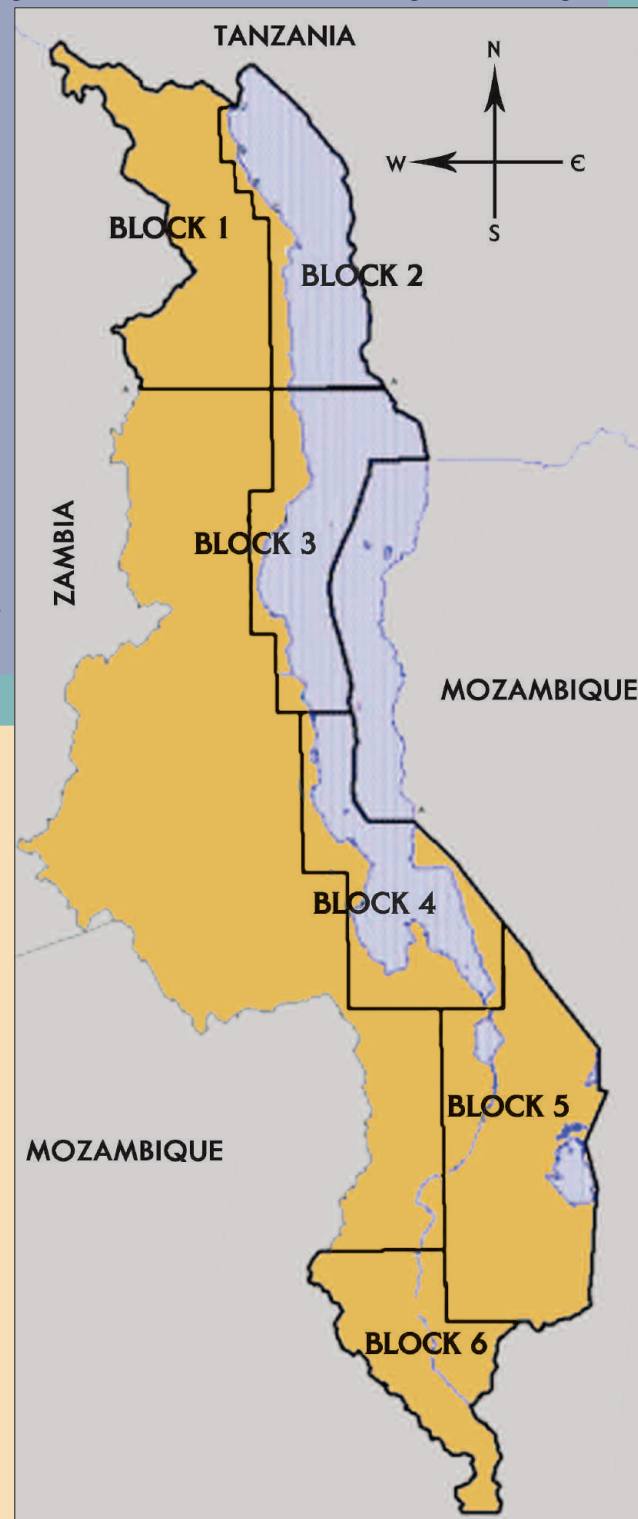
Just like Hamra Oil, the firm has concluded a full tensor gravity survey (FTG). The survey was conducted after consultations with communities in areas covered by the project. However, RAKGAS has suspended exploration following an order from the Ministry of Natural Resources, Energy and Mining that was issued in November last year.

## Block 6 Oil Exploration

The block covering the lower Shire Valley area is owned by another expatriate firm, Pacific Oil Limited.

### Latest developments

Unlike Hamra Oil and Rakgas which conducted FTGs using the services of the plane that was hired by the Malawi Government to conduct the World Bank funded Airborne Geophysical Survey, Pacific Oil failed to undertake a full tensor gravity survey due to the suspension of oil exploration works by the Ministry of Natural Resources, Energy and Mining.



