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Year 2017 Round Up

Power crisis hits industry

By Marcel Chimwala

As we wind up the year 2017 and ready to welcome 2018, industry captains have advised the government to address the prevailing electricity crisis that has crippled production in the country's economic sectors if Malawi is to realize its dream of becoming an investment destination of choice.

The power crisis has reached alarming levels this year with most of the areas staying for more than 24 hours without electricity.

Power utilities Energy Generation Company (EGENCO) and Electricity Supply Corporation of Malawi (Escom) attribute the problem to low water levels in the Shire River, a host to hydro-power stations that produce over 97% of Malawi's power.

Among the heavy industry's worst hit is cement production. *Mining & Trade Review* learnt through interviews with officials from the country's cement manufacturers Shayona Cement,

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Power cuts to such manufacturing plants have affected cement production

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Escom has failed to power investments which demand huge electricity such as the Kayelekera

...from front page La Farge Holcim and Cement Products that they have reduced their production because of the power shortages.

The development has culminated into low supply of the commodity which has triggered price increases such that the retail price of a 50kg bag of cement has skyrocketed from around K6000 to K9500.

"The power outages have affected us a great deal such that we cannot manufacture enough cement to satisfy the market, so many customers are being sent back because of low production," said Public relations Officer for Shayona Cement, Rowland Mwalweni.

He said Shayona is, therefore, considering starting using diesel generators to power its heavy machines though the option would make production expensive.

"We did not envisage the power outages to reach this far, should this situation prolong we may consider hiring generators," said Mwalweni.

Before the power outages, Shayana, which is investing in massive expansion at its Kasungu factory, was producing 650 tonnes per day but production has now decreased to an average of 100 tonnes per day as the factory has about two hours of power supply per day.

Solutions to power crisis

Coordinator for Malawi Chamber of Mines and Energy, Grain Malunga, has advised the government to treat the energy crisis as a national emergency and start implementing both long and short term measures.

"As a long term solution, government should consider putting up a coal fired power generation plant. We can utilise the local coal resources if we set up a plant in the North, and the government also needs to fast-track the construction of the Kammwamba Coal Fired Power Plant which is strategically positioned to use coal from Moatize if the local resources fail to meet the demand," said Malunga.

The Malawi Government is working with the Government of the People's Republic of China to put up the Kammwamba Coal Fired Power Plant, which is designed to produce up to 300MW of power in its first phase.

The government has also procured diesel generators as a short team measure to the power crisis and is pursuing plans to build several hydro-power plants in the Shire and other rivers.

Malawi is also working on plans to start importing electricity from Mozambique and Zambia, which will qualify it as an operating member of the Southern Africa Power Pool.

Mining projects feeling the pinch

Besides the cement industry, Malawi's mining projects continued to struggle in 2017 not only because of the power outages but also the prevailing low commodity prices on the world market.

Kayelekera Uranium Mine in Karonga, the country's biggest mining investment, remained on care and maintenance with the miner, Australia's Paladin Energy, waiting for low uranium prices to bounce back in order to resume production.

In the year, there was no news from Globe Metals and Mining on its Kanyika Niobium Project in Mzimba which has stalled as the miner continues to seek project financing to the tune of US$400-million and a market for the products which will include niobium, uranium and tantalum.

Ray of hope

However, there is a ray of hope from the coal industry as Mchenga Coal Mines, which is currently the biggest of the northern region coal miners, reported increased demand for the energy mineral mainly from the tobacco industry.

In the year, ASX listed Sovereign Metals also reported substantial progress for its Malingunde Flake Graphite Project. Currently, the company has secured funds from investors in Australia and the USA to kickstart feasibility studies for the project.

"We are delighted to have raised funds to complete all technical disciplines required to proceed to a final investment decision at Malingunde. The significant institutional support received from Australia and the United States highlights the demand for simple, low-cost projects in the rapidly expanding graphite space," said the Company's Managing Director, Julian Stephens.

Good news in the year also came from Mkango Resources, a UK firm which holds an exclusive prospecting licence for rare earth elements at Songwe Hill in Phalombe.

In November 2017, Mkango entered into an agreement with Talaxis Limited ("Talaxis"), a wholly owned subsidiary of Hong Kong based Noble Group Limited, whereby, subject to regulatory approval, Talaxis will fully fund a bankable feasibility study for Songwe by investing £12 million (C$20 million) for a 49% interest in the project. *(Read page 20 on Mkango's Malawi projects*)

But the year 2017 presented both good and bad news from Makanjira in Mangochi for the mining sector. The good news is that a Chinese firm, Nu Kin, has applied for a mining licence for heavy mineral sands after completing feasibility studies including environmental impact assessment studies.

Illegal gold mining activities taking place in Onga and surrounding rivers represent the bad news aspect for Makanjira. In the year, the Mines Department has unsuccessfully tried to curb the illegal gold panning activities which recently claimed lives of four people who were buried in a fallen tunnel.

"We have now planned to employ more serious measures to stop illegal mining. This will involve working with all stakeholders including police and the miners themselves," said Director for Mines Deaprtment, Atileni Wona.

In the year, chaos also ensued at Chimwadzulu Mine in Ntcheu after government refused to extend a 10-year mining license for a local miner, Nyala. Villagers invaded the mine to scramble for rubies and sapphires which they were selling to foreigners who flooded the area.

The government has, currently, deployed officers from the Malawi Police Service to put the situation under control.

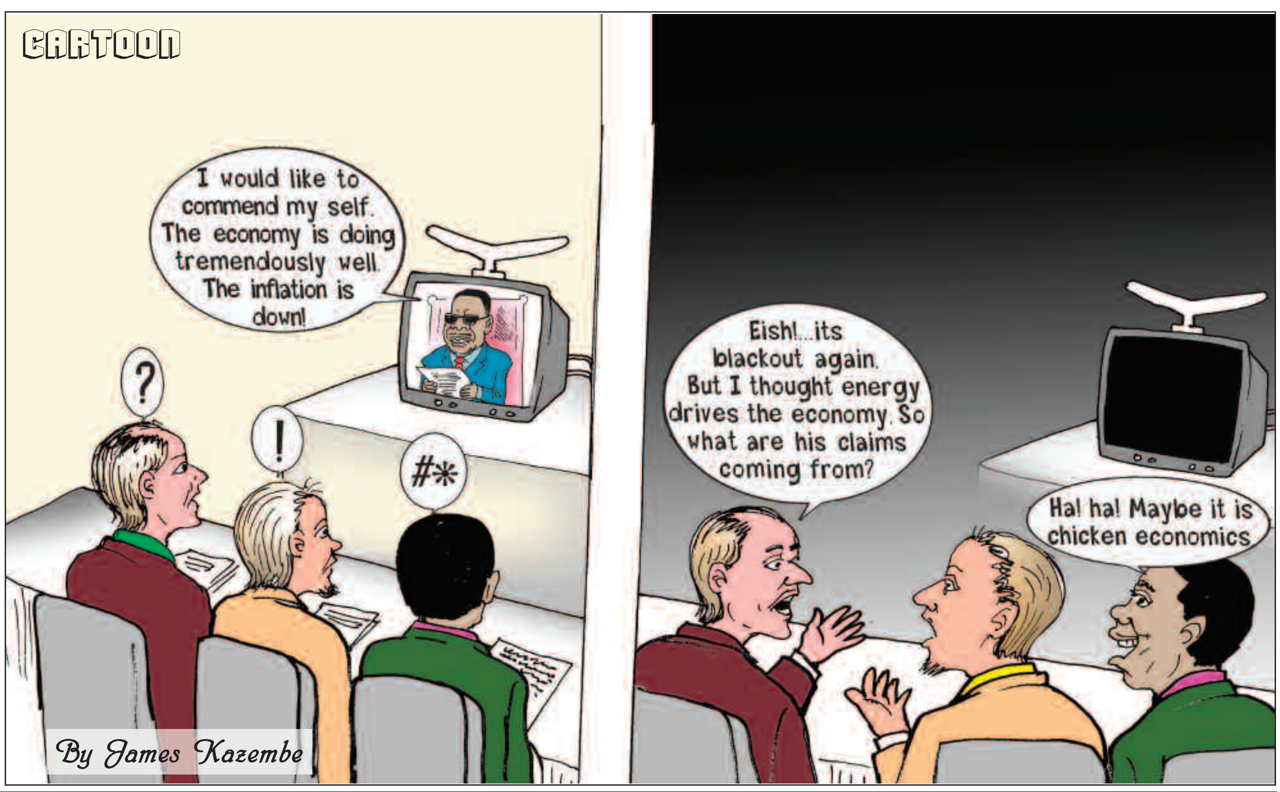
Upstream petroleum industry developments

2017 presented some encouraging news for the upstream petroleum sector. Almost all the companies that hold licences for Blocks 1 to 6 have been active in the year with Hamra Oil for 2 and 3 and Rak Gas (Block 4 and 5) undertaking geological mapping.

Pacific Oil (Block 6) has been studying data for the block acquired by the government through the World Bank and European Union funded airborne geophysical survey while Block 1 tenement holder Sacoil in the year launched a project to sensitise Malawians on the upstream oil industry.

Road sector development

Though in the year, lack of necessary infrastructure has remained a stumbling block to investment, the roads sector has shown substantial progress as Malawi has seen a number of important roads rehabilitated or upgraded. (***An update on road construction projects is published on Pages 6 and 7***)

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EDITORIAL

BY MARCEL CHIMWALA, PUBLISHING EDITOR

Prioritise coal-fired power projects to address energy crisis

It is a fact that government has failed to provide power to the nation in the year 2017. When we get to the New Year in a few days time, Malawians will remember 2017 as a year of darkness due to the power blackouts that have kept worsening in the year.

As reported in our lead story, Malawians with small businesses and investors running heavy industries that utilize electricity from the national grid to power machines are all suffering because of the power crisis.

However, the government, which we, Malawians, entrusted to give us electricity, has all along been narrating comprehensive plans to address the power crisis.

Such plans include the development of more power plants on the Shire River including Kholombidzo and Mpatamanga.

There has also been rhetoric coming from the government about the development of solar and wind energy as alternative sources of power.

In addition, the government since the Bakili Muluzi days has been washing us with the talk of importing electricity from Mozambique

We, at Mining & Trade Review, agree with government on the need to implement as many projects as possible to address the current power crisis.

However, we would like to advise the government that while pursuing these other long term measures to deal with the crisis; it needs to prioritise the use of coal for electricity generation.

As Coordinator for Malawi Chamber of Mines and Energy is quoted in our lead article, there is need for the government to fast-track the Kammwamba Coal Fired Power Project, which is designed to produce up to 300MW of power in its first phase.

Malawi can also utilize its coal deposits in the northern region by setting up a coal fired power plant in the region.

