MINING&TRADE Review

Mining & Business News that Matters

20211210 6

ISSUE NO. 128 | www.miningtradenews.net | DECEMBER 2023 | Price MK4000

SONGWE HILL MDA IMMINENT

- **Mkango assured of signing deal for rare earth mining in Phalombe this year**

Hope for good tidings: Minister of Mining Honourable Monica Chang'anamuno shakes hands with Mkango Resources President Mr Alexander Lemon in her visit to Songwe HIll area

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MINING

Lindian donates desks to Kangankunde School

Kaluluma: Take care of the desks

Lindian's Consulting Geologist John Nkhoma and Ngwena (in spectacles) handing over the deesks

By Harry MOMBANYAH and Chrissie NKUMBA

Two hundred pupils at Kangankunde Primary School in Balaka who have all along endured the misery of sitting on the floor in class due to lack of chairs and desks now have their learning environment improved thanks to the donation of 100-desks and chairs by ASX-Listed Lindian Resources which is conducting mine development works for rare earths in the area.

Lindian donated the chairs and desks, each with the capacity to accommodate two learners, as part of its Corporate Social Responsibility (CSR) programme.

The firm's Country Director Chrispine Ngwena said Lindian came up with the decision to make the donation following a request from members of the community.

Ngwena said: "They made a request to us for the desks and chairs with the concern that most of the pupils, mainly girls, are dropping out of school because they feel uncomfortable in class due to poor learning environment."

"We have not yet started production but we felt we should still assist. I would like to assure the Kangankunde Community that we will continue doing for them what we can afford and more will come when the project reaches production stage. What is exciting is that the resource is huge to support a mine life of 100 years."

Malawi's Ministry of Mining Second Principal Secretary Lawrence Kaluluma expressed gratitude to Lindian Resources for the donation saying it will significantly improve the learning environment for the learners.

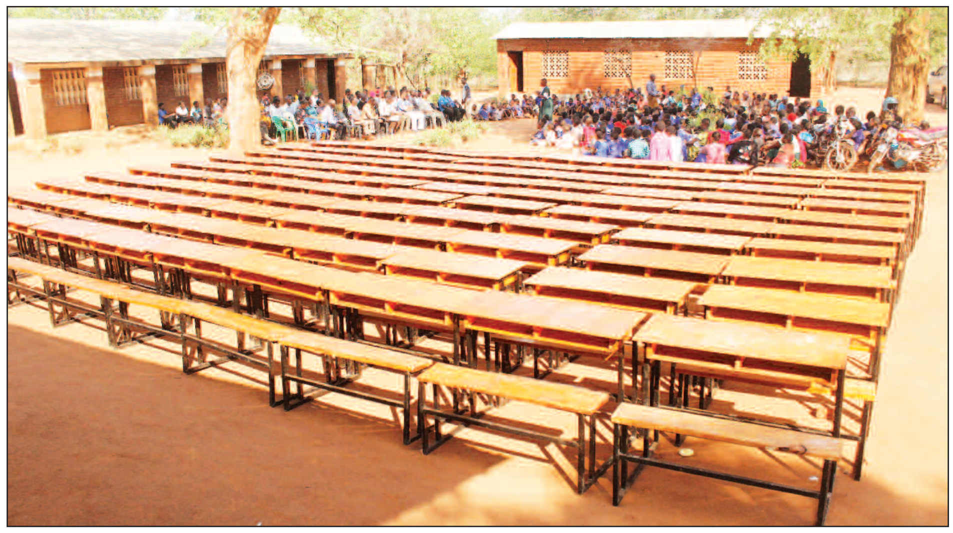
Kaluluma, however, called upon the learners to take care of the desks so that more pupils continue to benefit.

He also urged the local community not to demand a lot from the Company in terms of CSR saying Government will ensure that the local community adequately benefits from the mine as prescribed in the new Mines and Minerals Act.

"The Company may soon apply for a large scale mining licence which obliges it to sign a Community Development Agreement (CDA) and commit a percentage of proceeds from the mine to the local community for development projects," Kaluluma said.

Balaka District Council Representative Haji Chowe urged Lindian Resources to consider starting a scholarship programme for best performing pupils from the school, covering secondary school and college fees in order to motivate many pupils.

In their remarks, Senior Chief Chanthunya and Group Village Head Makolera expressed excitement with the development and appealed to Lindian to continue assisting the area.



The desks that have improved the learning environment

"Several investors came to Kangankunde previously but did nothing and initially we suspected that Lindian was in that group but they have already proved that they are serious in pursuing the project and supporting the local community," said Chanthunya.

Headmaster for Kangankunde Primary School Goodson Kapolo also thanked Lindian for supporting the primary school explaining that this is not the first time for the firm to assist the school as it previously donated soap, pens, balls and sanitation materials.

Kapolo said the school mostly depends on government to procure materials like desks but its support is always inadequate to meet the growing needs of the school with the number of pupils increasing.

"We are very happy with the donation but we would also like to ask Lindian to construct a Head Teachers' Office and a Staff Room," he said.

Lindian progresses Kangankunde Rare Earth Mine development works

By Marcel CHIMWALA

ASX-listed Lindian Resources says it is making significant progress in mine development operations and the commissioning of its Stage-1 processing plant at the Kangankunde Rare Earths Project in Malawi's Balaka District.