Map showing 6 blocks of oil exploration area in of Malawi



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# TECHNICAL FILE

by Grain Wyson Phillip Malunga FIMMM  
Mining and Environmental Management Expert

## A COMPARATIVE STUDY OF MALAWI'S MINING SECTOR WITH SOME MINING COUNTRIES

### INTRODUCTION

The mining sector in the region and looking at Malawi's neighbours and Ghana, there seems to be disparity in investment attractiveness due to inadequate geological database, taxation and fiscal regime stability, and ease of doing business. If Malawi is to attract mining investment, there is need to generate and provide quality basic geological information, stable taxation regime, and improving on ease of doing business.

This paper tries to compare mining countries that have a history of mining with Malawi and tries to single out issues that may slow the development of the mineral sector in Malawi.

### GEOLOGY AND MINERAL DEPOSITS

#### Malawi

Malawi's geology is mainly comprised of the metamorphic basement complex, post basement complex sediments and intrusive rocks. These rocks have been disturbed or reworked by orogenic episodes comprising Ubendian, Irumide and Mozambican cycles. Genetic modelling has shown that Malawi's minerals are associated with either the basement complex or the intrusive carbonatites and syenites of the Chilwa Alkaline Province. The 2014 Airborne Geophysical Survey will bring a better understanding of geology and economic potential of this country.

The Basement Complex, within which are igneous metasomatic and high grade metamorphic rocks, host marble, vermiculite, corundum, graphite, iron sulphides and minor occurrences that can lead to discovery of gemstones, precious metals, chromite, nickel and copper. The post Basement Complex Sediments, mainly Karoo System, host coal and uranium. These rocks are located in the north and south of the country. The Chilwa Alkaline Province contains also nepheline syenites and pyroxenite bodies. Significant occurrences of rare earths, niobium, strontianite, phosphate rocks and bauxite have been documented.

#### Mozambique

Mozambique geology comprises Precambrian rocks, of Archean and Proterozoic age, and Phanerozoic rocks characterised by Karoo sedimentary basins to Quaternary age rocks. The Precambrian rocks form Irumide Belt on the Eastern Margin of Zimbabwe Craton forming an extension of greenstone belts and granitic gneisses while Mozambique Belt forms igneous and metamorphic rocks represented by granulites, quartzitic marbles, schists, gneisses, migmatites, granitic-gneisses and charnockitic complexes. Pegmatites in Zambezia and Nampula provinces host beryl and radioactive minerals and have high potential for discovery of economic niobium, tantalum, gold, tungsten and tin. Bauxite is mined in Manica above 1,600 metre altitude.

The Irumide belt in around Manica hosts gold, copper, asbestos, lead, iron ore and nickel. The Karoo rocks of Tete and Moatize host the biggest and most important seams of coal in Mozambique. Extensive deposits of heavy minerals extend along Mozambique coast in dunes and beaches between Quelimane and south of Angoche.

The country has recently discovered substantial reserves of gas in three off shore gas fields of Pande, Temane and Buzi-Divinhe in Mozambique Basin within Zambezi Delta area. More gas has been discovered in the north of Mozambique in Ruvuma area. As of 2012, Mozambique had 104 trillion cubic feet of gas.

#### Tanzania

This country is cradled with an Archean craton comprising mainly of a granitic crystalline rock with major greenstone belts hosting gold deposits. Sediments and volcanic rocks occupy grabens, inland and coastal basins.

Because of its Archean to recent rocks (Mesozoic), Tanzania is rich in minerals with gold



Figure 1: Mineral Resources of Eastern part of Africa

and diamonds dominating the mining sector. Other minerals of economic significance include gemstones, tin, phosphate, salt, coal, copper, lead and other industrial minerals. Recent oil seeps and seismic data shows strong hydrocarbon potential in Tanzania. Natural gas inventories have so far been put at 2 trillion cubic feet (tcf) in its southern fields, Mnazi Bay area.

#### Zambia

The geology of Zambia has characteristics of ancient cratons since it lies between Zimbabwe and Congo cratons. This explains why Zambia has Precambrian rocks that constitute two-third of the country's rocks. Zambia is mainly underlain by gneisses, schists, quartzites, conglomerates, crystalline limestone and granites. Karoo rocks are underlain in rift valleys and western Zambia while the Katanga sedimentary rocks are distributed in northern, north western, southern and central parts of Zambia.