We remember there was a time when government got serious with coal as an alternative source of power and launched studies to quantify coal resources for electricity generation.

Our follow up with government officials found out that the data from the project is just lying idle in shelves at Capital Hill.

Surely if the government was serious in embracing coal as a source of energy for the national grid, it would have followed up on these studies.

Our observation is, therefore, that Malawi has reached this position where it is procuring generators to supply electricity to the national grid because of lack of focus.

The government needed to focus on one source of energy to complement hydro energy and invest the political will on that source.

Our choice is coal because it cannot be exposed to hiccups such as low water levels as is the case with hydro-energy.

If our priorities were right, surely we would have projects like Kammwamba ticking with coal as a source of electricity for national grid.

With political will, we did manage to have that white elephant named Nsanje World Inland Port launched; likewise we have the Bingu Hotel, Conferences Centre and Presidential Villas working.

With the same political will, it is possible in a few years time to have Kammwamba and other coal-fired power plants operational and the power crisis as a thing of the past.

All in all, we wish you our readers a Happy New Year and hope that in 2018 we will see more light than darkness ■

MINING&TRADE Review

For Editorial inquiries
Cell: +265 (0) 888 356 536
(0) 999 038 428

For advertising, subscription inquiries
Tel: +265 (0) 111 744 071
Cell: +265 (0) 993 252 656

Email: marcsmediamw@gmail.com

Blantyre inquiries
Tel: +265 (0) 884 610 303

Mzuzu inquiries
Tel: +265 (0) 995 681514

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EYE ON MALAWI'S EXTRACTIVES

With Rachel Etter Phoya

How can financial models of mining and petroleum projects assist African governments?

In October 2016, Grain Malunga and I participated in OpenOil's financial modelling sprint to build an open financial model of Kayelekera Uranium Mine using data that is available to the public. We discovered that the uranium price would have to more than double if the mine was to restart production and break even. As it stands, the uranium price remains low, so production continues to be suspended, and Paladin Energy is also in administration. We also learned that the reduced royalty rate awarded by government to Paladin had resulted in USD 15 million foregone revenue, but this reduced royalty rate did not substantially affect the project's profitability.

Financial models are used by mining, oil and gas companies and investors to understand the feasibility of a project – put simply, under what technical, operational, market and legal/regulatory scenarios will the project make a profit? This information is necessary for companies to determine whether a project should go ahead. Governments can also use these models to evaluate potential revenue under different fiscal regimes at different stages of a project, which is useful in contract negotiation and revenue forecasting for budgeting. Of course, caution is important given the volatility of commodity prices and the assumptions that go into making projects. Models using historical data can also assist governments in assessing and auditing revenue streams once a project is online.

Malawi negotiated three petroleum contracts without finalising a financial model to assess the fiscal package it was giving to the government. It is perhaps therefore of no surprise that Oxfam's analysis ('Malawi's Troubled Oil Sector: Licences, Contracts and their Implications', February 2017) reveals that the expected Malawian government take is between 20-30% compared to the IMF recommendation of 65-85%.

A year after I worked on my first financial model, OpenOil with the African Development Bank released a study, examining how African governments prepare financial models of extractive projects. Nearly 200 public officials were surveyed including over 40 from 19 African resource rich countries to understand how these financial models are used.

According to their findings, financial models are increasingly being used by governments across the continent, particularly during negotiations with companies. "However, detailed analysis suggests that the impact and effectiveness of the models could be significantly improved. Models, where they are used at all, are rarely updated regularly and are seldom used for revenue monitoring. Also, there seems to be a substantial gap in access to data that are key inputs for financial models" (p.5). This highlights the importance of introducing and enforcing company reporting requirements including country-by-country reporting standards, which are being implemented in Canada and the European Union.

A useful model requires data that is kept up to date, solid interpretation of data, and well-informed assumptions. The study reveals that central agencies generally have lower access to data than sectoral ministries, highlighting the need for improved institutional coordination. However, the largest gaps for accessing data relates governments knowledge of capital and operating costs for mining and petroleum projects. This is important information because 'without cost data, it is not possible to determine at which point the project will turn a profit and therefore when some of the profit-based taxes will start yielding revenue' (p. 24). Interestingly, many contracts on the continent give governments the right to information about costs but only some governments demand that companies provide this data regularly. And the use of available public data sources (such as corporate listings) is limited.

80% of the African countries surveyed have financial models, but only about half of these models carry out project-level analysis. Sectoral models are useful for budget forecasting, but they rely on more assumptions and are of no use for tax audits or contract negotiations of specific projects. Most of these project-level models are used by African governments in contract negotiation, but rarely to monitor compliance. This may be because most models are produced as part of external technical assistance and 40% of public officials felt that they did not receive adequate training.

For these financial models to have a greater impact, that is, to ultimately help governments turn their natural resource wealth into long-lasting development outcomes, the African Development Bank and OpenOil make a series of recommendations. These include:

1) Calibrate models to test their reliability against actual results
2) Improve information sharing between government institutions to increase access to data
3) Ensure sustainable training for use of financial models
4) Legislate and include contract provisions that require companies to share data with government, particularly for key data where there are currently many gaps (cost, reserves and production)
5) Adopt a modelling standard such as FAST or BPSM that are widely used by companies or the IMF's FARI system and where possible ensure regional cooperation on the standard

For further information, please see:

• African Development Bank, Open Oil, Running the numbers: how African governments model extractive projects, October 2017: https://www.afdb.org/fileadmin/uploads/afdb/Documents/Publications/anrc/Running_the_Numbers_Analytical_report.pdf

• Rachel Etter-Phoya and Grain Malunga, Kayelekera Financial Model and Report, OpenOil, October 2016: http://openoil.net/kayelekera-model-narrative-report/ ■

UPDATES ON ROAD DEVELOPMENT PROJECTS

The Roads Authority's mandate is to construct, maintain and rehabilitate designated public roads in accordance with the Roads Authority Act No.3 of 2006. In line with Part **iv**, Section 12[n] of this Act and in its endeavor to ensure that there is transparency and accountability when carrying out its functions, the Roads Authority hereby provides an update on some development projects which it is currently carrying out.

1.0 Thyolo-Makwasa-Thekerani-Makhanga Road

The project is for upgrading of the 82 kilometers of the earth road to bitumen standard from Number One Trading Centre in Thyolo District through the beautiful Tea plantations up to Makhanga. The project is being co-financed by Kuwait Fund, BADEA, Saudi Fund, OPEC Fund for Development and the Government of Malawi.

The works contract was awarded to Mota-Engil and the supervision consultant is Bua Consulting Engineers. The works involve upgrading of the road to bitumen Class 1 standard with a 6.7m wide carriageway and 1.5m wide sealed shoulders on both sides of the road. The estimated project cost is MK27.3 billion with a project duration of 36 months. The works commenced on 15th August, 2016 and are expected to be completed by 14th August, 2019.

Currently the contractor has completed surfacing for a distance of 16 kilometers while earthworks are at varying stages for a distance of 37 kilometers

2.0 Zomba –Jali-Phalombe-Chitakale Road

This project is for upgrading of 102Km of road from earth to bitumen standard from Zomba to Chitakale in Mulanje through Phalombe and the Tea plantations to Chitakale in the tourist district of Mulanje. After works on the project stalled in December 2014, the new contract has now been awarded to a new contractor, Messrs United Gulf Construction Company [UGCC] and Fargo Ltd and the supervising Engineers are SMDEC-Romana Consulting Engineers. The project is being co-financed by Kuwait Fund, BADEA, OPEC fund for Development and the Government of Malawi at an estimated cost of MK8.69 billion with a project duration of 22 months.

The works involve upgrading the road to bitumen Class 1 standard with a 6.7m wide carriageway and 1.5m wide sealed shoulders on both side of the road. The previous contractor, Kharafi and Sons had surfaced the road up to the seal to kilometer 55+000, just after Miseu Folo and a second seal up to 13+000 from Ndege in Zomba.

The current project will involve upgrading works from kilometer 55+000 to Chitakale Trading Centre and completion of second seal from kilometer 13+000 where the previous Contractor had left, up to kilometer 55+000. The works commenced on 18th October, 2016 and are expected to be completed by 9th August, 2018. Currently the contractor has surfaced 15 km with the seal and construction of Chiphalombe Bridge at km67+000 is in progress.

3.0 Lilongwe Old Airport-Kwanyanda-Santhe and Kwanyanda-Kasiya Spur Road

The project is for upgrading of the 95km earth road to bitumen from M12/S117 junction in Lilongwe city going westwards passing through agricultural rich areas of Kasiya to Santhe at the junction with M18 [Kamwendo-Chinkhoma Road]. The project is fully funded by the Government of Malawi.

The contractor is Mota-Engil and the supervising engineers are Royal Associates. The estimated cost of the project is MK39.65 billion with a project duration of 48 months. The works involve upgrading the earth road to bitumen Class 1 standard with 6.8m wide carriageway and 1.5m wide sealed shoulders on either side. The work also involve construction of an 80m long bridge at Bua River near Santhe Trading Centre. The works commenced on 12th January, 2015 and are expected to be completed by 11th January, 2019.

Currenty, 50km of the road has been completed including completing the construction of Bua Bridge.

4.0 Mzuzu-Nkhata Bay Road

This project is for the rehabilitation of 47 km of road from Mzuzu High court in Mzuzu City up to the Nkhata Bay port on Lake Malawi. The Mzuzu –Nkhata Bay road is an economically important road to Malawi as it forms part of the Mtwara Road Development Corridor from the port of Mtwara on the Indian Ocean, through Mbamba Bay in Mozambique to Nkhata Bay then to Mzuzu City in Malawi. The project is being financed by the Africa Development Bank.

The works contract was awarded to Strabag International and is being supervised by Group Consult Global in association with Pamodzi Consulting Engineers. The works are being executed at an estimated cost of MK16.7 billion, with project duration of 18 months. The works involve reconstructing and widening the existing road to a cross section of 6.8m wide carriageway and 1.5m wide sealed shoulders on either side of the road. The works commenced on 1st July, 2016 and were expected to be completed on 31st December, 2017. However, the contractor has been granted 4.5 months extension of time, and revised completion date is 18th April,2018.

Currently, the contractor has completed 30 km of the reconstruction works of the road.

5.0 Liwonde-Mangochi Road

The project is for rehabilitation of 75 km of road from Kamuzu Barrage in Liwonde to Bakili Muluzi Bridge at Mangochi Boma. The project is being implemented under the Nacala Road Corridor Development Phase 4 with funding from the African Development Bank. Rehabilitation of this road will facilitate international trade from the port of Nacala on the Indian Ocean in Mozambique through Chiponde Border to Lilongwe in Malawi up to Lusaka in Zambia.

