

# MINING & TRADE *Review*

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The Voice of the Business Sector in Malawi

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# Politics of Oil **INSIDE**



**Banda's administration granted oil search licences**



**Mutharika's government has suspended oil exploration**

**By Marcel Chimwala**

**A**n aura of uncertainty has gripped Malawi's oil exploration subsector as President Arthur Peter Mutharika's administration is yet to lift the suspension of oil exploration activities, which it imposed in November last year to pave way for investigations of alleged irregularities in the award of the licences by the deposed Joyce Banda administration.

An independent consultant in the resources sector, James Chatupa, tells Mining & Trade Review that there is currently no activities going

on in the oil exploration subsector as players in the industry have for over 10 months now been waiting for the government to come up with a decision on the oil licences.

"As local consultants, we were hopeful to benefit from the sector when the licences were awarded but this wind of change has left us idle," says Chatupa, who runs a consulting firm called Craton Resources Consultants.

Prospects for discovery of hydrocarbons are high in the Lake Malawi and Shire Valley areas, which form part of the Great African Rift Valley that has seen discovery of oil and gas in countries such as Tanzania and Burundi.

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# Geological remapping to commence in 2016

By Chiku Jere

Remapping of the country's mineral prospects is poised to commence next year, Director of Geological Survey Department in the Ministry of Natural Resources, Energy and Mining, Jalf Salima, has disclosed.

The revelation was made during the launch of the Airborne Geophysical Data which was obtained through a country wide high resolution survey involving magnetic, radiometric and gravity methods, conducted between September, 2013 and August, 2014.

According to Salima, the remapping exercise will involve development of geophysical, geochemical and geological maps, an undertaking that is expected to be funded by the French government through a European Union debt relief facility.

The remapping exercise will involve geological interpretation



Salima making a presentation during Airborne Geophysical Data launching ceremony

of the geophysical data acquired during the country wide airborne geophysical survey, which was financed by the World Bank and the European Union under the auspices of the Mining Governance and Growth Support Project (MGGSP).

"Upon conclusion of this task, government will have adequate information pertaining to the country's mineral anomalies readily available for use by prospective investors," Salima said.

Reports indicate that the geological maps that are currently available were produced in the 1960s and do not provide up to date information since mineral resource development techniques were not advanced at that time.

The Airborne Geophysical Survey, that will provide the basis for the remapping exercise, was flown by Sanders Geophysics Limited of Canada at 250m line spacing, 5000m tie lines and 60m +/- 20m ground clearance for Magnet and

Radiometric while gravity, which covered selected blocks, was flown at 1000m line spacing, 5000m tie line and 60m +/- 20m ground clearance.

British Geological Survey international (BGSi) and the Geological Survey Department of Malawi (GSD) played a quality control supervisory role for the data acquisition and processing.

This follows the low resolution survey done in 1984/85, which was flown at 1km line spacing, 10km tie lines and 120m ground clearance by Hunting Geology and Geophysics Limited with funding from the United Nations Development Programme (UNDP).

Salima said that investors interested to access the data from the Airborne Geophysical Survey for the purpose of mineral prospecting would be required to pay a nominal fee.

"This is so because government has invested a lot in the process of acquiring and preparing this data in readiness for use and we will need to retain some funds for administrative purposes including data reproduction costs," he said.

Salima explained that the data will be provided in various formats such that the line data will be available in Oasis Montaj Geosoft Format and ASCII file format, Grid data in Oasis Montaj Geosoft grid file format and Geophysical maps in printed colour maps or digital PDF format at standard scales of 1:1,000,000; 1:250,000 and 1:100,000.

On request from clients, the data will also be windowed to any boundary demarcated within standard coordinates.

Meanwhile, government through MGGSP has embarked on a process of identifying experts to carry out interpretation of the data and conduct ground follow ups of interpreted geophysical anomalies.

As reflected in the Malawi Growth and Development Strategy 2, the Malawi government has ranked mining as one of the priority areas to facilitate economic growth and ensure diversification from over-dependence on agriculture as the mainstay of the economy.

## Business community bemoans Kwacha depreciation

By George Lumwira - Correspondent

The Malawi Confederation of Chambers of Commerce and Industry (MCCCI) has expressed shock over the continued

depreciation of the local currency, the kwacha, which has lost over 30 percent of its market value since May this



Gondwe: Finance Minister



Kambala: MCCCI president

year.

The local currency, which traded at 434 to a US Dollar four months ago, has dramatically lost its value despite the prevailing tobacco growing season, hitting 630 to the US green back.

MCCCI President, Newton Kambala, says the situation has disturbed most business operators – who fear that it could bring inflationary pressure as the price of imports may continue rising.

"There is no hope for the business sector. The reports that I hear from members of the chamber are that the businesses are struggling to get forex from commercial banks which has also become very expensive due to the devaluation and this is hugely having a knock on

effect on businesses," Kambala said.

However, Finance Minister Goodall Gondwe sounded as if his ministry had prearranged the depreciation when asked why the currency was falling at the pick of the season.

"Precisely because we want it to depreciate. We want the farmers to earn more when selling their tobacco," Gondwe said.

Another economist Dr Collen Kalua concurred with Gondwe by emphasizing that the depreciation was timely.

"It is a positive situation, on the other hand, because tobacco farmers will benefit much when selling their produce...You know, when a (domestic) currency depreciates it makes exports more attractive unlike imports because it is like a tax on imports," Kalua said.

Nonetheless, another Economist Nelson Mkandawire described the depreciation as surprising as it has come when the country is said to have enough forex to support the local currency.

"And again, this will not benefit farmers as we are told the season is already closing," he said.

Meanwhile, operators in transport sector feel the sudden fall of the Kwacha is robbing the industry of a possible reduction of fuel pump prices that have supposedly been going down globally following falling oil prices.

The Malawi Energy Regulatory Authority has, since April been maintaining the prices for petrol, diesel and paraffin in its monthly fuel pricing meetings.

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**...from front page**

Consequently, the Malawi Government divided the areas into six blocks for the purposes of oil and gas prospecting.

The then Bingu Wa Mutharika administration initially awarded Blocks 2 and 3 covering part of Karonga and Nkhata bay, which geologists say have the highest chances for oil discovery, to UK firm Surestream Petroleum in 2011.

However, the sudden death of Mutharika which saw the elevation of the then Vice President Joyce Banda to President never worked well for the British investor as Banda claimed at one of her Press Conferences that she did not know Surestream.