Zambia's main economic deposits are copper, lead, zinc, silver, gold and cobalt. Copper and cobalt are mainly found in the Katanga metasediments. The Kabwe lead-zinc mineralisation is found in dolomitic rocks correlated with the Upper Roan Group of the Copper Belt. Gold is confined to granites, gneisses and felsites of Proterozoic age. The major gemstones of Zambia are emerald, amethyst, aquamarine, tourmaline, garnet and rose quartz. These are found in pegmatites.

(Figure 1) summarises the geology and mineral resources of the countries surrounding Malawi.

#### Ghana

Ghana is mainly underlain by a wide variety of Precambrian igneous and metamorphic rock (Basement Complex) which covers about 54% of the country. The rocks are exposed mainly in the southern and western parts of the country. These rocks are grouped into Birimian and Tarkwaian systems which comprise gneiss, phyllites, schists, migmatites, granite-gneiss and quartzites. These metasediments are intruded by sills and dykes of igneous rocks ranging from felsite and quartz porphyry to metadolerite, gabbro and norite. The rest of the country is comprised of Palaeozoic sedimentary rocks consisting mainly of sandstones, shale, mudstone, sandy and pebbly beds and limestones. The main minerals of interest in Ghana is gold

(Figure 2) although recently oil and gas was discovered in the Jubilee unit area where around 110,000 barrels of oil are being pumped. Gold is being mined in the Tarkwaian systems and constitutes over 90% of the total mineral exports.

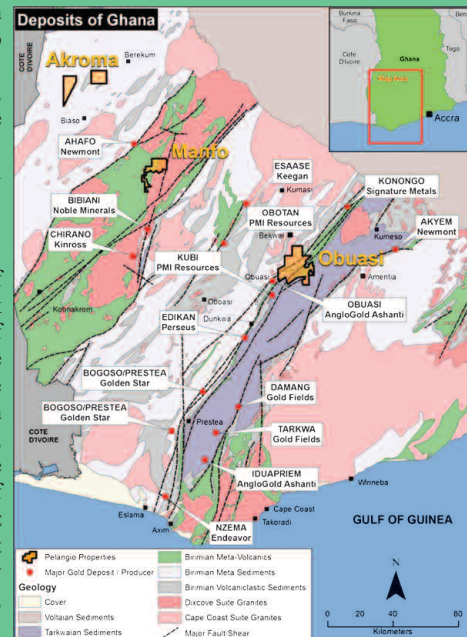


Figure 2: Geology and Mineral Resources of Ghana

Table 1: Mineral Resources Of Malawi, Mozambique, Tanzania, Zambia and Ghana

MINERAL	MALAWI	MOZAMBIQUE	TANZANIA	ZAMBIA	GHANA
PRECIOUS METALS	-	Gold	Gold, nickel, silver	Gold	Gold
INDUSTRIAL MINERALS	Coal, rare earths, uranium, niobium, limestone, graphite	Gas, coal, bauxite, bentonite, salt, tantalum, niobium	Gas, copper, bauxite, gypsum, phosphate manganese, salt	Copper, Coal, cobalt, selenium, sulphur (pyrite), Zinc, nickel	Oil, gas, bauxite, manganese, salt, silver
GEMSTONES	Beryl, garnet, rose quartz, corundum	Beryl	Tanzanite	Beryl, amethyst	Diamond

in terms of high geological prospectivity. (Table 1) shows that all the four countries, except Malawi, seem to have high prospectivity with little geological risk because of long history of mining. These countries have reserves and high potential for oil and gas. Malawi's recent airborne geophysical survey puts Malawi as an attractive green field for exploration and discovery of minerals such as gold, nickel, copper and platinum. The Shire Valley along Nchalo basin is a target for oil and gas discovery.

### COMPETITIVENESS IN BUSINESS DEALINGS

#### Taxation Regime

Table 2 shows that taxation regime of the countries under review are competitive. Perhaps what is competitive is how taxation is administered. Malawi needs to borrow a leaf from its neighbours.

...continued on page 10

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..from page 9

And being a nation that is trying to establish a viable mining industry, there is need to revise down taxation whilst providing stability and efficient service.