The works contract was awarded to Mota-Engil and is being supervised by Group Consult Global in association with Pamodzi Consulting Engineers. The estimated cost of the project is MK29.53 billion and the project duration is 24 months. The works involve reconstructing and widening the existing road to a cross section of 6.8m wide carriageway and 2.0m wide sealed shoulders on either side of the road. The works commenced on 15th August, 2016 and are expected to be completed on the 14th August, 2018.

Currently the contractor has commenced surfacing from the Liwonde Barrage and has progressed for a distance of about 5 kilometers towards Mangochi turn-off junction.

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ROADS AUTHORITY MALAWI

Accelerating Malawi's Economic Growth

UPDATES ON ROAD DEVELOPMENT PROJECTS

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6.0 Thabwa-Chitseko-Seveni Road

The rehabilitation of 59Km long Thabwa-Chitseko-Seveni Road project is part of the Malawi Flood Emergency Recovery Project (MFERP) under World Bank funding. It starts at Thabwa along the M1 in Chikwawa and passes through the flood prone low lying areas on the foot of Thyolo escarpments up to Seveni which is at Fatima in Nsanje District. This project will connect into the Thyolo–Thekerani-Makhanga road project.

The works contract was awarded to China Railway Group No.05 and will be supervised by Bua Consulting Engineers. The estimated cost of the project is US$13.3 million with project duration of 24 months. The works shall comprise earthworks to raise the road formation generally by 300mm to gravel standard and construction of four reinforced concrete bridges namely; Nkhate, Livunzu, Phala and Chizimbi.

Currently the contractor is setting up his site camp and mobilising equipment to site.

7.0 Churchill Road from Illovo Round about to Midima Round about

The project is for the completion of the remaining 650 metres upgrading to dual carriageway of the Churchill Road from Illovo Round about to Midima Round about. The project is being executed with funding from the Roads Fund.

The works contract was awarded to Fargo Limited and will be supervised by FN & Partners/Pladems Joint Venture at an estimated cost of MK660 million, to be completed within 3 months. The works commenced on 9th October, 2017 and are expected to be complemented by 8th January, 2018. Currently earthworks are in progress.

8.0 Upgrading to Dual Carriageway of Area 49 - Area 18 - Parliament Round about Road in Lilongwe City

The project is for the upgrading to dual carriageway of the road from Area 49 - Area 18 round about – Parliament round about. The total length of the road is 4.4 kilometres. The project is being financed with funding from the Roads Fund.

The upgrading to dual carriageway of this road will greatly ease congestion between City Centre and Kaunda road especially during peak hours.

The works contract was awarded to Mota-Engil and will be supervised by L.Gravam Consulting Engineers. The estimated cost of the project is MK6.69 billion with a project duration of 12 months The road project will involve widening of the existing road to dual carriageway following mainly the existing alignment. A large portion of the existing road will form the median of the new road and the new carriageways will be constructed on virgin land on both sides of the existing road. A pedestrian walkway will be constructed on both sides of the road and there will also be a bicycle lane. The works commenced on 5th October, 2017 and are expected to be completed by 4th October, 2018.

Currently the works have just commenced and bush clearing is progress.

9.0 Karonga-Songwe Road

The project is for the rehabilitation of the 45.9 kilometres of the road from Karonga to Songwe. The Karonga-Songwe road section is part of the M01 road located in Karonga District and connects Malawi to neighboring Tanzania. This corridor is very important as it facilitates trade in form of movement of goods and services into Malawi. The project is being implemented with funding from the word Bank.

The works contract was awarded to Zhejiang Provincial Transportation Engineering Construction Group Co. Limited and will be supervised by Roughton International. The existing road will be widened at five main trading centers to 6.8 m carriageway with 2 metre wide sealed shoulders on either side. The estimated cost of the project is US$20.3 million with project duration of 15 month. The works commenced on 4th September, 2017 and are expected to be completed by 3rd December, 2018.

Currently the contractor is in the mobilisation period.

10.0 Njakwa – Livingstonia Road

The project is for upgrading of the 75 kilometers of road from earth to bitumen standard from Njakwa in Rumphi District to Livingstonia Mission. The Njakwa-Livingstonia road is economically important as it passes through the tobacco growing areas and historic mission sites of Livingstonia Mission. In addition, the project will involve ugrading 5km of the roads within Livingstonia Mission and the Phwezi-Mphwamphwa Spur.

The works contract was awarded to Mota-Engil and the supervision consultant is FN & Partners /Pladems joint venture .The estimated cost of the project is MK39 billion with project duration of 42 months. The works involve upgrading the earth road to bitumen Class 1 standard with 6.8m wide carriageway and 1.5m wide sealed shoulders on either side. The works commenced on the 1st November, 2016 and are expected to be completed by 2nd may, 2020.

Currently the contractor is progressing with earthworks and pavement layers at varying stages of construction for a distance of 14 kilometers and surfacing starting from Livingstonia Mission.

11.0 Contruction of a second carriageway from Maselema-Chiradzulu Turn off [M03] Road

This project was awarded to Mota-Engil with David Consulting Engineers as supervising consultant.

The project is intended at easing traffic congestion on this 6.54km section of the M03 road. Physical progress is at 90% with outstanding works on the rail overhead bridge and the construction of a retainer wall at Kachere.

The project experienced some delays due to compensation issues of people affected by the project and contractual interpretations. However, these are being resolved and all outstanding works are expected to be completed by 30th June, 2018.

Eng. Emmanuel Matapa
Chief Executive Officer
ROADS AUTHORITY

Malawi to hold third alternati

...Meeting to give a voice to rural communities ...Stakeholder engageme

Delegates who attended Malawi's Second Alternative Mining Indaba held in Lilongwe at Bingu Convention Centre in 2016

By Marcel Chimwala

Preparations are underway for Malawi to hold the third alternative mining indaba with the theme "transforming Malawi's natural resources into sustainable development."

The indaba, which will be held at Crossroads Hotel in Lilongwe from December 18 to 19 this year, has been organized by Norwegian Church Aid (NCA) with funding from Open Society Initiative of Southern Africa (OSISA), Oxfam Malawi and Natural Resources Justice Network.

"We have organized this Indaba as a follow up to last year's indaba. The aim of this indaba is to allow rural communities in mining areas to have their voices heard by duty bearers as you know these people are often sidelined in decision making on mining activities though they are directly affected by the social and environmental impacts of the projects," says Economic Justice Coordinator for NCA, Thokozani Mapemba.

Legal provisions

He explains that, among other issues, the indaba will discuss legal provisions governing the country's minerals sector including the Mines and Minerals Act of 1981, the Petroleum (Exploration and Production) Act of 1983, the Explosives Act of 1968, and the Environmental Management Act of 1996 and recommend legal provisions that need review in order to ensure that the sector adequately benefits the country's citizens especially mining communities who are at the receiving end of bad mining practices.

Realising that the Malawi Mines and Minerals Act is outdated; CSOs launched a campaign to ask government to revise the Act so that it addresses burning issues and international best practices.

Villumstad: Indabas are important, they facilitate engagement among relevant stakeholders

Consequently, the Government of Malawi has taken steps to review the Act, which is now in draft form and has been submitted to the Ministry of Justice and Constitutional Affairs.

Mapemba says: "The 2016 national mining indaba recommended that the Mines and Minerals Bill should take into account the community needs and ensure that the Bill is responsive to community demands by honoring and recognizing community development contracts and Mines and Minerals board."

"The 2017 alternative mining indaba will provide a platform for community members to make additional contributions to the Mines and Mineral Bill. It will further pressure government to pass the bill in the next parliamentary sitting."

Domestication of Free, Prior and Informed Consent

Free, Prior and Informed Consent (FPIC) refers to the right of local communities, particularly indigenous peoples, to participate in decision making about issues affecting them.

Mapemba explains that this has not been the case with mining projects in Malawi as communities have not been given the right to give consent to projects and activities that displace them or their livelihoods and traditions.

He says: "The 2016 National Mining Indaba observed that the community is not effectively involved as a vital stakeholder in mining and duty bearers make most life changing decisions on their behalf with inadequate feedback mechanisms between citizens and duty bearers. This means that the rights of communities are not sufficiently protected from infringement of their right by company and government actions."

"It is against this background that the indaba agreed that free prior and informed consent should be recognized by government and enforced as well. The 2017 alternative mining indaba will further advance this issue by presenting practical examples and further persuade authorities to seriously address issues of free, prior and informed consent in the Mines and Minerals Bill."

Utilization of revenue from mining sector

Funds collected from the mining sector just like any other revenue from government is transferred to Government's Account Number One, and communities where mining is taking place do not benefit despite often bearing the negative consequences of mining.

Moreover, revenue from non-renewable resources such as minerals has not been specifically earmarked for investment or public spending on infrastructure. At present, mineral revenues are low as a contribution to the gross domestic product. However, a national

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Malawi moves to safeguard mineral sector revenue

...World Bank, EU finance review of fiscal regime

...EITI process on course to monitor revenue management

By Chiku Jere

Malawi has registered tremendous strides in its quest to safeguard mineral revenue by reviewing the mining fiscal regime to achieve a balance between maximizing the national benefit and attracting investment into the sector.

The country has also made significant progress in joining the Extractive Industry Transparency Initiative (EITI), an international Standard that promotes prudent management of revenues from natural resources.

These developments are the fruits of the Revenue Policy Division of the Ministry of Finance, Economic Planning and Development which has been working with the Malawi Revenue Authority (MRA), with financial support from World Bank /European Union co-funded Mining Growth and Governance support Project (MGGSP).

"The move is part of the process of addressing the fears by different stakeholders about loss of revenue in mineral sector as well as encouraging investors into the sector who had raised concerns about the unfavourable and overly distortional fiscal regime," said Ministry of Finance's Extractive Industry and Energy Economist, Fredrick Chanza.

MGGSP, whose development objective is to improve the efficiency, transparency and sustainability of mining sector management, financed the review of the mining fiscal regime which led to the development a new fiscal regime, which was tabled and passed by Parliament during the 2016/2017 budget sitting in June 2016.

A consultant, Adam Smith International (ASI) was engaged to assist in the review process, which included the drafting of mining related fiscal provisions for inclusion in the Taxation Act, the development of royalty and tax audit manual, development of revenue forecasting models and training of user officers in revenue forecasting modeling.

The scope of the review conducted between 2014 and 2015, was to assess the headline rates of all fiscal instruments (such as the Royalty rates, Corporate Tax rates and Resource Rent Tax rates), strengthen the integrity measures of the fiscal regime as well as address perceived investment impediments, amongst others.

In his presentation made at the 2016 Alternative Mining Indaba at Bingu International Convention Centre (BICC) in Lilongwe, Chanza, said as a result of the process, Malawi now has a coherent and standardized fiscal regime that is regionally competitive.

He said: "We wanted to come up with a tax regime that will set the country in a position where it will achieve a balance between maximizing the national benefit, whilst at the same time attracting considerable investment into the mining sector, taking into account the country's geology and other industry factors."