Lindian CEO Alistair Stephens says that the Company has completed over 4,000m mine development drill program with all samples despatched from site and now either at the laboratory or in transit with assays to be reported progressively once received.

Stephens explains that the mine development drill programme has been designed to convert a portion of the Inferred Mineral Resource to Indicated, following the declaration of a maiden Mineral Resource Estimate (MRE) at Kangankunde of 261 million tonnes at 2.2% Total Rare Earth Ore (TREO).

Lindian has also defined an Exploration Target of 400 million to 800 million tonnes at grades ranging from 2.0% to 2.7% TREO by two deep one kilometres drill holes beneath the MRE.

Stephens reports that part of the interim mine design and planning process, and geotechnical drilling commences this month and consists of a small 400m program anticipated to take 10 days.

"The resource update, along with engineering quotations for construction, will form part of the Feasibility Study for Kangankunde which is anticipated to be published in the first quarter of 2024," he says.

Processing plant engineering and design update

Stephens explains that alongside the mine development drill program, the Lindian team is also progressing with:

• The award of civil works contract(s), inclusive of works for the access road upgrade, bulk earthworks for the plant and associated infrastructure, Tails Storage Facility (TSF) and Return Water Dam (RWD) is expected shortly;
• Power and fuel supply options are being substantially progressed;
• Process Flow Diagrams are being finalised;
• Several experienced parties have been identified for the supply of Process Plant and associated infrastructure for Engineering, Procurement, Construction and Commissioning ('EPCC') with responses to this tender anticipated in the near term.

Project Licences

Lindian has a Mining Licence, an Environmental Certificate and an Explosives Magazine Licence in place.

"These licences form part of the compliance documents that allow the Company to progress to development construction and operations in the near term. An application for a Water Extraction Licence has been submitted and expected to be granted in the near term," says Stephens.

Project funding

He reports that Lindian's Board of Directors has confirmed that early-stage mine development works for Kangankunde will be fully funded from existing cash reserves and from other non-dilutive funding options that are being pursued as the project maintains considerable interest from rare earths industry participants.

Stephens said: "Mine development works are advancing at a fast pace with multiple work streams well underway."

"We expect a steady flow of updates on assays, geotechnical drilling, awarding of the civil works contract and commencement of these works, and progress on the tender package for the processing plant and associated infrastructure which is also progressing to plan."

"This is underpinned by the fact that we have the majority of licences in place and continued strong support from the Malawian Government and the Local Community. Lindian is making great progress advancing Kangankunde into development and we are committed to commissioning our low capex Stage 1 plant by late 2024 that will produce rare earths concentrate for sale to our first off-taker and to other industry participants seeking our product."

Meanwhile, in the Company's quarterly activities report for the quarter ended September, Lindian's Executive Chairman Asimwe Kabunga has expressed excitement over the outstanding progress that the Company is making on Kangankunde Project.

Kabunga says Lindian has made excellent progress in multiple areas in the quarter including drilling, assays, stage 1 processing plant design, preparations for mine construction, engineering, and funding.

He says: "The release of Lindian's maiden Mineral Resource Estimate for Kangankunde and more recently exploration target demonstrates that Kangankunde is a standout globally significant high grade non-radioactive rare earths project, having high levels of Neodymium and Praseodymium (NdPr) and with the potential for long mine life."

"The US$35-million placement completed in late July provides the funding required to advance development of Kangankunde at a rapid rate. As a consequence, Lindian is very well placed with sufficient funding to execute current work programmes, and immediate strategic objectives."

Malawi's Minister of Mining Honourable Monica Chang'anamuno MP visited the Kangankunde site a few months ago where she hailed Lindian for the outstanding progress it is making on the project and pledged Government support.

EDITORIAL

BY MARCEL CHIMWALA, PUBLISHING EDITOR

Mkango deserves mine development agreement for Songwe Hill

As reported in our front page article, after 13-years of intensive mineral exploration investing over US$30-million, UK firm Mkango Resources is now on the brink of getting a signed Mining Development Agreement and Mining Licence from the Malawi Government for the Songwe Hill Rare Earth Prospect in Phalombe.

This was confirmed when Minister of Mining Monica Chang'anamuno visited the project where she expressed satisfaction with the activities that have been carried out at the site.

Her visit came after Mkango concluded all exploration works and completed and published a final definitive feasibility study on the Songwe Hill rare earth deposit as well as completing a full Environmental, Social and Health impact Assessment (ESHIA) which was approved and signed off by the Malawi Environment Protection Authority (MEPA) in February of this year.

Chang'anamuno explained that the Government is in the process of finalising negotiations for the MDA with Mkango so that the company can raise funds from banks and investors to construct the rare earths mine.

We commend the Malawi Government and Mkango for advancing the negotiations to this stage.

We agree with the Minister that the project will significantly contribute to Malawi's economy through payment of royalties and other taxes while Malawians including people of Phalombe and Migowi will get jobs and various wealth creation opportunities emanating from the project.

From our perspective, it is not only the work that the company has done in mineral exploration that qualifies it to get the MDA but also the cordial relations Mkango has established with Malawians especially the local community.

Mkango enjoys very good relations with the community as it has in all these years been executing a number of corporate social responsibility activities.

Its interventions have included response to disasters which has seen the company donating various items to assist the community in times of disasters including the recent Cyclone Freddy.