Seemingly sensing the wind of uncertainty in its dealings with Banda's government, Surestream sold the controlling shareholding in its tenements to an international expatriate firm, Hamra Oil.

The deal was done secretly such that Mining & Trade Review's follow up with Surestream General Manager Keith Robinson and the then Principal Secretary Leonard Kalindekafe to establish how worthy was the deal and if the government realised any money from Surestream in form of capital gains taxes yielded no tangible results.

"I am not aware of that. Do you mean Keith was telling you that?" said Kalindekafe, when asked about the deal, before cutting the line.

The third block to be awarded to investors was Block 1, which in 2012 was awarded to South Africa's Sacoil by the Joyce Banda administration which also later in 2013 awarded Blocks 4 and 5 to UAE firm Rakgas MB45 and Block 6 to another expatriate firm, Pacific Oil Limited.

Soon after assuming the mantle, Peter Mutharika's administration suspended oil exploration in all these six blocks.

The suspension of the exploration work came into force after Hamra Oil had completed a full tensor survey in Blocks 2 and 3 and Rakgas had completed the same in Blocks 4 and 5 while Pacific Oil was obstructed to conduct the survey by the suspension order, which the Mutharika administration issued through Principal Secretary for Ministry of Natural Resources, Energy and Mining, Ben Botolo.

The Peter Mutharika administration initially claimed that it did not recognise any oil exploration tenement holder except Surestream Petroleum which was awarded the tenements by the administration of Peter's late brother Bingu.

The President has, meanwhile, threatened to use his constitutional powers to revoke the licences from the investors.

"We will revoke the licences if we find out that there were irregularities in awarding them. The oil resources belong to Malawi and we can reserve them for future generations," said Mutharika in a speech monitored on state broadcaster, Malawi Broadcasting Corporation.

Among other issues, Peter Mutharika's administration is not happy that the Joyce Banda administration prematurely signed Petroleum Sharing Agreements with the investors, which gives details of how proceeds from oil and gas will be shared between the government and the investors who will develop the prospects.

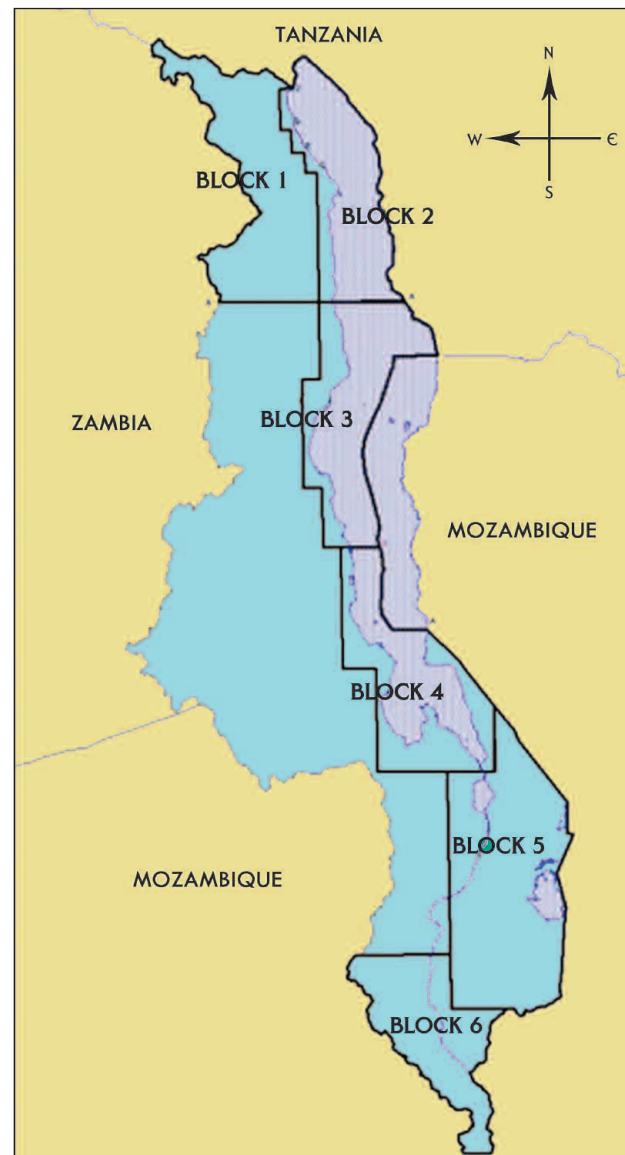
The investors consider the signing of the agreements as important for stability of their operations because with such agreements in place, no administration can just come and push them aside after investing a fortune in developing the prospects.

The Mutharika administration also suspects that the three tenement holders, Rakgas, Hamra Oil and Pacific Oil fall under one company, because one person signed for their licences.

However, the investors argue that one person signed for the licences as an agent since the companies were from the same region and it would have been expensive for the companies to mobilize a different person to sign for each tenement.

On its part, Sacoil Holdings completed an environmental screening study for Block 1 which falls in the Chitipa-Karonga area and is yet to mobilise funds to kickstart exploration.

In their encounters with members of communities in their operation areas, the oil exploration firms promised to carry out a number of development projects proposed by the communities including construction of schools blocks, entertainment centres, hospitals and rural growth centres but everything is at a standstill following the suspension of the exploration activities.



Oil Blocks in Malawi

# Mzimba gemstone miner to scale up value addition

## ...Group seeks market for processed stones

By Deborah Manda

Mzimba based, Zimkole Mining Group (ZMG), is pursuing plans to scale up value addition activities in order to do away with middlemen who buy rough stones at unrealistically low prices and sell them at a whooping profit after processing.

Mining Manager for Zimkole Mining Group Yamikani Jimusole says the company has outlined a number of beneficiation activities, which will result in soaring of revenue and increased job opportunities for the local communities in the next five years.

"We want to establish a plant where women, the youth and disadvantaged groups can be economically and technically empowered through beneficiation initiatives such as beading, tumbling, production of ornaments and garden stones," says Jimusole.

He tells *Mining & Trade Review* that since ZMG is a women-owned company they encourage women to join mining activities and take up roles such as washing the stones, sorting, grading and cooking for the miners besides the actual mining.

"Presently Zimkole Mining Group has over 20 employees and we ensure that we pay them in line with government minimum wage requirements. We also provide accommodation, food and soap to the workers," he says.