"This search for balance is believed to have addressed the fears raised by different stakeholders."

The review process saw the introduction of legal provisions that transferred the administration for mineral royalty from Department of Mines (DoM) to the Taxation Act implemented by the Malawi Revenue Authority (MRA).

Mutharika: Committed Malawi to EITI

A commercial value of a mineral is equal to the reference price for that mineral or other similar minerals obtainable in a competitive market times the mineral content.

This means that where there is no reference price for a mineral in the state at which it is disposed of, its commercial value will be arrived at using 'netback value' and 'cost plus value' methods.

"This approach is intended to maximize the mineral value, which forms the base for royalty rate application, and in turn, the royalty revenues collected by the Government," says Chanza

Government has also improved the Resource Rent Tax structure by introducing a calculation method of the resource rent based on after-tax cash flows.

All smiles: Masi (3rd left) assisted by Lungu (4th left) flanked left by Secretary to Treasury Ben Botolo and Munthali, and right by MWEITI National Coordinator George Harawa and Director of Revenue Policy DivisionMr. Matupa, launching the EITI Report

Government's belief is that the shift in royalty provisions and administration to the Taxation Act will not only help simplify the system but also utilize MRA's robust experience in tax assessment, audits and compliance enforcement to improve mineral royalty revenues collection, which has been a challenge for the DoM due to inadequate resources for enforcement measures.

Resource Rent is an economic term defined as the difference between the value of a mineral and the cost of extracting it from the ground and bringing it to the market plus a reasonable return to reward the risk taking behaviour of an investor.

L-R: MGGSP Coordinator Hastings Chipongwe, his deputy James Namalima, MRA official; consultants Dr. Mc Mahon and Kannan, sourcing input from civil society and media representatives.

Through the review, improvements were also made on the royalty calculation formula from the previously gross sales less transport and handling related costs, to a 'commercial value' basis, despite maintaining the royalty rates at 5 % and 10% for rough gemstones, and 30% corporate tax.

Further, the revised law now allows mineral exploration companies to register for VAT as an investment incentive, since they will be able to claim VAT before they begin to make taxable supplies as the VAT law demands.

Previously, exploration companies ...cont. page 12

World Bank, EU project boost

…introduces relevant tertiary mining related programs in colleges …refu

By Chiku Jere

Lack of capacity and appropriate skills in the mining sector has been identified as an impediment to the growth of the sector. With the growth currently experienced in the sector and Government's desire to become a mineral based economy, the country needs people with the requisite skills to manage and work in the sector. It is in this regard that the Mining Governance and Growth Support Project (MGGSP) is financing the introduction of mining related programs at The Polytechnic and Chancellor College of the University of Malawi and training of officers within institutions which manage the sector.

MGGSP is a five-year Project being co-financed by the World Bank and the European Union to the tune of US$27.3m. The Project was developed by the Malawi Government (GoM), pursuant to its desire to diversify the current agro-based economy with mining industry which has a huge potential for expansion.

The project aims at improving the governance system of the Malawi Mining sector. To achieve this, project was designed to work with main stakeholders for the industry in Malawi. These stakeholders include; the Geological Survey Department (GSD) Mines Department, Malawi Revenue Authority, Ministry of Finance, Ministry of Education (MoEST), Chancellor College, and The Polytechnic. All these institutions are implementing activities ranging from human and capital resource building which are envisaged to spur good governance and economic development.

These institutions were tasked to implement various activities to increase the supply of Malawians trained at tertiary level in mining related courses and improve the policy environment through mining related infrastructure development.

The GSD implemented two elements of the project namely geo-data acquisition, interpretation and promotion, as well as establishment of Geodata Management Centre

GSD Director, Jalf Salima, explains that a number of the department's officers attended both short and long term training to equip them with enabling skills and knowledge to handle and manage the mining sector.

Salima explains: "Nine geoscientists have graduated with MSc in Geology and two more are expected to graduate in July 2018. 15 officers have participated in short term training in RSA, Kenya, and Swaziland while some have received on-the-job training by consultants."

He says the project has also sponsored study tours to RSA, Namibia, Botswana, Tanzania, Canada, Germany, France and Finland and participation of the Department's officers at international mining conferences such as International Mining Indaba in RSA and Africa Down Under Conference in Australia, which has enhanced their knowledge of the global mining industry and helped to sell Malawi to investors as a mining investment destination of choice.

As a way of improving the policy environment, the project is working on face-lifting and modernisation of buildings and other infrastructure relevant to the sector including; refurbishment of GSD main office building and top lab in Zomba, and Regional Geologist Office in Mzuzu.

DoM offices under-going modernisation, ***inset*** **are old offices.** ***Far right*** **is MGGSP's Temwani Gunda,** ***in red*****, taking EU's Palamuleni through the**

"The refurbishment of Chemical Lab, Lapidary and Core shed, Linthipe Ceramic lab and Regional Geologist office in Lilongwe is also in progress," says Salima.

There is also on-going major upgrading works to modernise the Department of Mines offices in Lilongwe, which will see the establishment of an all-in-one two storey facility with a basement that will house the cadastre mining sector management system, a laboratory and other relevant offices, creating a one-stop mining sector service centre.

"We appreciate the Cadastre system for easing our licensing operations, and we are also thankful to the project for the modern office building under construction as all these years we have been operating in a substandard environment," says Director for the Department of Mines, Atileni Wona.

The project is also addressing the issue of lack of human capacity at tertiary education level by, among other things, improving learning environment in two constituents colleges of the University of Malawi, the Malawi Polytechnic and Chancellor College, through infrastructural refurbishment and procurement of furniture and learning equipment.

MGGSP is carrying out the activities as part of an 'Improvement Plan (IP)'in high-learning institutions which was formulated to enhance quality of teaching and learning in order to produce competent and relevant graduates.

The plan's specific objectives are to develop curricula for mining related programmes; expand infrastructure capacity; provide appropriate equipment and increase human resource capacity as well as promote equitable access to higher education.

In this regard, the project has financed the introduction

Chipongwe: MGGSP Coordinator

Kuotcha: We develop the program and courses are underway

Moses: The project has helped a lot

of mining related programs in these two higher learning institutions.

The Polytechnic has managed to introduce three mining engineering degree programmes namely; Mining Engineering, Metallurgy and Mineral Processing and Geological Engineering. In addition, the institution has also introduced Diploma Programmes in the same areas.

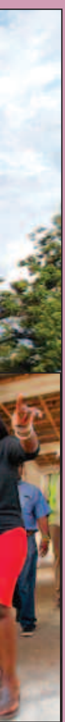
Head of Mining Engineering Department at Polytechnic Dr. Witness Kuotcha explains that the first and second cohorts selected into the 5 year degree programmes have just completed their second and first years respectively.

According to Dr Kuotcha, there are cont...on page 11

GSD Director Salima took the team through each equipment that GSD acquired through the project

s local mineral sector capacity

rbishes infrastructure to improve learning environment



works

...from page 10 19 students (13 male and 6 females) in year 2 and 21 students (13 males and 8 females) in year 1 studying towards a Bachelor of Science degree in Geological Engineering ; 19 students (12 males and 7 females) in year 2 and 23 students (14 males and 9 females) in year 1 studying towards a Bachelor of Science Degree in Mining Engineering and 21 students (20 males and 1 female) in year 2 and 26 students (12 males and 14 females) studying towards a Bachelor of Science Degree in Metallurgy and Mineral Processing. In addition, 10 male students and 2 female students are studying towards a three year Diploma Programme.

MGGSP also sponsored two lecturers, Tiyamike Haundi and Ndagha Mkandawire, for a two-year Masters Degree in Mining Engineering related programmes at Curtin University in Australia with the sole aim of having them well-equipped to champion the administration of the three courses.

"The training will really be of help to the program as we will be able to impart the knowledge we have gained to the students. We want to produce graduates who are finished products in Mining Engineering," Haundi says.

As for Chancellor College, which was formally encoporated in the project later in 2013, its landmark benefit from the project is the support in the strengthening of a geology programme, which led to the review of Geography and Earth Sciences programmes.

According to Head of Geography and Earth Sciences Department at Chancellor College, Dyson Moses, the Project has financed academic tours for staff to appreciate and learn how other institutions structured geoscience programmes and the knowledge has been applied in the critique and review of the geology curriculum.

"There have also been trips to countries well-advanced in mining such as Australia, South Africa and the United Kingdom, where knowledge in the management of this program was gained. This included training on Electronic Scanning Microscopy."

"The trips as well opened talks on collaboration with reputable learning institutions such as Cardif and Bristol Universities when it comes to the geosciences reasearch ," he says.

The curriculum which was drafted by a consultant, Prof Thomas Blenkinsop, was debated on by stakeholders and inputs were consolidated by the consultant and Chanco staff before the programme documments were approved by senate on May 31 2017. Implementation is expected to commence in the 2018 – 2019 academic year, with advertisments already in the papers.

At Chanco, the project's intervention has seen the procurement of office and classroom furnitures, ICT and Lab equipment and refurbishment of the geology and geography laboratories and lecture rooms.

In addition, MGGSP procured modern teaching and learning equipment to assist the students gain hands-on experience using field gadgets.

According to Project Coordinator Hastings Chipongwe, the MGGSP has so far sponsored long term trainings, short term trainings, international workshops and attachments for about 179 members of staff (147 Male and 32 Female) from relevant government departments and agencies including Ministry of Natural Resources Energy and Mining, Ministry of Finance Economic Planning and Development, Ministry of Education Science and Technology, Department of Mines, Department of Geological Survey, Department of Environmental Affairs, Malawi Revenue Authority, Chancellor College and The Polytechnic.

106 officers (86 Male and 20 Female) attended short-term trainings, international workshops, and attachments, in various mining related disciplines such as Environmental and Mine Hazardous Waste Management, Geo-data Management, Mineral Economics and Taxation of Mining Sector, Mining Cadastral Systems, Mining and Mineral Processing Technology, Monitoring and Evaluation, Negotiating International Mining and Oil Agreements, Mining Engineering, Mineral Processing, Environmental Science and Explosives, Mining and Mineral Processing Technology, Public Relations, Communication and Information Management in the Extractive Industries, Project Management, Geophysics, Geology & Geo Geo-Chemistry, HIV & AIDS mainstreaming at workplace, Fiscal Decentralisation and Local Government Fiscal Management , Fiscal Regime for Mining and Petroleum and Gemstone Cutting and Polishing.

MGGSP evaluation team and GSD officials posing outside refurbished Geological Survey Department offices in Zomba

Other went on attachment on Mining Inspection Techniques in Zambia and Revenue Service in Transfer Pricing and Mining in South African, just to mention but a few.