Mkango has also assisted in the area of education by painting classrooms of three primary schools in the vicinity of the project site with some content of the school syllabus to facilitate easy learning by the learners.

The Company also introduced a school feeding programme and has been running a scholarship programme for top performing students from the beneficiary primary schools sponsoring their education up to University.

Besides, Mkango, which prioritises employing locals, has constructed access roads, bridges and repaired boreholes in the area.

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MINING

Malawi gemstone firm showcases at Cairo Trade Fair

Maleta:IATF gave us a platform

By Chrissy NKUMBA and Wahard BETHA

Malawi's leading gemstone producer Maleta Gems and Jewels says its participation at this year's Intra African Trade Fair (IATF) that was held in Cairo, Egypt has enormously contributed in marketing Malawi gemstones on the international market.

MD for Maleta Gems and Jewels Percy Maleta told *Mining and Trade Review* that Malawian gemstones attracted interest from international buyers at the show implying that if the country aggressively promotes its gemstones, they can be one of the viable solutions to address the problem of forex scarcity.

Maleta said: "IATF gave us a platform to showcase what we are producing (gemstones, gold, and other minerals)"

"These gemstones and gold are predominantly exported and the show was the right place for our company to meet continental and global players and exhibit our goods, explore business and investment opportunities."

Maleta said currently they are discussing with two big companies from Egypt who have expressed readiness to start trading and investing in the mining of gemstones and gold in Malawi.

"We will be sending some kilograms of gemstones as samples, and thereafter we are likely to get a huge contract that will not only help our company grow but other small and medium scale miners/traders will also be roped in. This will be a plus to Malawi in terms of gemstone mining subsector growth," he said.

Maleta thanked the German Development Corporation (GIZ) for supporting the Artisanal and Small-scale Mining (ASM) subsector and not only making their company but Malawi gemstones shine at a global level.

"Also worth mentioning are the Ministry of Trade and Industry and Malawi Investment and Trade Centre (MITC), they always share trade information and give us the platform to shine," Maleta said.

He, however, bemoaned delays in clearing Malawian products by the Egyptian Customs authorities as a setback that failed local companies to start exhibiting their products in time at the show.

This year, Maleta Gems and Jewels exhibited high-valued Aquamarine, Tourmaline, Garnet, Amethyst, Rose Quartz, Clear Quartz, Corundum, and Sunstone.

Meanwhile, Maleta has expressed concern over the recent devaluation of the kwacha by 44% saying it is negatively impacting on ASMs who sell their stones to the Export Development Fund (EDF).

He explained that for instance ASMs use diesel and electricity, whose prices were immediately hiked soon after the devaluation was announced, to run their machines though EDF continues to buy gold and gemstones at same prices.

He said: "ASMs are affected in the sense that the prices for selling gemstones and gold are still the same as before devaluation, ultimately losing 44% in value."

"The devaluation will hit small scale miners as they buy equipment from local shops or import and the prices have gone up by more than 50%. This will affect production as few people will afford the expensive equipment."

Maleta also urged EDF to consider buying all kinds of gemstones from local ASMs to ease the devaluation effects.

"It would be helpful if government advises EDF to be buying all gemstones produced by ASMs and find an international market for them."

"The other thing to be done is to support the sub sector with affordable loans from National Economic Empowerment Fund (NEEF)."

MINING

Mkango assured of signing mine development agreement for Songwe HIll rare earths this year

Mr Lemon showing the Honourable Minister points where Mkango conducted exploration drilling

By Wycliffe NJIRAGOMA, ***Contributing Reporter***

After 13-years of tremendous mineral exploration investment amounting to over $30-million and detailed geological exploration, Mkango Resources Limited is now on the brink of getting a signed Mining Development Agreement and Mining Licence following official Government of Malawi confirmation that the Mining Development Agreement (MDA) with the government would be signed by the GoM before the close of this year.

The UK and Canadian listed company has been developing the Rare Earth mining project at Songwe Hill in Phalombe.

A Mining Development Agreement is an agreement involving the government and a mining licence holder that governs the two parties' legal, financial and technical relationship.

On Friday, 10 November, 2023 Minister of Mining Monica Chang'anamuno visited the Songwe Hill project where she expressed satisfaction with the activities that have been carried out at the site.

Her visit came after Mkango concluded all exploration works and completed and published a final definitive feasibility study on the Songwe Hill rare earth deposit as well as completing a full Environmental, Social and Health Impact Assessment (ESHIA) which was approved and signed off by the Malawi Environment Protection Authority (MEPA) in February this year.

"We are in the process of finalising negotiations for the MDA with Mkango so that the company can raise funds from banks and investors for the project.

"There are a few things that are remaining but before the end of this year, the MDA will be signed" Chang'anamuno said.

She then described the upcoming mining development as a milestone for Malawi's economy considering its projected lifespan of 18 years with the potential to increase the mine life to 50 years and beyond.

"This project is going to help our nation especially the people of Phalombe and Migowi who will get jobs and various wealth creation opportunities. As a matter of fact, Migowi is destined to become a mining city where many economic activities will take place both during the construction and operation of the mine," said Chang'anamuno.

On why the Mkango MDA has taken long to conclude, the Minister said there were some issues that needed to be cleared first stressing that the current administration wanted to be sure that no mistakes are made.