Jimusole also says the company engaged a renowned Geologist Grain Malunga (FIMMM) who undertook a Gemstone resource analysis in its licence areas.

"The idea was to have a clear idea of the resource

situation in our licence areas. We did not want to be like primitive small scale miners who just operate aimlessly, spending power and money on a mine that is unlikely to produce," he says.

Jimusole says the results of the survey were encouraging as three out of the five mines that the company has namely Kondwani, Kacheure and Puye have shown high potential in recovery of gem aquamarine.

The outcome of the study, however, indicated that resource quantification is difficult because of the geological nature of occurrences of the gemstone.

The analysis concluded that the frequencies of recovery of gemstone show that the three mines have high productivity and economic potential to support mechanised mining.

"Currently we have suspended sales because we have embarked on an exercise to identify the real buyers. We want to sell already processed stones in order to maximize our profits because we feel that middlemen have exploited us for a long time. It is high time we found a proper market for our products hence we are appealing to various stakeholders to help us identify proper markets," says Jimusole.

ZMG has a Business Development Consultant who is currently formulating a business plan.

In addition to market constraints, the other challenges the company is encountering include low production due to the use of primitive mining tools and scarcity of water sources around the mines.

ZMG, which is a women-owned company, was founded by Agnes Gausi and later in 2014 she partnered with



Jimusole displaying gemstones at the Malawi Investment Forum

Tinyade Kachika, a lawyer by profession. They have five mining claims in Mzimba, four in Perekezi forest reserve namely Kacheure, Puye, Tinyade and Kondwani mines and one near Mzimba Boma called Praise.

The five mines form pegmatite hills whose main resource is aquamarine. Kacheure, Tinyade and Praise mines also contain rose quartz which is an ornamental stone.

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By Chiku Jere

The World Bank and European Union have cautioned Malawians against expecting instant benefits from mining activities saying such ventures involve long processes hence take time to evolve into profitability.

The two donor organisations sounded the caution during the official launch of the Country-wide High Resolution Airborne Geophysical Data which took place on August 20, 2015 at Bingu International Conference Centre (BICC) in Lilongwe.

The World Bank and EU provided funding to the tune of US\$25-million and 5.7-million Euros respectively to the Malawi Government to finance the Mining Governance and Growth Support Project, which included the survey among its components.

World Bank Country Manager for Malawi, Laura Kullenberg, said she is hopeful that the availability of geophysical data from the survey is a tool that will facilitate foreign investment for Malawi as it has done in other countries.

"The completion of the geo-data acquisition programme signifies that Malawi, which lacked basic geological information, has moved forward to explore more deeply for mineral data as it has identified more sites to be followed

# Donors caution Malawi against expecting instant mining benefits

up. Should this bring results, the sector will significantly contribute to the country's economic development," Kullenberg said.

However, she emphatically advised on the need for the country to manage expectation, as benefits from such investments are not, in any way, short-term coming.

"It has to be taken seriously into consideration that mining is a huge undertaking which involves protracted processes and huge capital investment. Hence, there is need to exercise patience as benefits will not come overnight, but over a period of time," Kullenberg said, adding that it takes about 10 to 15 years to turn an anomaly into a revenue producing structure.

She said the countries that are enjoying mineral benefits today had to endure years of patience and understanding to reach where they are.

Kullenberg also said that finding mineral resources is not the end of it all but utilising them for the benefit of the public through a transparent and accountable system.

Concurring with his counterpart, EU Head of Delegation to Malawi Ambassador Marchel Germann advised Malawians to endure what he termed a long process that is ahead for the country to start reaping the fruits of its mineral resources.

"There is need for infrastructure development in the sector and it is very important that proper management system of the resources is put in place so that the people of this country should benefit. And this takes a bit of time," Germann said.

The diplomat also warned against raised expectation as regards benefits from the sector saying it might not even be this generation, but the next one, that will benefit from the minerals.

Germann called for the need to create a **ccommodative** investment atmosphere in order to retain investors observing that the private sector remains very crucial in as far as the development of the mining industry is concerned.

The two organisations' sentiments come on the heels of public disgruntlement on a few mining deals that Malawi has managed to



World Bank country manager Kullenberg



EU Ambassador Germann

scratched out especially on issues of community compensation and benefits as well as investors' social responsibility pledges.

But seasoned Mining and Environmental Management expert, Grain Malunga, commented that such scenarios could be avoided with proper communication and community involvement from the onset of projects.

"Such problems emerge when there is an aura of secrecy due to lack of detailed information to the public on mining agreements. This creates room for speculation and misrepresentation that end up fuelling unrealistic expectations to the immediate communities with regard to the benefits expected from the mining activity," said Malunga.

He said people from a particular mining area are supposed to be updated of the planned activity, they have to be aware of whatever change will occur in the area and on their livelihood due to the activity, and they have to be taken on board in the undertakings to avoid creating raised expectation based on hearsay.

Mulunga was speaking during national public debate organised by Catholic Commission for Justice and Peace (CCJP) with support from Tilitonse Fund, which, among many other issues, tackled public expectation in the mining sector.

The theme of the debate which was held at Crossroads Hotel in Lilongwe and aired live on *Zodiak Radio* was: **"Is the current Mines and Minerals Draft Bill responding to the burning issues that Malawians in civil society organisations, faith-based organisations and local communities have been raising?"**



## PRESS RELEASE

### UN Women sponsors women miners to network at African level

The UN Women Eastern and Southern Africa Regional Office, AMDC, UNECA and the Australian High Commission in partnership with other partners are pleased to announce a **Regional Sharefair on Gender Equality in the Extractive Industries: Building on Good Practices**.

The **Sharefair** will take place at the UN Complex in Gigiri Nairobi, from **13th to 15th October 2015**.

The **Sharefair** will provide an opportunity for knowledge exchange and dialogue on issues impacting on women at all levels in the Extractive Industries (EI) and will have a substantive South-South component. The event will promote technologies, innovations, best practices and policies that support women working in the sector and will bring together women miners as well as women living and working in the EI from around the region. It will also offer a platform for governments, policy makers, researchers, academics, private sector (mining, oil and gas), community groups, civil society, technology innovators and others to interact with women in the extractive industries and discuss and uncover some of the good practices and challenges in the sector.

During the **Sharefair**, high-level policy dialogues will be held on several issues around gender in the extractive sector; and sharing of best practices on the effective integration of gender-equality in the sector. Regional and national government officials and private sector members will also be invited to join other selected experts in high-level discussions which will provide a platform to highlight policies, identify the constraints and discuss ways to address them. Similarly, the business community will have an opportunity to network with women in the business alongside technical professionals, service providers, mine-owners with the possibility of exploring concrete business opportunities.