He says: "29 Officers (24 Male and 5 Female) were sent to universities across the world for various long term studies such as Masters Degrees in Mineral Economics, Geosciences, Accounting and Finance, Management and Information Systems Change Development, Geo information Science and Earth Observation, Geo-Chemistry, Geophysics and Geology Masters in Mineral Law and Policy.

Haundi (centre) explaining his study experience to World Bank consultant Greshom Sichinga (*right*) and European Union Project Manager: Trade and Regional Integration Economic and Public Affairs Section, Matilda Palamuleni *(left)*

Ntcheu-Njereza ASM Group members

"One officer was sponsored to attend an Advanced Diploma course in Transfer Pricing; another went for Graduate Diploma in Mining and the other one for Diploma in Gemmology."

"There were also those who were sponsored to pursue Bachelors of Sciences in Technical Mining, Mining Engineering as well as Environmental Management."

The project also sponsored various study tours across the world. Some of the tours include Mineral Management and Standardization of Mining Agreements, Geo-data management, Mineral Audit Agency, Mining Cadastre, Environmental Monitoring and Inspection Function, and Artisanal and small scale mining (ASM) Policy Implementation.

"The tour on ASM in Ghana culminated into the drafting of Malawi's first-ever ASM policy that went through a Stakeholder Symposium review in 2014. The policy is currently being reviewed by government experts before its submission to Cabinet for adoption," says Chipongwe.

MGGSP in conjunction with Mines Department and the Ministry of Industry and Trade also organised training workshops for the ASMs on formation of cooperatives as one way of formalising their operations in Malawi.

Chipongwe says so far, nine groups of ASMs have been trained to form cooperatives all with more than 20 members in districts such as Ntcheu, Lilongwe, Nkhatabay, Mzimba and Mzuzu.

"For instance, in the Southern Region we have Njereza and Kanono areas in Ntcheu which benefited from these trainings," Chipongwe says.

Since formation, Chipongwe explains that some groups have grown in membership citing the success story of Njereza Terrazo Group formed in July 2014 and has seen membership growing from the initial 28 to 48.

"More members are joining the group because they see the benefits of working together. We would like the government to continue with this project and train us more in mining and business management," says Chairperson of the Njereza group Ishmael Njala ■

Furniture that the project procured for lecture rooms

...from page 9 were incurring input VAT, but because they were not yet making a taxable supply, they could not claim back their input VAT.

"The implication of this is that the VAT ends up increasing the investment costs, and in turn, it makes the country uncompetitive in terms of attracting investors," said Chanza.

In addition, the new regime has ushered in improvements to the depreciation package in order to address a challenge that arose out of having an immediate expensing provision and a loss carry forward limit of six years.

In previous scenario, when a mining company invests capital during the construction phase, which requires huge investment amounts, it was allowed to deduct the whole capital expenditure from its taxable income.

This drove the company into losses due to huge capital expenditure and low income due to low production volumes in the early years of mining, a scenario which allowed the company to carry forward the losses to offset against future taxable income.

With the nature of the mining industry, it is unlikely that by six years, the mining company can be able to recover all its capital costs, which means that it could have lost the remaining unrecovered losses if the previous tax laws were concerned. Thus, the previous depreciation package used to impose an impediment on investment because there was a high chance that mining companies will lose out their legitimate costs.

The revised depreciation package addresses this challenge by treating capital expenditure in different categories and subjecting them to different depreciation provisions that both allow the investor to recover their costs eventually and relatively quickly, whilst at the same time hedging against revenue losses.

To ensure that the integrity of the system is strengthened, the revised tax regime allows mining projects to be ring fenced – meaning that each mining project will be treated separately as a taxable entity regardless of whether or not the owner has other mining projects.

According to Chanza, this will prevent the transfer of losses from one project to another that is profitable, which in the end will reduce taxable income.

"There is now a thin capitalization rule (a debt-equity ratio) aimed at limiting the amount of debt a mining company may hold for tax purposes," he says.

The new law has also made improvements of transfer pricing provision, sealing the loopholes that existed. This measure is across all sectors and not just the mining industry. Improving legislation in this regard will help to reduce the illicit financial flows that reduce the potential revenue the Government could collect.

MGGSP also aided in designing policies for the Management of Mineral Revenues and Allocations through consultants, Dr. Gary Mc Mahon and Sridar Kannan.

In as far as EITI is concerned, MGGSP has managed to support the government achieve its goal of enhancing proper management and generation of mineral revenue through support to the Malawi Extractive Industry Transparency Initiative (MWEITI).

Malawi is now EITI Member following the formation of a Multi Stakeholder Group (MSG) and the MWEITI Secretariat which successfully developed and produced Malawi's maiden EITI annual report in April 2017 where a list of revenues and income from mining companies covering the period between July 1, 2014 and June 30, 2015 were recorded.

President Peter Mutharika made a public declaration of intent to join the initiative during his first State of the Nation Address as a Head of State of the Republic of Malawi in 2014 and Malawi was eventually admitted as EITI candidate country in October 2015 following the establishment of a MSG, a committee entrusted to manage the EITI process, comprising government officials, civil society members and representatives from the extractives sector.

The aim of EITI report which was officially launched on July 25, 2017 at Bingu International Convention Centre (BICC) in Lilongwe is to strengthen the understanding of the level of contributions of the extractive sector to the economic and social development of Malawi in order to improve transparency and good governance in all components of the extractive industry value chain.

In his remarks at the event Minister of Natural Resources, Energy and Mining, Aggrey Masi - MP, commended

GSD Director Salima took the team through each equipment that GSD acquired through the project

President Mutharika for demonstrating 'great' political commitment towards transparency and accountability by spearheading Malawi's participation in the initiative.

The minister said Government's adherence to EITI, complemented with the enactment of the Access to Information Legislation, is a clear demonstration that Malawi is committed to ensuring transparency and accountability in the extractive industry.

He also applauded those entrusted to manage the

GSD Director Salima took the team through each equipment that GSD acquired through the project

MWEITI process, MSG, for developing an effective work plan that led to milestone achievements, among them, the successful lodging of an application for EITI candidature status for Malawi and setting up of a functional Secretariat.

Further he praised the grouping for the establishment of a clear roadmap for facilitating beneficial ownership disclosure, a very important facet of the EITI process crafted to reveal real beneficiaries of natural resources proceeds from a particular resource-rich country.

This new principle introduced into the EITI Standard in 2016 is aimed at curbing the issue of loss of extractive industries government revenue through transfer pricing, money laundering and other financial crimes, such as financing terrorist activities, which may jeopardize the

Extractives industry stakeholders pose for group photo at workshop on 2016 EITI Standard 'Benefical Ownership Disclosure'

security of a country, let alone the world.

Masi said another milestone achieved through the MWEITI process is the promulgation of the Open Data Policy which obliges information holders in the extractive Industry to make information accessible.

Equally excited with Malawi's progress on EITI are other stakeholders in the extractive industry; among them members of civil society and private sector representatives.

President of Malawi Chamber of Mines and Energy Eng. Dean Lungu commended Government for providing political will, leadership and financial resources through various donors for the success of EITI implementation.

He said the Chamber fully embraces the initiative, as one of the Chamber's objectives is to ensure good governance in the sector.

Chairperson for Natural Resources Justice Networ (NRJN) Board Chair Kossam Munthali, who also sits on the MSG, described both EITI report and implementation launch as historic moment to democratisation process of the country.

He said by successfully implementing the EITI process and submitting its first-ever report, Malawi has taken a giant step towards breaking a vicious cycle of a suspicious, mistrust, cat and rat relationship that has existed amongst stakeholders and citizenry at large regarding extraction and utilisation of natural resources.

"We believe adherence to EITI principles will help rid the secrecy the extractive sector has been synonymous with, which has bred corruption and mismanagement in the Extractives Industries," the activist said.

Munthali also said the EITI reports will provide recommendations for further Policy Reforms.

He explained that as a country moving forward, Malawi is on the right track because through such reports, communities will have access to information that will empower them to question how revenues from the minerals extracted in their respective areas are being utilised.

EITI is a global coalition of governments, companies and civil society working together to improve transparency and accountability in the management of revenues from natural resources based on the belief that prudent use of natural resources contributes to economic growth, sustainable development and reduction of poverty in resource-rich countries ■

ive mining indaba this month

ent crucial-Villumstad

...from page 8 discussion and decision is required on how to manage potential revenue flows from minerals, oil and gas.

"A trust fund may be a potential option, but this also could be exposed to financial mismanagement, as has been evidenced in the abuse of public finances from account number one," says Mapemba

He, therefore, explains that the 2017 mining indaba will

Makina: Oxfam in Malawi's Country Director

advocate for communities share of the revenue through infrastructure development and will further dialogue with authorities to frame existing financial policies so that revenue collected from mining can best benefit community members.

Publication of agreements that government enter with investors, investor information and revenue collected

Taking advantage of the recently enacted Access to Information Law and in order to ensure that transparency and accountability is enhanced, the 2017 national mining

GVH Soliati of Mangochi-Njereza at the Indaba

Organisers of this year's Indaba Elyvin Chawinga of Oxfam and Mapemba

indaba will push for publication of mining agreements.

"The 2017 national mining indaba will dialogue with authorities to urge government to make mining agreements made with investors accessible to the public."

"This will inform the public on progress being made in the mining sector and enable citizens to hold both government and companies accountable for the terms of agreements. The public deserves to know the investors involved in extracting their natural minerals," he says.

Capacity development and establishment of laboratory for Ministry of Mines

During the 2016 National Alternative Mining Indaba, it was observed that the country lacks capacity in both

Delegates who attended Malalawi's first-ever Alternative Mining Indaba in 2014

petroleum and mining.

It was agreed during the Mining Indaba that government should increase investment in capacity building of young people in the above stated fields.

The trained Malawians will assist in negotiation and scrutinizing contracts and translate other geological terminologies, analyze samples and conduct research in the geological sector as it is vital for Malawi to have homegrown capacity.

In addition, the country should source financing to establish a laboratory that can test samples within the country and to improve knowledge and research in the country and reduce operating costs in mineral development.

"The 2017 National Alternative Mining Indaba will make a follow up on this matter and further pressurise government to pay attention to this matter," says Mapemba.

Engagement with stakeholders

NCA Country Director Stain Villumstad stresses that the Indabas are important as they facilitate engagement among relevant stakeholders including members of the community from mining areas, civil society organizations, representatives of the academia, faith based organizations, traditional leaders, members of parliament, ward councilors, investors and government officials.

"There is need for all these stakeholders to engage to advance pertinent issues in mining governance in order to ensure that decisions made in the governance of the mining sector represent the views and aspirations of all stakeholders including communities in mining areas," says Villumstad, who proposes a dialogue-oriented as opposed to a confrontational approach with investors and the government.