"Mining in Malawi is still in its infancy when compared to our neighbouring countries as such we do not want to make the same mistakes that other countries have made in the past. To that end, we have been learning the best practices on how our counterparts have benefited from the industry," she explained.

Reacting to the news, Mkango Resources President, Alexander Lemon described the project as a real game changer for Malawi, Lemon commended the minister for sparing her time to visit and appreciate all the hard work that has been completed successfully over the years.

"We are very excited that the MDA is being finalised. As Mkango, we are very grateful for the professional support and advice that we receive from the Honourable Minister and her team as well as all Malawi Government experts from the Ministry of Finance and Ministry of Justice and other government Ministries and Departments.

"We are very much looking forward to receiving the signed mining development agreement and the mining licence so that we get the project started as we strive to contribute to Malawi's socio-economic development as soon as possible," Lemon concluded.

MINING

Mining Minister visits Songwe Hill Rare Earths Project in Phalombe

Chang'anamuno appreciating ore

Chang'anamuno and Lemon captured up the hill

The Honourable Minister inspecting samples

Together we can: The Minister with the people in a sign of oneness

Honourable Chang'anamuno visited Changa Primary School whose classrooms were painted with school syllabus content by Mkango to facilitate easy learning by the pupils

MINING

Mining players speak out on devaluation

By Bester KAYAYE

Players in the mineral sector have expressed mixed reactions over the impact of the recent devaluation of the local currency, the Kwacha, by 44 percent on the minerals sector.

Coordinator for the Chamber of Mines and Energy Grain Malunga said devaluation will not have quite a significant impact on the local extractive landscape.

Malunga said medium to large scale miners, which are most of the companies represented by the Chamber, engage in borrowing and exporting in dollars implying that they are insulated from devaluation effects.

He said: "The extractive sector in rank of medium to large scale mining borrows in dollar terms and exports in dollar terms. No effect in terms of devaluation. The problem comes in if they want to invest in import substitution whereby if they borrow in dollar terms for local consumption it becomes a challenge in terms of local currency devaluation and depreciation because they cannot efficiently service external borrowing."

"Companies servicing the local market are also affected because they borrow through foreign currency to serve the local market. They will pay more local currency to service these debts and will opt to increase prices to cushion the shortfall."

Malunga said devaluation will also impact the gemstone subsector in which the major players are Artisanal and Small-scale Miners (ASMs) who are not properly regulated.

"Devaluation may benefit illegal buyers and promote more smuggling. The ASMs will not benefit much if the sector continues to be unregulated and not monitored."

Malunga also suggested that government needs to reduce Corporate Tax and Value Added Tax in the quest to enhance investment and avoid possible retrenchments.

He said: "We are at a developmental stage in the mining sector and there is no impact from extraction of minerals. Government's appropriate intervention is to reduce corporate tax and VAT in order to encourage more investment and avoid retrenchments. Duty-free importation of raw materials such as chemicals and fuel for mine equipment can also be considered."

"Devaluation benefits those that are exporting for they get more revenue through a weak currency. More investment can be attracted if a proper fiscal incentive is modelled to cushion these financial government decisions."

The National Coordinator for Natural Resources Justice Network (NRJN) Kennedy Rashid concurred with Malunga saying the Malawi Kwacha drop in value was quite expected considering the balance of payment of Malawi has not been reflecting positively on the economy of the country for a very long time.

He was, however, quick to suggest the need for government to take the lead and be action-oriented by revising local investment plans and empowering sectors that can develop the country saying Malawi needs businesses that can impact households and the country positively.

Rashid said: "The devaluation of the currency works well with countries that are producing and beneficiating. The current rate will impact companies in the local extractive sector as they have now to review their annual budgets and plan of action in order to achieve the set goal as most of the production in extractives require procurement of equipment from outside Malawi. This implies that local investors need to acquire more Kwachas in order to get adequate funding for investments locally."

"We need the mining sector that is financed for production, and the Minister of Finance should have done away with the expenses that are not productive at all and redirect the resources to sectors that can develop the country such as mining, which has been neglected for some time. We have to invest in the sector if we wish to get anything from it."

Rashid: Malawi should form industrialisation bank

He also proposed that the Government should introduce a development or industrialization bank that will focus on industrialization which is the backbone of Malawi 2063."

Rashid said in order to propel the industrialization drive, Government needs to implement a policy to deter exportation of raw materials to ensure that all mining ventures in Malawi are involved in value addition of the mined raw materials.

"We need to be focusing on value addition of the minerals which can in turn create jobs and add to revenue that is generated from the Extractives Sector. This will give our students that are graduating every year platforms where they can utilize the knowledge and skills they have learnt," he said.

Rashid also advised Government to hold international mining symposiums locally to showcase the country's mineral potential in order to attract investors and buyers of products produced by ASMs.

In a separate interview, Seasoned Geologist Ignatius Kamwanje said devaluation will have serious long-term consequences in Malawi's extractive sector because Malawi does not have an export base.

"Devaluation will also affect some prices of materials that may be imported. As a result, there is a boost to substitute imports by buying domestically. But this can only be a little contribution in Malawi since production in extractives is too low," he said.

Kamwanje also feared that devaluation will lead to high prices of products such as cement which requires imported raw materials including gypsum, and plant spare parts.