Malawi will be represented by a 7 member delegation which includes a government official and women artisanal miners. In June 2015, UNW also supported 15 MAWIMA members to participate in the Malawi Investment Forum (MIF) organized by Malawi Investment and Trade Centre (MITC). The biggest gain for women at the MIF was their exposure to such a high level forum of international standards, which taught the women how to get prepared as a group in order to seize investment.



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## EDITORIAL

## Malawi must resume exploring for oil



BY MARCEL CHIMWALA,  
PUBLISHING EDITOR

**M**any countries in Africa including Uganda, Tanzania and Burundi, which share the oil rich Great African Rift Valley with Malawi, have opened up to expatriate firms to investigate the existence of oil, which has contributed to economic success in a number of countries in Africa and beyond.

Similarly, when the Malawi Government started granting oil search licences, a ray of hope for an economic turn-around was ignited for the country currently in economic turmoil.

As stated in our lead article, the Malawi Government splashed out licences for all the six blocks to expatriate firms which include Sacoil (Block 1), Surestream Petroleum which sold a controlling stake to Hamra Oil (Block 2 and 3), Rakgas MB45 (Block 4 and 5) and Pacific Oil Limited (Block 6).

Being expatriate firms that are undertaking similar activities either elsewhere in the region or other parts of the world, the investors have been cautious in their activities knowing they cannot tamper with the environment more especially the precious Lake Malawi anyhow.

In accordance with local and international laws and principles, they devised environmental protection plans, which they are supposed to follow in executing their work.

The companies also took time engaging local communities right from the district council level explaining to them how safely they will conduct their operations.

As the real owners of the resources, the communities were also asked to enlist the projects that the companies have to carry out in their respective areas as part of their corporate social responsibility initiatives.

Having attended the meetings, it was evident that a cross section of members of the communities were convinced with the planned initiatives by the companies, which promised not only to uplift the country's macro-economic status through revenue generated by oil sales but also to change the face of the country through a number of infrastructure projects.

Unfortunately, it seems the companies are being distracted from executing their worthwhile plans by the ugly face of politics.

It all started when the late President Bingu Wa Mutharika died and replaced by his then estranged Vice President Joyce Banda. Then Surestream Petroleum held the Block 2 and 3 licences, and it was surprising to hear Banda saying she did not recognize the tenement holder, and Surestream consequently just sold the licences to Hamra Oil.

When State President Arthur Peter Mutharika assumed the mantle after flooring Banda in an election, we felt it was the dawn of a different scenario as the President had said in his campaign errands that issues to do with mining would be left in the hands of technocrats. But it seems not, as in November his government slammed a suspension on all oil exploration operations in the country.

Speaking through state owned Malawi Broadcasting Corporation, the President last month threatened to revoke licences from the tenement holders if his government discovers that they were irregularities when granting them.

What is boggling our mind is that, it is over ten months now since the suspension and the review process of the licences started. Is the government telling us that it has not concluded the process, really?

We, therefore, urge our President Professor Arthur Peter Mutharika to consider lifting the suspension to allow that oil exploration must continue.

Malawi must not lag behind other countries in the region which are advancing in oil exploration because of petty politics and indecisiveness among its leaders.

We have hope in President Mutharika to lift the suspension knowing the President has been on the forefront attracting investment.

Will it make sense to be talking about attracting investors when we are hounding existing investors out of their investment due to political interest?

Our understanding is that oil exploration licences are not granted by political parties and our government led by the investor-friendly Mutharika will not make a decision to favour some political interests as other previous leaders used to do. We believe the President is well learned and civilized enough to make a decision for Malawians who are keen to know whether the country has oil reserves or not.

MINING & TRADE *Review*

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EYE ON  
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EITI

Extractive  
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By Rachel Etter-Phoya



## Examining Malawi's journey towards EITI compliance

# Using the EITI for Reform

This month, the Extractive Industries Transparency Initiative (EITI) Board will meet in Bern, Switzerland, for its 30th board meeting. The Government of Malawi's application to join the EITI, submitted in July this year, will be on the agenda. Shortly after the meeting, it will be made known whether or not Malawi has been successful in its application to join the initiative to improve transparency and accountability in the extractive industries.

As Malawi awaits the Board's decision, it is interesting to consider opportunities available through the EITI Standard for impacting governance of the sector. A study recently carried out by the Natural Resources Governance Institute (NRGI June 2015) discusses the way that the compulsory EITI annual reports can tangibly lead to reforms. Recent EITI reports have revealed shortfalls in the ways countries have allocated licences to companies, disclosed politically-affiliated owners of companies, and uncovered significant local revenues that were never disbursed.

Once – and if – Malawi is approved to join the EITI as a candidate country, the National Secretariat will have 18 months to produce the first EITI report under the guidance of the multi-stakeholder group, which is made up of the private sector, civil society and government. The report will cover contextual information about the sector, including the fiscal regime, contractual framework, production, licencing procedures, revenue allocations and expenditures, as well as data on company payments and revenue collected by government from the extractive industries. The EITI Standard, adopted in 2013, ensures that the report is used as a tool to disclose information along the entire extractive industries decision chain.

As is often said, Malawi's mining sector is in its infancy so the country can learn from the region's experienced players, and in the same vein, we can take the best practice of the 48 countries which are already part of the EITI, of which five are Southern African Development Community member countries. This was the motivation behind a German government-financed study tour for Malawi's multi-stakeholder group and National MWEITI secretariat to Zambia's EITI in June this year.

The aforementioned NRGI study also highlights the following content areas that should be included in the EITI reports in order to ensure reporting feeds into reforms:

- *Contracts should be made public and be accessible*
- *Beneficial ownership should be disclosed to reveal who a country is doing business with*
- *Reporting should be done on a project-by-project basis*
- *Subnational revenue transfers (i.e. transfers from the national to the district level) should be made known, which is particularly relevant for communities where extraction happens*

Furthermore, Malawi needs to ensure that the EITI and its reports are relevant and timely by linking activities and reports of the multi-stakeholder group to the priorities of the country. For example, Burkina Faso made sure disclosures were related to the public's interest in employment following a protest at Iam Gold's Essakane mine over the lack of local employment. The Burkinabe EITI report for 2012 contained employment data for the mining sector which revealed that Iam Gold employed the greatest number of locals in absolute terms and had an above average proportion of local employees at the mine.