Malawi held its first alternative mining indaba in 2014 and the second one was held last year. ...cont on page 14

...from page 13 **Second alternative mining indaba**

Malawi held its second Alternative Mining Indaba at Bingu International Conference Centre in Lilongwe last year and the organizers included NCA, Action Aid, Tilitonse Fund and Oxfam with funding from Tilitonse Fund.

The theme of the Indaba was Making Laws Work for the People: *Effective Legal and Regulatory Frameworks for Malawi's Extractive Sector*.

The indaba attracted representatives of communities from mineral exploration and mining areas, traditional leaders, CSOs, FBOs and representatives of government, mining and exploration companies.

Oxfam country Director Mr John Makina stressed the need for the civil society to make the indaba an annual event in order to thoroughly assess challenges that the minerals sector continues to bring and promote transparency, accountability and inclusiveness as the pillars of growth for the potential sector.

"It is imperative that authorities incorporate recommendations from stakeholders across the board when making laws or pertinent decisions about the country's natural resources and these alternative mining indabas give a chance to the authorities to get the views from the stakeholders," he said.

Members of the community from mining areas who spoke at the event faulted the government for not consulting them before giving licenses to mining firms.

"We just see strange people digging trenches in our gardens and when we approach them, they refer us to government," said a Phalombe resident Silino Likovo.

Presidential Advisor on Non Governmental Organisations, Mavuto Bamusi, welcomed the idea of holding mining Indabas but warned the CSOs against using a confrontational approach against mining investors.

"We have to put the mining activities in check but not chase away mining companies because as a country we are promoting mining which is a very important industry as it brings tax money in the country, boost economy and create jobs," he said.

He, therefore, said government appreciates the role that CSOs play to make sure that mining companies abide by the principles of transparency and accountability.

"As government, we view advocacy as an important element but CSOs have to pursue advocacy based on evidence and constructive engagement while dialogue should be priority," he said.

Speaking on principles and domestication of FPIC in Malawi Titus Gwemende of Oxfam said the community have the right to know and participate in what the investors and government are doing and if they see that they are not satisfied with what they are discussing, they have the right to refuse.

"The main aim of FPIC is to give chance to the people in the community to take part in the mining activities in their areas since they are the ones affected if any problem arises," he said.

Commissioner for mines Charles Kaphwiyo, now retired, spoke about the revised Mines and Minerals Bill saying it addresses more issues than the old Act.

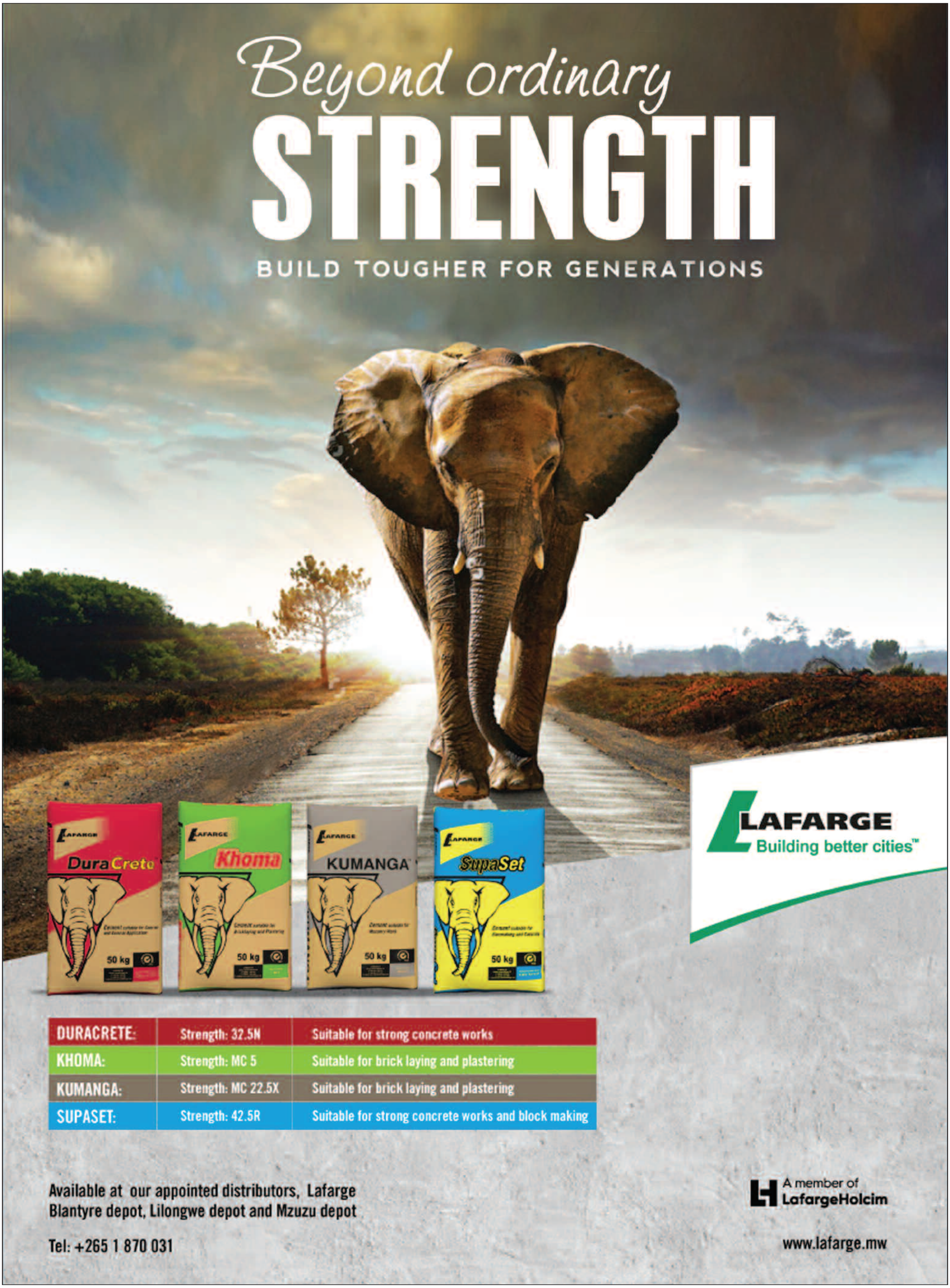
"There are more exciting provisions in the new revised law including community development agreements, resettlement plan and social and environmental assessment," he said.

National Coordinator for Malawi Extractive Industries Transparency Initiative (MWEITI) George Harawa spoke of the important role the civil society plays in the Initiative saying EITI involves three constituencies which are the Government, Civil Society and Companies.

"MWEITI is about companies declaring what they are paying to government and government declaring its revenue from the sector, Civil Society is the key part of the whole process as their role is to guide MWEITI secretariat and enlightening communities on the process," he said.

The presentations were followed by a debate broadcast live on Zodiak Broadcasting Station and the topic was '*What will it take/need to be done for Malawi to extract the oil and gas; the likely benefit for Malawi*' and the panellists' were Leonard Kalindekafe of Malawi University of Science and Technology (MUST), Reinford Mwangonde of Citzens for Justice, James Chatupa of Craton Resources Consultants and Bamusi.

The indaba ended with demonstrations where people expressed what they want from government and the investors■


Beyond ordinary
STRENGTH
BUILD TOUGHER FOR GENERATIONS
LAFARGE
DuraCrete
50 kg
LAFARGE
Khoma
50 kg
LAFARGE
KUMANGA
50 kg
LAFARGE
SupaSet
50 kg
LAFARGE
Building better cities™
DURACRETE: Strength: 32.5N Suitable for strong concrete works
KHOMA: Strength: MC 5 Suitable for brick laying and plastering
KUMANGA: Strength: MC 22.5X Suitable for brick laying and plastering
SUPASET: Strength: 42.5R Suitable for strong concrete works and block making
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Community Relations and Human Rights Policies in Mining

The Author, *Ignatius Kamwanje*, is a Consulting Geoscientist with experience in Mineral Exploration, Mining Geology, ESIA, Ground water Resources and Occupational Safety, Health and Environment. He can be contacted on igkamzy@yahoo.com - 0999216869

Mining companies believe that mining and mineral processing activities can play a central role in sustainable community development by acting as a catalyst for positive economic and social change. When operating in overseas jurisdictions, a mining company acknowledges the importance of understanding that it is operating in a "visitor" capacity in that country of interest and must engage itself with due respect in all interactions.

Therefore, to achieve a balance between the economic, environmental and social aspects in all phases of the projects, mining companies should strive to adhere to the laws and regulations of the host country, respect and respond to local customs, traditions and cultures, though anticipation for divergence from company policies exist already. They should also strive to contribute to local economic development of communities, be open and transparent in all communications and dealings with communities and respond in a timely fashion to any community-based grievances. The companies need to invest in projects that are of mutual benefit to them and the community, and ensure that any resettlement that cannot be avoided is undertaken in compliance with local laws and such that resettled parties are constructively engaged and fairly treated with the principles of free, prior and informed consent and consultation, embrace sound principles of local procurement and employment that contributes to local economic development, encourage, where practical, suppliers and contractors to adopt the same or similar policies, standards and practices; and undertake activities in a manner that is conducive to ensuring that the local operating company is, and remains, a responsible member of the community.

To assist in the understanding of this Policy by the local communities, there is need to put mechanisms that will outreach the communities. These could be through organising public address awareness meetings that can incorporate dramas, posters, flyers, stories, and engaging media houses. This is one way where the message can be spread to communities effectively. A mining company should create an honest atmosphere through the provision of open and informative policies and communities on the other hand must understand that a mining company also is not there to solve all their problems.

Mining companies face rising costs and increased risks of liability when problems arise in affected communities. As a result, they try to conduct social-cultural analyses and due diligence reviews, including assessment of laws and policies of a host country. However, these companies also develop their own policies so as to manage the impacts of projects on the surrounding communities. In Africa, most mining companies indicate that they use and apply internationally accepted best practices, initiatives and policies that have been developed by financing institutions (lenders, bankers) in order to reduce their exposure to liability and risk and are given a social licence to operate. A Social licence to operate exists when a mining company and its operations have the ongoing approval and acceptance of nearby communities and other stakeholders who are or may be affected by the mining projects. One may be reminded that the social licence is not a formal agreement and rarely carries a legal binding. It is based on the credible relationship between a mining company and communities. It is essential because companies need to manage risks including social conflict and damaged reputation that can affect the feasibility and success of such a project. But the question is; how many of the mining companies have been practicing this on the ground? Practically it's only a handful of mining companies that have implemented this.