He suggested the need to put in place specific policy measures such as reducing government spending and broadening the tax base to strengthen fiscal and monetary bases.

In his speech announcing measures to cushion Malawians from the impact of the devaluation, Minister of Finance and Economic Affairs Simplex Chithyola Banda said Government will engage a team of experts to quantify and monetize the country's mineral deposits to attract potential investors and increase foreign exchange earnings.

Chamber lauds achievements despite challenges

By Harry Witness MOMBANYAH

Outgoing President of Malawi Chamber of Mines and Energy Burton Kachinjika says his two years' tenure of office has been full of challenges as well as achievements in terms of the activities of the chamber.

Kachinjika said at the Chamber's Annual General Meeting in Lilongwe where he handed over office to current President Theo Kytter that the Covid-19 pandemic and Natural Disasters such as Hurricane Ana and Fred are the major challenges that affected operations of the members of the Chamber.

He said: "The Covid-19 syndrome affected the whole world including us. The lock down affected physical meetings, exploration and mining activities. Most assignments were done on a slow pace and our foreign experts had to be locked locally or locked abroad as one of the measures of containing the disease."

"Our communities where we work were affected by natural disasters such as Hurricane Ana and Fred. We saw flooding and landslides disrupting livelihoods and energy generation. Many lives were lost and homes were lost."

Kachinjika, nonetheless, thanked members of the Chamber for making humanitarian contributions around their project locations and in Chikwawa, one of the districts where people were heavily affected.

"For this I thank you very much for your contributions. This improves our relationship with communities and is a means of maintaining our social licenses with mining communities," he said.

Kachinjika also pointed out that during his tenure of office, Government repealed the Mines and Minerals Act 2018 replacing it with the Mines and Minerals Act 2023 which establishes the Mines and Minerals Regulatory Authority.

Under the new Act, key functions that were conducted by the Departments of Mines and Geological Survey including licensing and inspection have been delegated to the Authority.

"The Chamber awaits Government's direction on the functions of the Department of Geological Survey and the Department of Mines as these require functional review," says Kachinjika.

Kachinjika also explains that during his tenure, the members made significant progress in exploration of critical minerals such as uranium, niobium, rare earths, rutile and graphite which are necessary for energy transition to reduce climate change emanating from carbon emissions.

During the period, ASX-listed Globe Metals & Mining concluded a Mining Development Agreement (MDA) with the government while UK Firm Mkango Resources and ASX-listed Lotus Resources are on the verge of concluding their MDAs for Songwe Hill Rare Earths and Kayelekera Uranium Mining Projects respectively.

"Mining has the potential to create wealth for this country and induce economic growth and development," he said.

Kachinjika said during his term of office, the Chamber has also maintained its regional obligations in terms of cooperation and integration.

"We negotiated with the Mining Industry of Southern Africa (MIASA) to offer us special annual subscription until we have established a few mines and continue to reduce our operational expenditure," said Kachinjika.

He also said the Chamber has been involved in several consultative meetings with the government and the private sector which include the National and Regional meetings aiming at eradicating or controlling TB and other respiratory diseases in the mining sector.

The Chamber was also involved in drafting of the proposed Malawi Extractive Industry Transparency Initiative (MWEITI) policy and Bill in order to legitimize the process.

"I urge our members to support the secretariat in materials and finance in order to promote the chamber's visibility and support to government promotional activities," said Kachinjika.

The Chamber of Mines and Energy in Malawi started with a membership of 15 in 2016 and has grown back to 16 after dropping down to 10 between 2019 and 2020 Covid period.

MINING & SOCIAL ISSUES
with Ignatius Kamwanje

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Monetization in the mining sector and Funding Procedures

To monetize something means to convert something or an asset into the form of currency. Basically, monetizing aims at utilizing something of value as a source of profit, or conversion of an asset into money or a legal tender.

Therefore, Asset monetization is the process of creating new sources of revenue for the government and its entities by unlocking the economic value of unutilized or underutilised public assets. A public asset can be any property owned by a public body or even land that remains unutilised.

As a concept, asset monetization implies offering public infrastructure to the institutional investors or private sector through structured mechanisms. Monetisation signifies 'structured partnerships' with the private sector under certain contractual framework agreements.

The mining and processing of inground assets, such as gold, oil, diamonds and coal, is one of the largest industries in the world. The total financial impact of the mining industry alone is valued at trillions of dollars. However, inground assets require huge investments before they can be monetized. The importance and value of inground assets to the economy and their high-profit potential ensure that there is no lack of funding sources for qualifying prospectors.

1. Funding Procedures

(a). Mineral Rights

A creative method for funding the monetization costs of inground assets is to sell a share of the mineral rights to an operation. This method is similar to asset-based loans in that the company provides collateral for the loan. However, in this case, mineral rights are not an asset but the right to a share in future profits. This is also similar to private equity financing in that no assets are required to qualify for funding. However, it has an added advantage that ownership and control over the company is not transferred to the lender.

(b). Private Equity Financing

Private equity companies, also known as venture capital firms or investors, provide companies with inground assets funding in exchange for a share in the ownership of the company. This method of monetization funding is especially attractive for new businesses and entrepreneurs who lack the cash or collateral to obtain funding from lenders/funding institutions.