Table 2: Taxation Regime of the four countries  
(Source: Author's Research)

ITEM	MALAWI	MOZAMBIQUE	TANZANIA	ZAMBIA	GHANA
ROYALTIES (%)	5 - 10	3 - 10	3 - 5	6 - 9	5 (Metals and gemstones)
INCOME TAX (%)	30	33	30	30	35
WITH HOLDING TAX (%)	10	20	10	-	10
VALUE ADDED TAX (%)	16.5	17	Exempt	16	----
CAPITAL GAINS TAX (%)	20	-	-	-	10

#### Ranking of Taxation and Risk factors

GMP Securities (2013) ranked countries in terms of attractiveness of mining taxation regimes using the following indicators: royalty regime, Free Carry Interest, Taxation Impacts, Stability of fiscal regime, Ease of doing business, Policy potential and stability. The results showed that out of a maximum of 40, Finland (37), Sweden (38), Chile (36) and Botswana (36) ranked highest in terms of most attractive fiscal regime while Mongolia was the lowest (14). Table 3 shows that our neighbours scored 24 for Mozambique, 21 for both Tanzania and Zambia. Malawi was not responsive enough to be get a score while Ghana scored 24.

Table 3: Ranking of Taxation and Risk Factors for the five countries  
(Source: GMP Estimates)

COUNTRY	TAXATION REGIME	RISK FACTOR	TOTAL SCORE (OUT OF 40)
Malawi	Not responsive		
Mozambique	14	10	24
Tanzania	12	9	21
Zambia	13	8	21
Ghana	10	14	24

From the above Table, Malawi lags behind in attracting mining investment due to unstable taxation and fiscal regimes. Its revenue collection body is becoming unpopular to foreign direct investment because of untimely response to government taxation policy and pressure of reaching revenue collection target. The other countries have medium taxation risk, but are susceptible to unstable fiscal regime.

#### Ease of Doing Business

Table 4 shows that the ease of doing business has almost remained stable for Malawi, Tanzania and Ghana while Mozambique has significantly improved. In order to rank countries, the World Bank looks at the hurdles investors undergo in starting a

Country	2013	2014
Malawi	163	164
Mozambique	142	127
Tanzania	130	131
Zambia	107	111
Ghana	69	70

Table 4: Source: Ease of Doing Business out of 189 Countries  
(Source: World Bank)

business, dealing with construction permits, getting electricity, registering property, getting credit, protecting minority investors, paying taxes, trading across borders, enforcing contracts and resolving insolvency. The same table shows that Zambia has slid over the ranks. This may be due to unstable decision making in handling its taxation and fiscal regime. resolving insolvency.

#### RECOMMENDATION TO GOVERNMENT

In order to attract investment in the mining sector, there is need to qualify recent geophysical data through interpretation of anomalies and remapping of the whole country using available geological information. The more geological data government generates, the more attractive the mineral sector will be.

The regulatory and legislative framework needs to be revisited, bringing stability clauses and training tax collectors to interpret government taxation policy without prejudice and while understanding the positive role they need to play in collecting taxes with a friendly gesture. Malawi is in an awkward position because of its thin industrial base and less than a million tax payers who have to cater for a population of fifteen million that do not pay significant taxes and are looking up to government to provide them with potable water, health and education services including farm input subsidies. A thin revenue base requires a wise national budget that should encourage production rather than consumption.

The ease of doing business can be improved through reforming the civil service to provide efficient services and utility companies to act timely in providing water and electricity. Registration of companies and issuance of business licences should be done within a week.

In the absence of a conducive legislative and regulatory framework, there is need for government to speed up negotiation of development agreements and publicise them to avoid unnecessary speculations. The government has the choice to come up with a mining Act that is investor friendly or the one that is Civil Society friendly. The wise choice is to come up with an act that promotes mineral resource development.