Mining companies are also committed to respect for human rights and fundamental freedoms. The aim of the Human Rights Policy is to provide the overarching framework for the business in respecting human rights. This upholds human rights' principles outlined in the International Bill of Rights, which includes the Universal Declaration of Human Rights, the International Covenant on Economic, Social and Cultural Rights and the International Covenant on Civil and Political Rights. In the same context, there is also additional need to respect the International Labour Organisation's Core Conventions. Human rights are fundamental principles of personal dignity and Universal equality. Respect for human rights fosters social progress, better standards of life and larger freedom for individuals. Communities should also be empowered on the importance of their legal mandate inorder to protect their intellectual, cultural and traditional rights. Some mining companies have claimed to use the Performance Standards from the International Finance Corporation as provided for and in addition to meeting the requirements under these Performance Standards, it is very important for them to comply with applicable national laws and policies, including those laws implemented by a host country under obligations from international law.

Human rights policies should also be directed at increased capacity and voice of the poor and vulnerable communities especially women to influence decisions in mining at community level,issues demanded and influenced by the poor people, cross cutting issues raised and action points emerging from mining forums organized by rural communities, people mobilised, empowered that are able to demand their rights from service providers on mining and local people that access information on rights and their entitlements related to mining.

In Malawi, most communities are not aware of the mining laws and policies. It is a common observation that the communities just hear them being mentioned or discussed in different media outlets. They know very little of the Mines and Minerals Act, Mining Policy, other documents related to mining etc. Suffice to say, it is only the government officials and other CSOs that are engaged in the development and review of mining laws in Malawi.The general overview is that the current mining policies are not fully enforced in Malawi and lack clear stipulation of community benefits, community outreach, protection and engagements, mitigation measures to affected environment etc.

In order to create straightforward, steady and sustainable development in the mining sector in a way that contributes to sustainable development and is integrated into the formal economy, governments need to develop a consistent policy for the sector.

This policy should be based on four strategic pillars namely:

- Poverty reduction/alleviation to the surrounding communities, the workers and the country as a whole.
- A good business climate for mining sector.
- Sustainability
- Stabilization of government revenues from the sector

Besides, a mining company should also create an honest atmosphere through open and informative policies. To embrace a culture of human rights dignity within the communities, issues related to mining should also be discussed amongst the government officials, chiefs, communities themselves, mining companies and this can be facilitated through formation of Village/Area Development Commitees so that the communities should feel a sense of belonging to the mining projects operating in their area ■

Top service providers to Malawi's Minerals Sector in 2017

EQUIPMENT SUPPLIERS

Farming & Engineering Services

Farming & Engineering Services is the sole distributor of Komatsu and Challenger products in Malawi. The firm sells and rents out the equipment, which is being used in numerous projects in the sector.

Contact Details:
P.O. Box 918, Blantyre
Tel; (265) (0) 1 879 111/Fax; (265) (0) 1 879 088
Email; fes@fesmw.com / Website: www.fesmw.com

Equipment and Parts Suppliers Limited

Equipment and Parts Suppliers Limited (EPS) supplies equipment for industrial mining, construction equipment and are also spare parts distributors. The firm is also specialized in irrigation, industrial diesel engines, under carriage and ground engaging tools. Official distributor for Lister Petter and Monopumps, and agent for FRAM, EPS, among other products, supplies gensets and water pumps.

Contact Details:-
P.O Box 553, Lilongwe, Malawi. Tel: +265 (0) 1 753 806/867/Fax: +265 (0) 1 756 016

Camco Equipment

Camco Equipment is another major service provider in Malawi's mining, agriculture and construction industries as it supplies assorted equipment including backhoe loader, vibratory road roller, bulldozer, front end wheel loader, hydraulic excavator and grader.

Contact Details:-
Plot No. L/C 13 Mkulumadzi House, Churchill Road, Limbe Blantyre and Plot No 3/401 at Area 3, Lilongwe. Tel/Fax- Blantyre: +265 (0) 1 842 546/ Lilongwe:+265 (0) 754 680

Royal Motors

Present in Lilongwe, Blantyre and Zomba, Royal Motors is Malawi's sole authorized distributor of Bosch products. These include motor vehicle applications such as diesel systems, braking systems, gasoline systems, lighting technology, filtration, spark plugs, wiping systems, starters and alternators, body electronics and energy supply.

Contact Details:-
Paul Kagame Road, Area 4, Lilongwe
Tel: +265 1 759 902/759 904, Mobile: +265 995 933 786/ 759 904

Tata Zambia Malawi Branch

Tata Zambia Malawi Branch has in stock a number of vehicles which include industrial, commercial vehicles and plants. Tata plants are a reliable feature for both construction and mining industry. The company also stocks passenger vehicles which are used by transporters and companies to ferry their members of staff.

Contact Details:- LILONGWE: Tel: +265 (0) 1 750 663 / 646 / 664 / 01 751 919,
BLANTYRE: Tel:+265 (0) 111 624 227 663 / 01 837 472.

cont. on page 18

Malawi's top minerals sector projects of 2017

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 and the AIM Market of the London Stock Exchange.

Latest Developments

Mkango Resources has entered into an agreement with Telaxis Limited, a wholly owned subsidiary of Noble Group to fund a bankable feasibility study of the Songwe Hill Rare Earth Project and commercialization of new magnet technologies. Telaxis will fund study in return for 49% interest in the project.

The company conducted a pre-feasibility study for Songwe Hill that pegged the net value of the resource at US$293-million and the mine life at 18-years. Mkango also announced a metallurgical flow-sheet that produced high-grade products from proof of concept test work. The rare earth products recovered in the process included lanthanum, cerium, praseodymium, neodymium, samarium, europium, gadolinium,

Mkango has also undertaken a number of corporate social responsibility projects in the area surrounding Songwe Hill including construction of access roads, bridges, boreholes and painting of primary school classroom blocks with artistic expressions depicting the contents of the syllabus to facilitate easy learning by the students.

Shayona Cement Factory 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.

Latest developments

Shayona Cement Corporation has invested US$65-million in the project, which it is implementing in phases. The first phase has seen the company's production hitting 650 tonnes per day and is set to reach 1200 tonnes when the second phase is completed.

As part of its corporate social responsibility programme, Shayona Cement has been constructing school blocks at a nearby primary school and has also been making donations to a clinic and to refferal Kamuzu Central Hospital. The company also donates to a police station to sustain their day to day operations. Besides, Shayona donates tree seedlings to the communities and recently donated a police shelter at Bua Roadblock.

Malingunde 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

Sovereign Metals has announced that it has secured commitments from institutional and sophisticated investors in Australia and the United States to subscribe for 59.1 million new ordinary shares of the Company, to raise gross proceeds of $6.5 million.

The company is seeking to fast-track the project to feasibility study stage after a scoping study conducted in 2015 confirmed Malingunde as the sixth largest graphite deposit in the world. The study confirmed that the deposit 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.

Other activities planned for the project, currently in its early stages, before production starts include environmental impact assessment studies, community approval, off-take agreements and mobilisation of project financing.

Kanyika Niobium Project

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

Latest Development

Globe is currently looking to secure a market for the products expected from Kanyika, which include niobium, tantalum and uranium. The firm is also looking for off-take partners for the project which requires US$450-million to come on stream. Globe, which has a mining licence for the area, already completed field work and a bulk sampling programme for Kanyika.

Niobium is added to steel to enable steel mills to produce high margin products through enhanced flexibility, weight reduction and strength. Even though 90% of niobium is used in steel, niobium consumption has been growing at twice that of steel for the past 20 years.

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 developments

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 through export of duff coal which has no market locally.

The firm is currently seeking to raise capital for expansion by roping in a strategic equity partner.

Block 1 Oil Exploration

Block 1 is the second biggest oil exploration licence demarcated in Malawi and is located onshore in the Northern Region covering the district of Chitipa and part of Karonga. The Malawi Government granted a prospecting licence for the block to South Africa's SacOil Holdings in December 2012. The block is geologically on trend with the East African Rift System, a proven hydrocarbon province with prolific oil discoveries in Sudan, Chad, Kenya and Uganda.

Latest developments

SacOil has this year initiated training programmes for Malawians to better understand the upstream oil industry.

The firm completed a risk screening study which has determined the environmental risk and opportunity criteria that sets the platform for further exploration work. The company is, therefore, set to prioritize its focus on areas meeting geologically and environmentally favourable criteria for further exploration.

SacOil also carried out desk studies to review the data collected over the area, and based on the geological and geophysical data reviewed, the SacOi team is confident that the elements of a petroleum system are present over the licence. The future work programme will revolve around proving the existence of each element, which includes reservoir, trap, seal source and migration pathways. In furthering understanding of prevailing geographical conditions, the future work programme will also include a geochemistry survey, positive seismic tomography and geochemical sampling of hot springs in the concession area.

Block 2 and 3 Oil Exploration

The project, owned by international expatriate firm Hamra Oil Holdings, entails exploration for oil in Blocks 2 and 3 covering the Lake Malawi area of Karonga, Nkhatabay and Nkhotakota which also falls within the oil rich East African Rift System. Hamra Oil acquired the tenements from UK firm, Surestream Petroleum in 2014.

Latest developments

Hamra Oil has kickstarted a geological mapping exercise and environmental and social sensitization campaigns in the area using a team of local consultants.

The company has decided to conduct onshore studies other than sinking the exploratory drill-hole offshore as earlier expected because the later is more expansive and does not make economic sense with the prevailing low oil prices.

Hamra Oil has come up with the said exploration plan after it completed a full tensor gravity survey.

Block 4 and 5 Oil Exploration

The two blocks cover parts of the districts of Nkhotakota, Dedza, Machinga, Mangochi, Blantyre, Zomba, Mulanje, Thyolo and Phalombe. The tenements located within the oil rich East African Rift system are held by UAE firm, Rak Gas MB45.

Latest developments

Rak Gas completed a full tensor Gravity survey of the area which was conducted after an awareness campaign targeting members of the community in the districts. Just as Hamra Oil, Rak Gas is proceeding with a geological mapping exercise.

Block 6 Oil Exploration

The tenement covering the lower Shire Valley area is held by multinational oil search firm, Pacific Oil Limited.

Latest Developments

Unlike Rak Gas and Hamra Oil, Pacific Oil is yet to complete a full tensor gravity survey as the process to kick-start the survey was thwarted by the suspension order of oil exploration activities by government in October 2014.

Pacific Oil has, therefore, acquired data from government's airborne geophysical survey conducted with funding from the World Bank and European Union, which it is studying as part of the exploration process.