(c). Government Funding

The government provides incentives to qualifying inground asset holders who require funding to monetize on resources. In other countries the Mining departments provide incentives to companies willing to start remining operations. These incentives include financial assistance, as well as help with licensing, permit issuance and regulation issues. Recently, the Minister of Finance Hon. Simplex Chithyola Banda announced that monetization of the mining sector by engaging a team of experts to quantify the minerals that are in the ground inorder to attract investors to Malawi will be one of the cushion measures aimed at enhancing and bringing foreign exchange earnings to this country. Besides, it also aims at attracting potential investors for possible value discounting. Considering that Malawi does not have a government instituted State owned mining company and a mining regulatory body yet that will be tasked for such challenging purposes, Malawi is yet to see how this shall be carried out for a country that is still too poor, has no large scale active mines in operation/production and mining being in the infant stage as well. .

(d). Asset-Based Loans

Asset-based loans are similar to traditional business lines of credit but with more stringent requirements for collaterals. Asset-based lending provides loans that are secured by an asset. New companies struggle to receive approval for asset-based loans because they require the company to already have enough assets invested in the company to provide sufficient collateral for the loan. Eligible assets may include real estate, mining machinery, resources inventory, intellectual property.

2. Importance of Asset Monetization in Mining

✓ It unlocks value from the public investment in infrastructure

✓ It utilises productivity in the private sector. Asset monetization aims at tapimg the private sector investment for new infrastructure creation.

Asset monetization does not involve selling of land, resources but it is about monetizing brownfield assets which is one of the roadmaps for fiscal consolidation.

This is because underutilised brownfield assets are in sectors such as roads, railways, mines, energy, power and the initiative may be necessary for bringing in private capital which will be used for infrastructure creation.

In another development, current high energy prices have given rise to a focus on alternative sources of energy. For coal deposits as energy sources, this has given rise to a renewed focus on technologies for extracting gas from coal beds as well as various technologies for converting coal to gas, Liquefied Natural Gas (LNG) and to liquid fuels. Some of the alternatives available for monetizing coal assets, include:

✓ Conventional coal mining
✓ Coal Bed Methane (CBM)
✓ Coal mining followed by Coal to Gas or Surface Coal Gasification (SCG)
✓ Underground Coal Gasification (UCG)

TECHNICAL FILE

by Dr. Grain Wyson Phillip Malunga *FIMMM*
Minerals, Geology, Environment & Corporate Affairs Consultant

MALAWI CHAMBER OF MINES ANNUAL REPORT FOR 2023

1. MINES AND MINERALS ACT 2023

This Act replaced the Mines and Minerals Act of 2019. The Parliament passed the Mines and Minerals Bill, 2023 repealing the Mines and Minerals Act, of 2019. The Bill has significantly changed the landscape of the mining sector.

The key changes and improvements made under the Bill compared to the 2019 Act include;

• Establishment of a Mining and Mineral Regulatory Authority to regulate mineral resources development in Malawi. Its role is to grant mining licenses; inspecting mining activities and to advise the Minister on policy matters of the mining sector. The Mineral Resources Committee was abolished. The positions of Commissioner for Mines and Minerals and the Director for Geological Surveys and their respective duties have been allocated to the Regulatory Authority.

• The Regulatory Authority is tasked with keeping and maintaining the register of mineral permits. The new Act has added a register of cooperative mining societies and mining partnerships.

• The new Act mandates the grant of a licence after a project has been approved by the Malawi Environment Protection Authority, and has certified in writing that the project has been approved.

• The term for Exploration Licence has been increased to 5 years from 3 years and may be extended to a further 3 years.

• Some penalties have been revised such as the custodial penalty for a person who obstructs an authorized officer of the Regulatory Authority from conducting his duties from 2 years to 4 years in prison with hard labour and a monetary penalty of MK10,000,000.00 has been maintained. A monetary penalty for evading or assisting someone to evade payment of annual ground rent and mineral royalty has been reduced to MK10,000,000.00 from MK20,000,000.00 under the 2019 Act. The other punitive and custodial penalties have been maintained.

• Government Ownership Interest under the Act has removed a ceiling of 10% to give it the right to reduce or increase the percentage as the Minister responsible deems fit.

The Bill is silent on establishment of a National Mining Company and fiscal incentives necessary to promote the sector as one of Government's priority areas of Agriculture, Tourism and Mining. It is necessary for the Government to come up with a package of investment incentives in order to shorten the period for which mining agreements need to be signed.

2. REVISED MINERAL RESOURCE ENDOWMENT

Companies under the Chamber have made a lot of good progress in exploring for critical minerals such as uranium, niobium, rare earths, rutile and graphite. The critical minerals are necessary for energy transition to reduce climate change emanating from carbon emissions. These are raw materials for renewable energy technologies such electric vehicle components, wind and solar energy products. The projects are well spread to foster balanced job creation and local economic linkages and development. The Table below shows an updated Mineral inventory of the year 2023.