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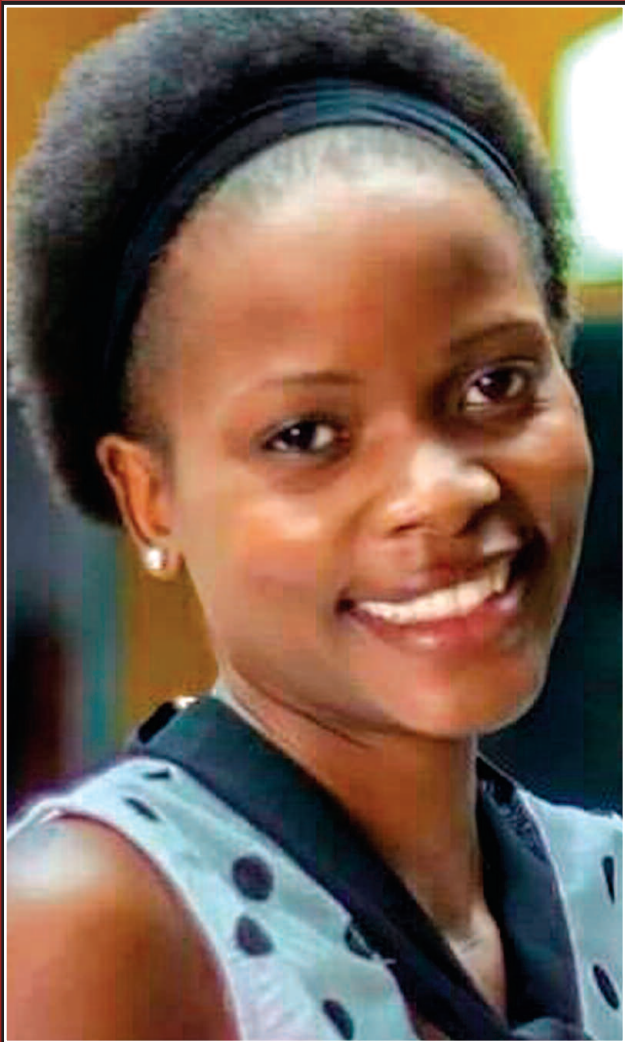
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## Standard Bank – Landmark deals in the mining sector

				
<p>African Barrick Gold Bulyanhulu Gold Limited Tanzania 2013 USD 150 million Mandated lead Arranger and Underwriter of ECA backed funding</p>	<p>Impala Platinum Holdings 2013 ZAR4.5 billion (USD 500 million) Convertible Bond Joint Bookrunner Debt Sponsor</p>	<p>Namibia 2014 USD 130 million Project Finance and Working Capital Facilities to Refinance Existing Debt Joint Mandated Lead Arranger</p>	<p>Namibia June 2014 BWP68,705,000 Property Finance facility Lender</p>	<p>BCM 2013 USD 18.8 million Term Lending Joint Mandated Lead Arranger / Lender</p>
<ul style="list-style-type: none"> <li>African Barrick Gold Plc, Structured Export Finance Loan Facility</li> <li>Standard Bank arranged a USD 142 million structured export finance loan to Bulyanhulu Gold Mine Limited, a 100% owned subsidiary of African Barrick Gold Plc (ABG).</li> <li>We acted as the SOLE mandated lead arranger and agent bank for the seven year facility, which will be used to fund the expansion of the carbon in leach circuit at Bulyanhulu, their flagship operation in Tanzania.</li> <li>We were able to structure the transaction in a very innovative way to ensure the most attractive pricing for the client (Libor + 2.50%).</li> <li>The transaction is underpinned by expropriation insurance cover from the Export Credit Insurance Corporation of SA (ECIC) as well as a seamless guarantee from ABG covering all causes of loss that are not covered by the ECIC insurance policy.</li> <li>ECIC was able to insure the transaction on the back of the capital spend associated with this project being mostly placed with a South African Exporter, MDM Engineering Projects Limited.</li> <li>The Bank underwrote the full facility and sold down 50% of the facility pre financial close to Standard Chartered as well as ABSA Capital. Financial close on this transaction occurred on 18 January.</li> </ul>	<ul style="list-style-type: none"> <li>Implats, ZAR4.5bn (USD500mn), Dual Currency Convertible Bond ("CB")</li> <li>Standard Bank acted as Joint Bookrunner and Debt Sponsor on the transaction</li> <li>Through Standard Bank's extensive local and global distribution network, we were able to:</li> <li>Execute a highly successful local and international marketing campaign pre-launch</li> <li>Secure key early anchor orders locally which gave the Company the confidence to launch the CB</li> <li>Build a book of demand that was 8x oversubscribed</li> <li>Generated significant orders which meant the upside option was used entirely on the ZAR Bond tranche and moved the bookbuilding to the tighter end of the range</li> <li>Provide extremely attractive financing terms for Implats, well inside normal debt levels in South Africa</li> </ul>	<p><b>Paladin Energy Financing</b></p> <ul style="list-style-type: none"> <li>Standard Bank, jointly with Nedbank Capital, refinanced the existing project finance facilities at Paladin Finance (Langer Heinrich uranium mine) and Paladin Africa (Kayelekera uranium mine)</li> <li>The deal consisted of a project finance facility to Paladin Finance Ltd, advanced through the Standard Bank of South Africa's Isle of Man Branch, and a working capital facility to the project company by Standard Bank Namibia</li> <li>The facilities reached financial close during January 2014</li> </ul>	<p><b>Diamond Technology Park (DTP), BWP68.7mn, Lender</b></p> <ul style="list-style-type: none"> <li>Stanbic Bank was appointed as property finance lender of BWP68,705,000, to fund the construction of a specialised building consisting of offices, workshops and laboratories for further refinement of diamonds in Gaborone, Botswana. The building will be let to various diamond downstream companies.</li> </ul>	<p><b>BCM International Limited</b></p> <ul style="list-style-type: none"> <li>Standard Bank was a joint mandated lead arranger with Caterpillar Financial Services</li> <li>Additionally, Standard Bank was a lender in an amount totalling USD 9.4 million towards the purchase of mining equipment</li> <li>Standard Bank is also acting as both Facility and Security Agent for the transaction</li> </ul>