TECHNICAL FILE

by Grain Wyson Phillip Malunga FIMMM
Mining and Environmental Management Expert

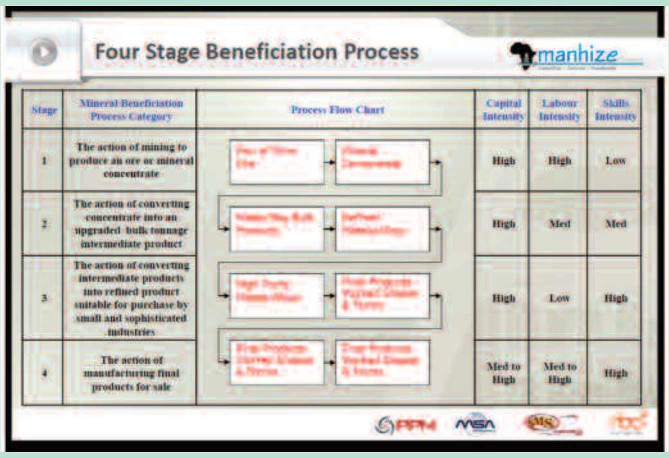
Mineral Beneficiation

Abstract
The African Mining Vision and Agenda 2063 plays an important role in bringing sustainable development in Africa. Mineral beneficiation or mineral value addition will promote economic development and self-reliance in financing development programs.

Introduction

The African Union (AU) adopted African Mining Vision in 2009 in order to bring meaningful economic development and social linkages through mining. In 2013 AU adopted Agenda 2063 in order to plant a spirit of self-reliance in fostering national development programs.

This philosophy has encouraged African countries to undertake mineral value addition or beneficiation in order to realise greater benefit from our mineral resources. Mineral beneficiation is transformation of a mineral or a combination of minerals to a higher value product which can either be consumed locally or exported. Africa has lost much needed technological revolution, revenue and exported labour due to lack of mineral value addition. Some countries such as South Africa, Zimbabwe and Botswana are on the right path in adopting this concept. We have seen value addition for gold,copper , diamonds and platinum in South Africa and Zimbabwe while Botswana has started with diamonds.



How can we achieve mineral value addition in Africa? This is through reduction in export of raw minerals and investing in industrial inputs such as energy, water, and technology to encourage beneficiation. Where economies of scale are limited, there is need to look at regional centres for mineral beneficiationor value addition. A good example is for South Africa to specialize in gold and platinum group of metals, Botswana in gemstones, Zambia in copper, lead and zinc, Zimbabwe in nickel and platinum while Malawi can specialize in niobium and rare earths.

Economic Linkages

These initiatives will create economic linkages:

1. Government benefits form fiscal linkages that include higher taxes, royalties and state participation through a special investment vehicle.
2. Attractive backward linkages include local content such as provision of goods and services that arise from local employment, local training and local contracts. It should be noted that foreign companies benefit from less expensive local employees and locally manufactured goods.
3. Knowledge based linkages emerge through research & development and human capital development to support local industries.
4. While government attracts investment though provision of basic infrastructure, the extractive industry develops its own reliable infrastructure such as off grid power, multi-purpose dams, information and communication technology and transportation. Government can benefit from this through public private partnership in order to facilitate economic development in rural areas.

Conclusion

Mineral beneficiation adds value to mineral products and fosters economic development through infrastructure provision, technological evolution, local content enhancement and skills and employment creation. Domesticating the AMV and Agenda 2063 should be a priority at national and regional level in order to benefit from economies of scale. Public Private Partnerships should also be encouraged ■

...from page 16

CONTRACTORS

Mota-Engil

Mota-Engil is arguably the contractor involved in more works contracts in Malawi than any other big contractor. The Portuguese contractor was also engaged by Paladin Africa as a mining contractor for the mothballed Kayelekera Uranium mine in Karonga, which is so far Malawi's largest mining investment.

Mota-Engil is also involved in exploration for gold and other high value minerals in Malawi and reported encouraging results in its update of the works earlier last year.

Contact Details:-
P.O Box 31379, Lilongwe 3. Tel: +265 (0) 1 750 131

CASONE Contractors

Casone Contractors are an emerging construction giant and offer a range of services and products to the industry including concrete ring moulds. They also hire out equipment such as concrete mixers, vibrating pokers, water pumps, plate compactors and lorries.

Contact Details:-
P.O. Box 251, Lilongwe, Cell: +265999684226/995447585

TELECOMMUNICATIONS SERVICES

Airtel Malawi

A local subsidiary of India's Bharti Airtel, Airtel Malawi boosts of a large customer base in Malawi, and mining and other sectors continue to benefit from a range of its innovative products and services including Internet and mobile money services. The mobile money service for Airtel is not only beneficial to individuals as corporate customers also use it to pay salaries,

CEMENT MANUFACTURERS

Shayona Cement Corporation

In 2017, Shayona Cement Corporation has consolidated its position among the market leaders with the ongoing construction of a new state of the art cement manufacturing plant at its Kasungu factory located in Traditional Authority Wimbe's area underway.

Shayona Cement's brands include Akshar, Thathwe and Buildplast. The brands are playing a key role in the industry as they are been used to construct different infrastructure that mining companies construct as part of corporate social responsibility programmes including school blocks, houses, boreholes and bridges.

Contact Details:-
P.O. Box 679, Lilongwe, Malawi. Tel: +265 (0) 1 752 791/Fax: +265 (0) 1 752 909

Cement Products Limited

Cement Products Limited is one of the new cement producing companies in Malawi but within a short period, its operations have gained a mark on the Malawi market. The company, with its new head office at Chirimba in Blantyre, completed constructing a clinker plant. Its ambition is to stop importing clinker in the medium term. Cement Products will be producing clinker using limestone that it wants to mine at its Mangochi licence area. The company is popular with its Njati Cement Brand.

Contact details:-
P.O Box 241, Blantyre. Tel: +265 (0) 1 683 958/Fax: +265 (0) 1 683 758

Lafarge Holcim Malawi

A subsidiary of SIX Swiss Exchange and Euronext listed world's largest manufacturer of building materials, La Farge Holcim Malawi is the oldest and one of the leading cement producers in Malawi.

La Farge Holcim Malawi has popular brands of cement to meet a diversity of construction needs including Kumanga, Duracrate, Khoma and Supaset. The latter has been launched this year.

Contact Details:-
Lafarge Holcim Malawi. P.O. Box 523, Blantyre, Malawi. Tel; +265 1 871358

EXPLORATION AND MINING CONSULTANTS

Chiwandama Geo-Consultants

Chiwandama Geo-Consultants is a local consultancy with expertise in geological mapping, mineral exploration and evaluation, geotechnical assessments, mine design and environmental impact assessments for mining and quarrying projects. - **+265 (0) 888 825 277**

Geomine Services

Geomine Services are specialists in mineral resource evaluation, environmental management and mining, events management and marketing. - **+265 (0) 999 982 80**1

Craton Resources Consultants

Craton Resources Consultants are specialized in coal, industrial minerals, and base metals exploration and assessments, projects supervision, mineral rights - **+265 (0) 993 789 398**

TRAVEL AGENCIES

Essential Tours and Travel Bureau

Strategically located at Golden Peacock Shopping arena in the Capital City, Lilongwe, Essential Tours and Travel serves mining and other sectors as experts in domestic and international air ticket bookings, travel consultancy and visa processing support.

Contact details:-
Mobile: +265 999 308 436/888 300 133/995 645 749
Email: info@essentialtravelmw.com

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UK firm granted Mchinji nickel license

Mkango targeting electric vehicle market

By Marcel Chimwala

UK firm, Mkango Resources, has been granted an Exclusive Prospecting Licence for a nickel-cobalt deposit at Chimimbe Hill in the district of Mchinji.

The Chimimbe Hill licence covers an area of 98.48 sq km and features laterite and saprolite hosted nickel, cobalt, chrome and other mineralization.

Mkango Resources President Alexander Lemon says Mkango, which is listed on Canada's TSX Venture Exchange, will carry out prospecting work in the area based on significant historical exploration which was already completed, including pitting, drilling and metallurgical test work.

"Magnetic anomalies in the licence area indicate exploration potential for additional nickel – cobalt mineralization," says Lemon.

He explains that Mkango will re-evaluate the Chimimbe Hill deposit in the context of geophysical data produced by the recent World Bank financed airborne geophysical survey of Malawi, recent infrastructure developments in the region, potential synergies with the Company's Songwe Hill rare earths project and Thambani uranium-tantalum-niobium project.

The company will look at options relating to sulphuric acid and/or alternative reagents supply, potential byproducts, as well as opportunities to produce nickel and cobalt products for the battery electric vehicle market.

The evaluation of the licence will be funded from the Company's existing working capital, which totaled US$869,479 as at September 30, 2017. Subsequently, Mkango announced the receipt of £241,995 (US$320,135) from the exercise of warrants.

Lemon says: "We are delighted to have been granted the Chimimbe Hill nickel – cobalt exploration licence, which is consistent with our strategy to target raw materials and technologies geared to accelerating growth in the electric vehicle market."

"Both nickel and cobalt are increasingly in demand as cathode materials for batteries in electric vehicles. This new licence, when combined with the Songwe Hill rare earths project and our collaboration with Metalysis on neodymium alloys for permanent magnets, positions Mkango as a potential future supplier of the critical raw materials used in both batteries and permanent magnet motors in electric vehicles."

Lemon: Mkango Resources President

"We are commencing a full historical data review for Chimimbe Hill, including an evaluation of exploration potential from recent geophysics, and look forward to updating shareholders on this new licence and the recently announced transaction with Talaxis in due course."

The Chimimbe Hill nickel anomaly was discovered by the Malawian Geological Survey Department in 1968.

Mkango selected the deposit as an exploration target following comprehensive in-house analysis of available datasets including geological maps, historic mineral occurrences, remote sensing data and satellite imagery.

Chimimbe Hill is underlain by a deformed and metamorphosed ultramafic body associated with high grade metamorphic rocks of the Mozambique mobile belt.

Mkango's main exploration target is the Songwe Hill rare earths' deposit, which features carbonatite hosted rare earth mineralisation and was subject to previous exploration in the late 1980s.

Mkango completed an updated Pre-feasibility Study for the project in November 2015.

In November 2017, Mkango entered into an agreement with Talaxis Limited ("Talaxis"), a wholly owned subsidiary of Hong Kong based Noble Group Limited, whereby, subject to regulatory approval, Talaxis will fully fund a bankable feasibility study for Songwe by investing £12 million (C$20 million) for a 49% interest in the project.

Talaxis will also have the option to acquire a further

Mkango's drill at Songwe Hill in Phalombe

26% interest in the project by arranging funding for project development. In addition, by investing a further £2 million (C$3.3 million), Talaxis may acquire a 49% interest in a new venture to be established by Mkango focused on neodymium alloy powders, magnet and other technologies.

The arrangement includes collaboration with UK based Metalysis Ltd which Mkango announced in September 2017, focused on advanced alloys using neodymium (a key rare earth component at Songwe) or praseodymium with other elements for permanent magnet manufacturing.

Permanent magnets are critical materials for most electric vehicles, direct drive wind turbines and many other high growth applications.

Talaxis and Mkango have also agreed to cooperate as preferred partners on rare earths projects worldwide and on other projects in Malawi ■

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Email: marcsmediamw@gmail.com