Table 1: Delineated mineral reserves by CMEM Members

PROJECT	GRADE	TONNAGE	STATUS
Kangankunde REE	2.2 TREO%	261 Mt	Lindian Resources - Resource upgrade
Songwe REE	1.2%TRE	18.15 Mt	Mkango Resources – Mining Negotiation
Kayelekera Uranium	500 ppm U_3O_8	46.3 Mlb	Mining Negotiation
Malingunde graphite	9.5 % TGC	9.5 Mt	NGX Ltd – Definitive Feasibility Study
Kasiya rutile/graphite	1. 1.01% Rutile 2. 1.32% Graphite	1,809 Mt	Sovereign Metals - Feasibility Study
Malowa Limestone	51.7% CaO	15.17 Mt	Mining Development

Stone aggregate production is being done by Terrastone Limited, Masterstone Breakers Limited and Mota Engil Limited. Shayona Cement Corporation and Cement Products Limited are mining limestone for cement manufacture while Kasikizi Coal Mine and Rukuru Coal Mining Limited are mining coal for agro processing and manufacturing.

3. ECONOMIC IMPACT OF MINING

The projects being pursued by the Chamber members have the potential to generate an estimated total capital investment of US$5.2 billion over a ten-year period generating the value of exports totaling about US$10 billion starting with Kayelekera from 2025 if Mining agreements are to be concluded within next year. Data obtained from the Chamber members show that the mining sector has the ability to generate about $1.0 billion dollars annually if government speeds up conclusion of Mining Development Agreements.

These projects have the ability to create wealth for the country to be self-reliant and support local content such as improved agriculture commodity market, skills support such as welding and fabrication and supply of rural infrastructure that promotes urbanization. Apart from direct employment, indirect employment can increase up to 10-fold.

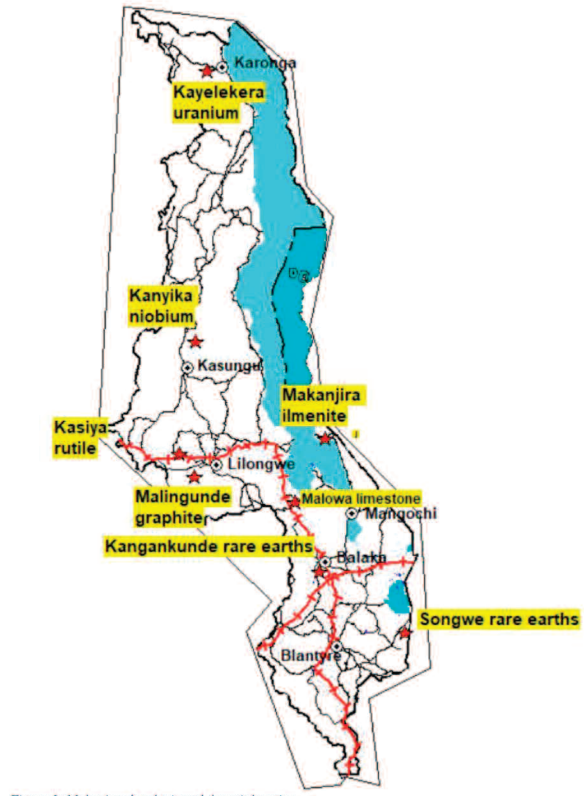

Figure 1: Malawi updated mineral deposit location

4. MINING AGREEMENTS WITH GOVERNMENT

Globe Metals and Mining concluded a Mining Development Agreement with government in March 2023. Negotiations with Lotus Resources, over Kayelekera Mine, and Mkango Resources, over Songwe rare earths deposit, are at an advanced stage. Issues to do with fiscal interpretation and phraseology in the Mines and Minerals Act of 2018 seem to be delaying consensus on the way forward. There is also need to have a reference base in form of a mining investment incentive package in line with government's emphasis on promoting Agriculture, Tourism and Mining (ATM).

It is time to take advantage of current critical minerals favorable prices in order to reap high financial and economic benefits both for the investor and the government.

5. LIASON AND OUTREACH

The Chamber was involved in several consultative meetings with government and the private sector. The Chamber was involved in drafting of the proposed (Malawi Extractive Industry Transparency Initiative (MWEITI) policy and bill in order to legitimize the process.

The Chamber has been participating in national and regional meetings aiming at eradicating or controlling TB and other respiratory diseases in the Mining Sector. Recently it was included in the Task Force for the establishment of National Business and Human Rights Action Plan and principles for Malawi.

The Chamber attended MIASA annual meeting and Mining Indaba in South Africa. At the Mining Indaba the Chamber attended Mining Ministers' meeting and CEO's meeting hosted by Minerals Council of South Africa and Deloite.

6. MEMBERSHIP GROWTH

Membership subscription of the Chamber started with a membership of 15 in 2016 and has grown to 16 after dropping down to 10 between 2019 and 2020. This drop can be attributed to low business revenue arising from COVID lock down where most businesses slowed production and exploration activities.