As we wait to hear from the EITI Board, the MWEITI National Secretariat and multi-stakeholder group are planning to conduct a scoping study to determine which data, companies and resources should be included in the first report. More on this next time!



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# Malawi hosts world's sixth

## ••• Sovereign Metals completes scoping study for Duwi project

A scoping study by ASX listed Sovereign Metals has confirmed that its Duwi Flake Graphite Deposit in the district of Lilongwe in the Central Region of Malawi is the world's sixth largest graphite deposit.

Graphite is used in refractory applications, as a conductor of heat and electricity and in lubrication, and increasingly in advanced energy storage applications such as lithium ion batteries.

### Highlights

The Project economics and technical viability are very encouraging, highlighting its potential to become a low cost/high margin flake graphite producer.

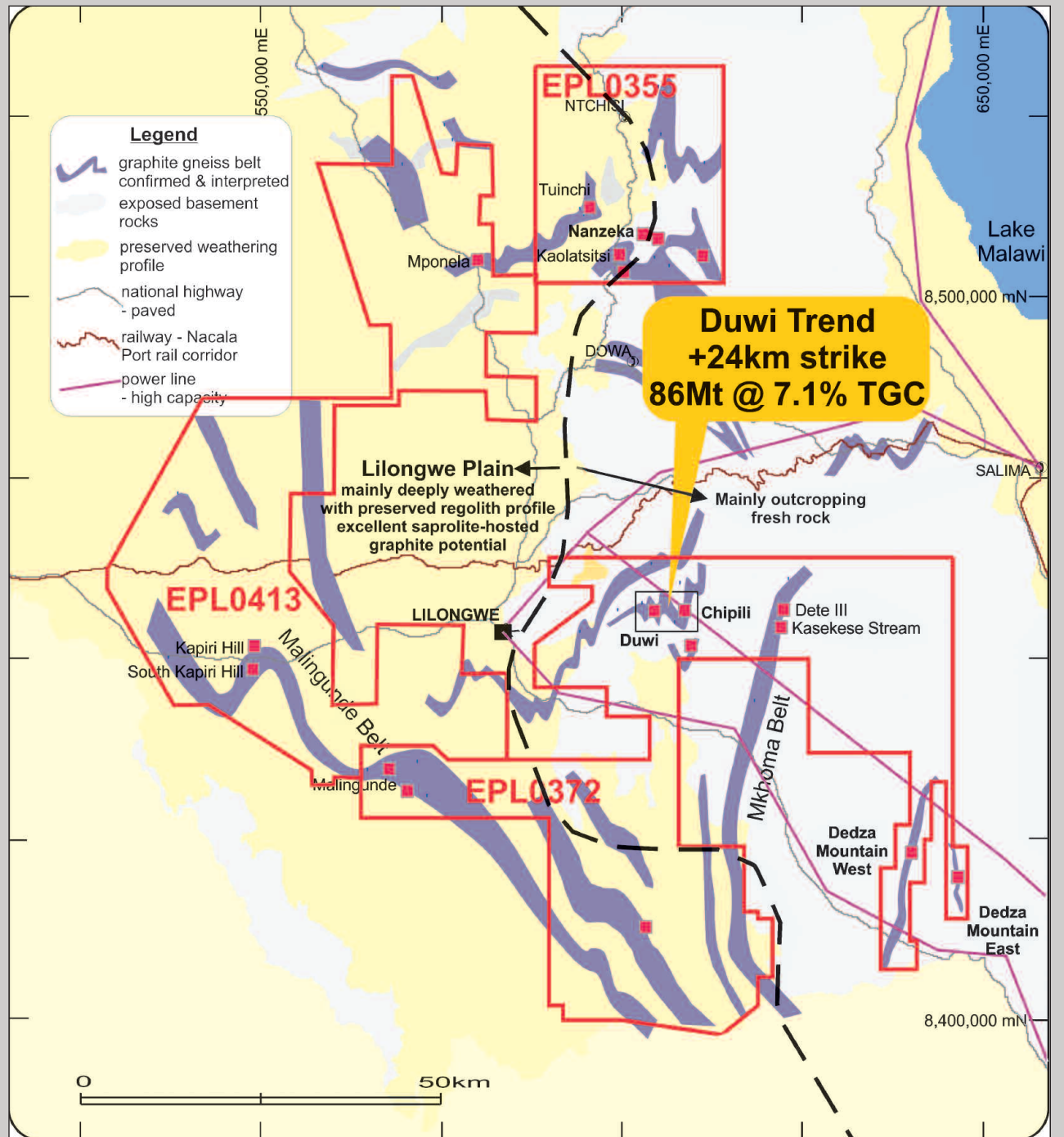
The Study confirms Duwi can support a Base Case scenario with graphite concentrate production of ~110,000 tonnes per annum over an initial mine life of 20 years:

- Life of mine operating cost estimate of US\$498 per tonne of concentrate (including US\$128 / tonne transport costs FOB Nacala Port);
- Initial capital investment of US\$112 M with a 1.7 year payback (excludes contingency);
- Very low life of mine strip ratio of 0.67:1.00 waste:ore;
- Excellent supply/demand outlook for Duwi type concentrate supported by a large proportion of Extra Large ('jumbo') flake;
- Concentrate flake size and purity 'footprint' indicates suitability for use in a wide range of end-use applications, including lithium-ion battery anodes;
- Significant infrastructure advantages including proximity to existing rail, grid power, labour and fresh water supplies; and
- Large resource (6th largest globally) and very substantial further exploration upside confirms Duwi as a potential multi-generational supplier of flake graphite.

Sovereign Metals Managing Director, Matthew Syme, says the scoping study was based on a mineralised inventory of 77.3 Mt at 7.2% total graphitic carbon ("TGC") (Indicated and Inferred) for 5.57 Mt contained graphite (5% TGC cut-off) for the Duwi Main and Duwi Bend deposits.

"The current Duwi Main and Duwi Bend deposits make up only about 2km of the overall ~24km strike length of graphite mineralisation along the greater Duwi Trend. Mineralisation remains open along strike at Duwi Main and Duwi Bend, and Heli-VTEM (helicopter borne versatile time domain electromagnetic) data indicates the potential for further significant extensions to this high-grade mineralised trend," says Syme.