Moving Forward™



# Gone too soon!

## Malawi loses one of the upcoming female geologists, Chimwemwe Mazizi Zidana

in Blantyre District.

After graduating, she briefly worked with Mota-Engil as a Geologist before she joined the civil service on May 2, 2014 as a Geologist at the Department of Geological Survey which falls under the Ministry of Natural Resources, Energy and Mining.

She was moved to Zomba to join her husband and was stationed at Geological Survey Department Headquarters.

The ever jovial Zidana, as described by colleagues and others, who happened to have worked or interacted with her, was one of the free and rare personalities, let alone, upcoming female geologist prospecting a bright future ahead of her.

questions can be provided better by the Almighty God who gives and takes away from us. We hope and believe you are in His comfortable hands. You shall always be in the minds of the Geological Survey family and will be missed by this Department, the Ministry of Natural Resources, Energy and Mining, your family and friends numerous to mention. CONTINUE RESTING IN PEACE.

**Jalf W. Salima**  
(DIRECTOR OF GEOLOGICAL SURVEY)

I am humbled to have shared such a life; a gentle and calm spirited soul. We little knew that day that God was going to call your name. In life we loved you dearly; in death we do the same.

It broke my heart to lose you, but am glad that you did not go alone, for part of us went with you, the day God called you home on that fateful October 1st.

You left us peaceful memories, your love is still our guide and though we cannot see you, you are always at our side. Today Chimwemwe is not where she was, but she will always be in my heart. God rest you dear friend. I still see you smile and feel your love in a gentle breeze. You are an angel watching over us with the comfort and blessings which you bring. Rest well my dear friend!

**Tamara Kamanga**  
(GEOLOGIST)



**Kamanga**

## Eulogies from colleagues and friends:

### FAIR THEE WELL!

A dark cloud had fallen in the month of October 2015, when the mineral sector, particularly the Geological Survey Department lost an upcoming geoscientist in the name of Mrs Chimwemwe Mazizi Zidana.

You departed from us before fulfilling the potential which the sector had been expecting from you. At such a young age, you have left a gap which shall not be filled in this sector. We are still failing to come to terms with the way you were taken amidst us. The answer to all these



**Salima**

Late Zidana

By Chiku Jere

**B**orn on April 2, 1987, Chimwemwe Mazizi Zidana was just 28 when she passed on, on the first day of last month. She lost a battle which she gallantly fought against 'Heart Palpitation and General Body Pains' as indicated in the medical report.

It was a short illness that ended her at Lilongwe Private Clinic in Area 10 and this was the last journey of her many she never returned.

She was laid to rest at the Area 18 Cemetery, but she held from Mtambo Village, Traditional Authority Kapeni,



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