He explained that the scoping study considered two possible production scenarios;



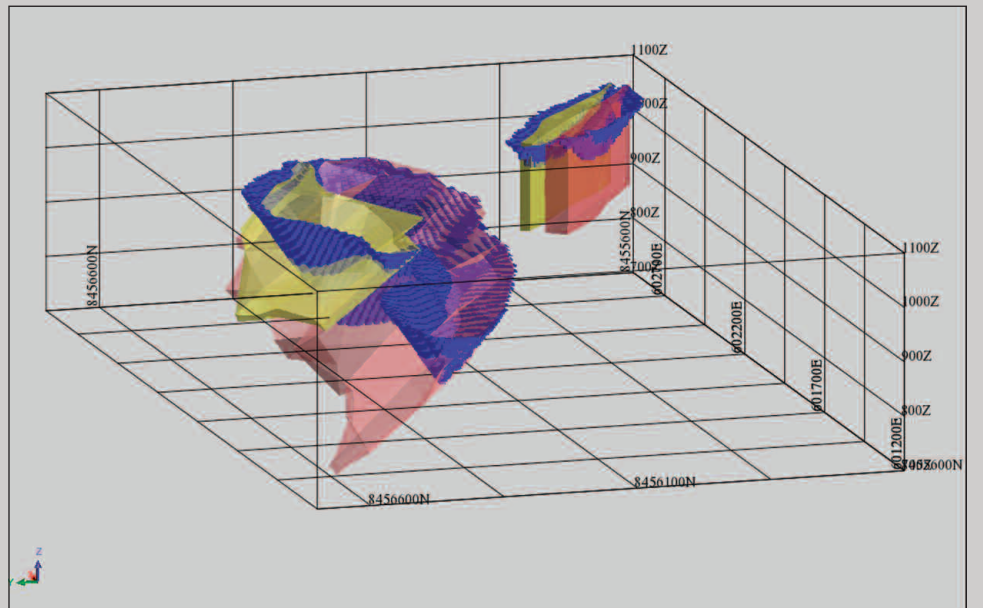
Map showing location of Duwi Project.

- The 1.5 Mtpa Base Case: Processing 30 Mt of Indicated and Inferred material from Duwi Main and Duwi Bend at a rate of 1.5 Mtpa over a 20-year life to produce approximately 110,000 tpa of flake graphite concentrate (>95% TGC).

- The 0.55 Mtpa Low Tonnage Case: Mining and processing of 11 Mt of Indicated material from Duwi Main at a mining and processing rate of 0.55 Mtpa over a 20-year life to produce approximately 40,000 tpa of flake graphite concentrate.

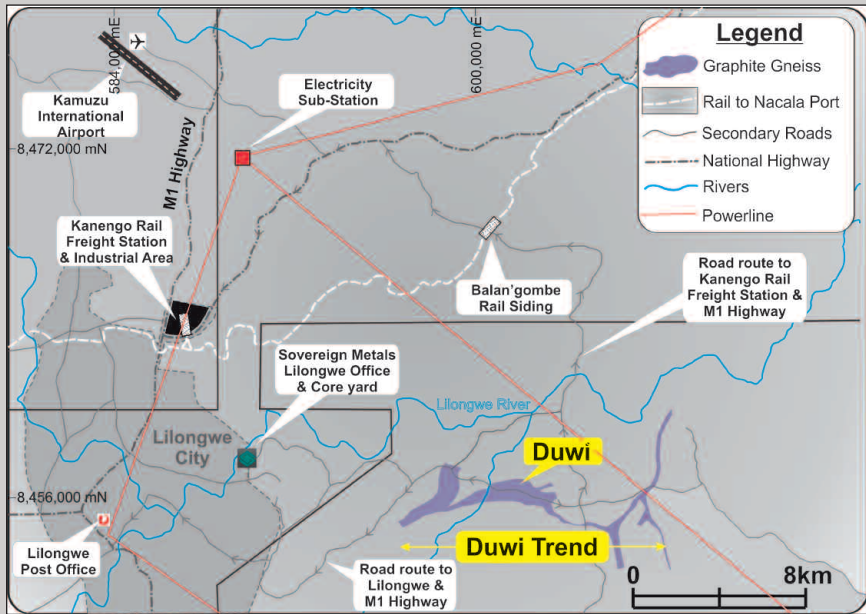


Duwi graphite samples

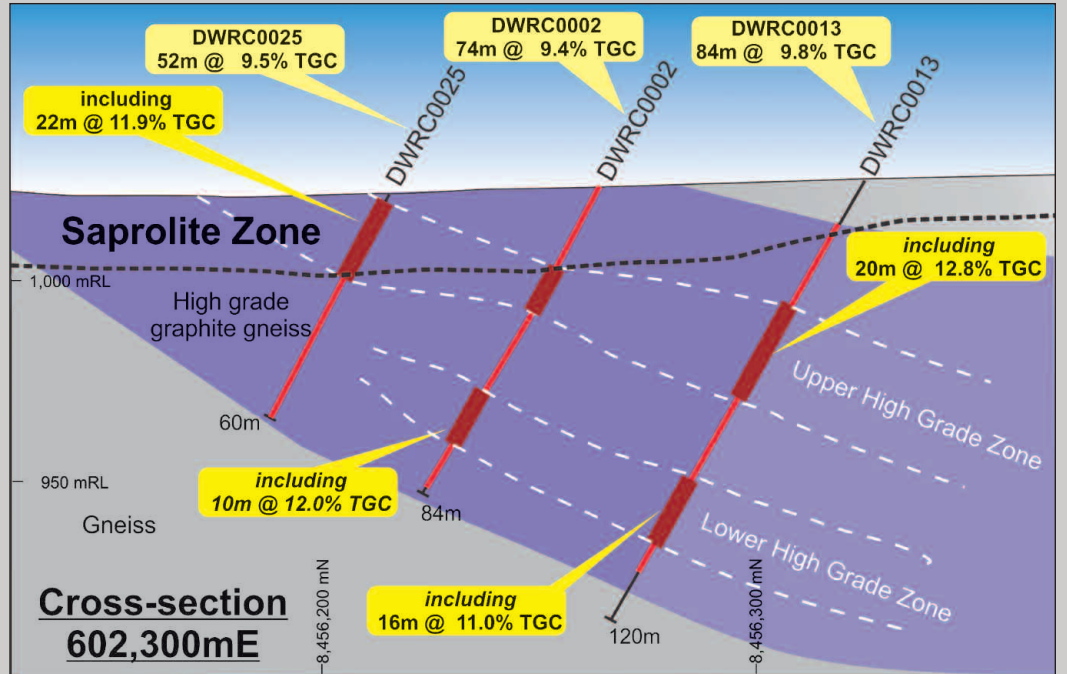


Base Case Whittle pit shell (blue) showing footwall (red) and hanging wall (yellow) mineralised wire frames at 5% TGC cut-off (view looking SE).

# n largest graphite deposit



Duwi Project: Location and infrastructure



Duwi Main cross-section 602,300mE

Syme explained further that the proposed method of mining is by an open pit located on the Duwi Main deposit and a shallow satellite pit on the Duwi Bend deposit. “The Base Case contemplates mining 30 Mt of mineralisation over 20 years at a strip ratio of 0.67 : 1.00. The mining inventory is comprised of 77% Indicated Mineral Resources and 23% Inferred Mineral Resources. Overall, the first 9.5 years of mining is supported 100% by Indicated material, whilst the remaining 10.5 years of the mining schedule is made up of 57% Indicated and 43% Inferred material for a LOM average of 77% Indicated. The Duwi Main open pit will be mined in several stages and will have eventual dimensions of ~1,500m long and ~240m deep. Sufficient material has been identified to extend the operation significantly if required,” he says.

## Metallurgy and Processing

Syme reports that Sovereign has undertaken a range of characterisation and mineralogical examinations and test-work programs on fresh ore and surface saprolite material from the Duwi deposit.

He explains that the key element of the work has been the flotation programs designed to optimise graphite recovery whilst also maximising flake size and integrity.

“Work to date has prioritised development of an optimal flotation flowsheet, which has been used as the basis for this Scoping Study. The process flowsheet objective is to maximise recovery of jumbo (+300 µm) flakes and minimise production of amorphous powder (-75 µm). Further test-work is currently in progress to optimise other areas of the flowsheet and early results show that concentrate size fractions can be upgraded to >95% TGC,” he says.

Syme says all processing will take place in a dedicated, purpose-built processing plant located close to the deposit and the flake graphite product will be packed and containerised on site and transported via road/rail and ship to the end-users.

The process flow sheet is based on flotation test-work carried out at SGS Canada (Lakefield).

“This constitutes a conventional flotation concentrator plant incorporating crushing, screening, flash flotation, milling, de-sanding and graphite flotation/polishing to recover commercial grade graphite flake,” says Syme.

## Next Steps

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, offtake agreements and financing will all be required before production could commence.



RC drilling at Duwi Main



Looking East towards Duwi Project Site



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# Roads Authority outlines progress on five major road projects

By Staff Reporter

Malawi's Roads Authority (RA) says it has embarked on a process to engage contractors for five major road construction projects, which will cost millions of dollars.

CEO for the Roads Authority, Trevor Hiwa, says in a statement the projects include the construction of the 82km Thyolo-Thekerani-Muona-Bangula Road in the Southern Region of the country.

Hiwa says the Authority is in the process of engaging another contractor for the project after an initial contract with Kuwaiti Contractor, M.A Kharafi, was terminated in December 2014.

Says Hiwa: "Procurement for a new civil works contractor using international competitive bidding is underway and bid submission date has been scheduled for October 1."

"Civil works are expected to commence by November 30, 2015 and completion date for the works has been scheduled for May 31, 2018 after a contract period of 30 months."

Hiwa says the second project whose contractor procurement process is underway is the construction of the 102km Zomba-Jali-Phalombe-Chitakale road in the Southern Region.

He says his Authority also terminated an initial contractor with M.A Kharafi to execute the project last year and procurement for another civil works contractor using international competitive bidding process is underway.

"Bids for the project are expected to be submitted on



Road construction works underway and inset is Hiwa, Roads Authority CEO

October 1, 2015, and expected commencement for civil works is November 30, 2015. The works are expected to be completed by November 30, 2017 after a contract period of 24 months," says Hiwa.

The RA is also involved in the procurement of a consultant to review the design and supervise construction of the 61.2km Lirangwe-Chingale-Machinga Road also in southern Malawi.

Hiwa explains that currently requests for proposals have been sent to a shortlist of consultants and the successful one is likely to start detailed designs by October 31, 2015.

"The civil works contractor is expected to commence works by July 2016," says Hiwa.

Malawi mostly depends on roads for importation of fuel and raw materials and export of products from mining and other productive sectors.

## Malawi courts private firms to invest in utility sectors



Mwala: PPPC Director of Project Finance and Risk Analysis

By George Lumwira - Correspondent

The Malawi Government is courting the private sector to invest in the country's utility sectors in public private sector partnerships (PPP) arrangements as one way of improving efficiency in the delivery of utility services.

Director of Project Finance and Risk Analysis at Malawi's Public Private Partnership Commission (PPPC) Audrey Mwala says through his Commission, the government is inviting local and foreign firms to invest in utility sectors including water and energy.

In the energy sector, the Government is courting independent power producers, which are expected to produce power to supplement Electricity Supply Corporation of Malawi (Escom) capacity which at 351Megawatts is too low

to support growth of heavy industries such as mining.

In other PPP projects, the Commission is courting private players to partner the government in providing University students' accommodation, managing fuel storage tanks in Mchinji and Chipoka in the Central Region, running Malawi Cargo Centre and Urban Water Supply.

"Through PPPs, government wants to leverage the strengths of public sector, which are management of political, regulatory and sovereign risks -and those of private sector, which are management of financial, operational, technological and constructional risks," says Mwala.

Mwala says his Commission is satisfied with progress that it is registering in institutionalizing PPPs in Malawi citing the successful concessioning of the country's railway network, which has seen the operator Central East African Railways rehabilitating the rail network as one of the landmark developments.

He also cites the coming in of African Parks and Wildlife, which is successfully

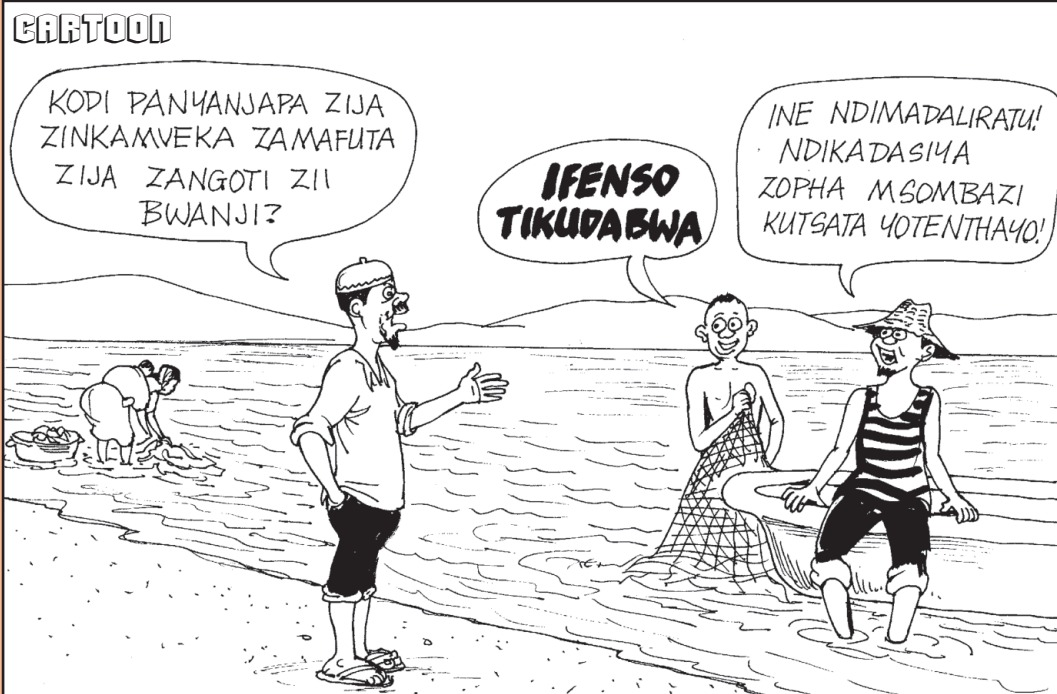
managing Liwonde National Park, Nkhotakota Wildlife Reserve and Majete Game Reserve as another landmark deal sealed by the Commission.

"These two examples show that through PPP arrangements, the private sector is able to help the government meet the infrastructure financing gap," Mwala says.

A recent World Bank sample of 11 African countries has shown a systematic persistent drop in public expenditure for infrastructure.

On average, in the 1980s, countries allocated about 4.2% of Gross Domestic Product (GDP) to infrastructure development which was reduced to 1.6% in the 1990s and just a dismal fraction in 2000s.

According to the Brettonwoods Institution, this reduction has resulted in Least Developed Countries like Malawi having very significant infrastructure gap that needs to be addressed to support economic growth and reduce poverty, which qualifies PPPs as an important option for development.



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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 charnokitic 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 and diamonds dominating the mining sector. Other minerals of economic significance include gemstones, tin, phosphate, salt, coal, copper, lead



Figure 1: Mineral Resources of Eastern part of Africa

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.

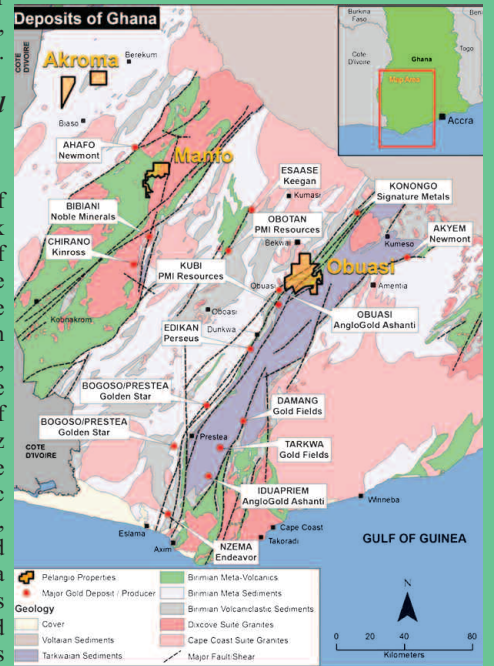


Figure 2: Geology and Mineral Resources of Ghana

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.

.....to be continued in next edition

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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> </ul> <p>Through Standard Bank's extensive local and global distribution network, we were able to:</p> <ul style="list-style-type: none"> <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™

# Kanyika negotiations

## Globe wants royalties scraped out

By Marcel Chimwala

ASX listed Globe Metals & Mining which is negotiating for a development agreement with the Malawi Government for the Kanyika Niobium Project in Northern Malawi has proposed to the Malawi Government to come up with a taxation arrangement that does away with payment of royalties by mining companies.

Globe Metals & Mining Managing Director, Neville Huxham, tells *Mining & Trade Review* that the system of paying royalties is outdated and meaningless in the modern mining era as it originated from the old century UK where mining companies paid mineral royalties to the king.

“What we are saying is that Malawi must come up with a proper tax rate for the mining sector. It is double taxation to subject mining companies to payment of royalties and

tax as is the current case because a royalty on its own is another tax. In the old British Empire, miners were paying royalties to the King. Who are we paying royalties to in a modern democratic state?” questions Huxham.

Malawi’s fiscal regime as stipulated in the Mines and Minerals Act (1981) and Taxation Act gives the mandate to the government to negotiate on the specified royalty rates, which are 5% generally or 10% for export of rough uncut precious and semi-precious stones, and 7% for export of unprocessed industrial minerals.

The royalties are paid based on gross sales value less transport costs to point of sale.



Huxham asked for proper tax rate for mining sector

The laws also subject mining projects to a fixed income tax of 30%.

“For a modern economic set up, payment of taxes is adequate. Countries have to stop embracing colonialism by forcing mining companies to pay royalties,” says Huxham.

Malawi’s royalty rate is said to be the highest in the Africa region whose average is pegged at 3%.

Consequently, the Government reduced the royalty rate for Paladin Africa in the development agreement for the Kayelekera Uranium Mine in Karonga to 3% in exchange of 15% government shareholding in the investment.

Globe Metals submitted a draft development agreement to the Malawi Government, which is a replica of the Kayelekera development agreement, and the government is dilly-dallying to approve it as it wants the investor to pay the taxes and royalties as stipulated in the laws.

The Kanyika Niobium Mine will become the largest mining investment in Malawi after Kayelekera, which Paladin mothballed due to low uranium prices on the global market.

Globe Metals, which has China Mineral Exploration and Development Bureau as a major shareholder for the Kanyika Project, is expected to pump US\$450-million into the development of the Kanyika Mine.



Exploration works at Kanyika



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