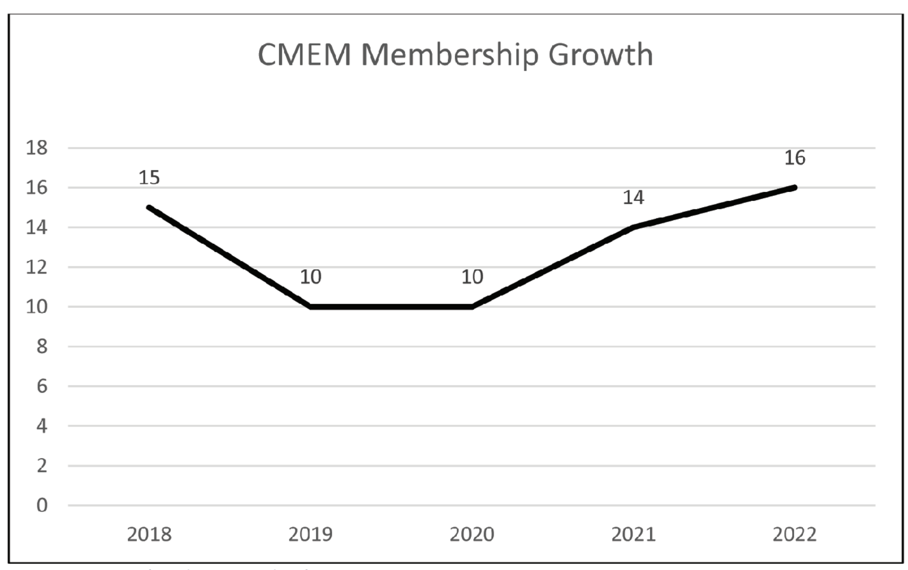

Figure 2: Membership growth Chart 2018 – 2022


CPL
CEMENT PRODUCTS LIMITED
STRENGTH TO BUILD A NATION
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POWER MAX
NJATI X-TRA 42.5N
ORDINARY PORTLAND CEMENT
CEM II 42.5 N
NET WEIGHT APPROX 50KG
MADE IN MALAWI
CEMENT PRODUCTS LIMITED
POWER PLUS
NJATI
PORTLAND CEMENT
CEM II 32·5 A-L
NET WEIGHT APPROX 50KG
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MINING & TRADE Review
Mining and Business News that Matters
ISSUE NO. 128 DECEMBER 2023

Phalombe community members call for sensitization on Songwe Hill Project

Members of the community captured at the meeting

By Bester KAYAYE

Members of the Songwe Hill community in Phalombe district, where UK Firm Mkango Resources is prospecting for rare earth elements through its locally registered subsidiary Lancaster Exploration, have appealed to the Malawi Government to sensitise them on the rare earths project.

The appeal was made when a local civil society organization Ufulu Community Based Organisation (CBO) conducted a meeting in the area with funding from the Centre for Environmental Policy and Advocacy (CEPA) under its Strengthening Transparency and Accountability in the Malawi Extractives Sector (Unika project).

Chairperson for Reflective Action Circles working with the civic society groups in the area Samson Mvava said they are concerned that the government has kept them in the dark about what is contained in the Environmental, Social, Health Impact Assessment (ESHIA) report for the project.

The Malawi Government through the Malawi Environmental Protection Authority approved the ESHIA report for the project that was submitted by Mkango Resources, which already completed its feasibility study and is expecting to sign a Mining Development Agreement (MDA) with the government to commence mining rare earth minerals.

Mvava said: "We want to know how the mining activity will help us. We are talking about issues of employment for the community, what impact the project will have on our environment and on the health aspect. We are aware that mining does have detrimental effects so we want the report to be in a language that we can understand. We need the government to come to us and explain what is going on."

"As people of Phalombe, we accept the coming of the mining project but we need to be aware what exactly to expect so we can move together. We do not want to be seen as difficult people but we only want to be fully aware considering whatever happens will have a huge impact on our lives."

Precious Thipa, a female human rights activist who is Secretary for Chilinga Activists Group, said as members of the local community, they are well aware of how women are impacted in mining districts and want to know what mitigation measures were put in place in the EISHA.

Thipa said: "We have learnt from other mining districts that men at the mines take advantage of the women and girls working by; they are used as sexual workers, and some are exploited, and harassed in exchange for money."

"Some men spread strange diseases such as sexually transmitted infections including HIV/Aids which leads to deterioration of generations to come and reduced productivity of community and the nation as a whole."

She also said they want to know how the issue of segregating women when offering jobs at the mine is addressed in the report.

"Government has to enlighten us on this issue because women and the youth are regarded as weak. Most of the well-paying jobs are given to men while women and the youths are told to draw water and do deliveries though we, just like men, are capable of doing more productive work."

Symon Thipa, Programme Manager for Ufulu CBO, said giving voice to the community is very important as it gives them an opportunity to explain their grievances and highlight what they anticipate to benefit from mining activities in their district.

"The people in this village and those surrounding say they would like to know what the risks are and how they are going to be mitigated. We understand the report is out so we expected the government to come to the community to explain what is in there. They also needed to get feedback from the communities on whether they are in agreement with the report," he said.

Thipa explained that the CSOs will, therefore, engage government to convey the people's concerns.

Henry Nandolo, spokesperson for a local Civil Society Network dubbed Phalombe Land Governance Committee said lack of coordination between various stakeholders including the government, the mining company, and the local leaders is a huge challenge.

"There is a need for engagement with local development structures because there is hope that the people will benefit if they are made well aware. With the new mining law and proper sensitization, they will be able to know the benefits. For now, the messages are only coming from the mining company. It is one-way traffic."

Sub Traditional Authority Maona said there are also outstanding issues on land as the government gave way forward to construct an access road to the site but no compensation was given to the people.

"A year has passed now since names of the claimants were recorded and everything is in the hands of the government," he said.

He called on the government to resolve the issue before giving the company a mining license but was quick to emphasize that as traditional leaders they welcome the mine as it will develop not only his area but the district and the nation as a whole.

"You know people are difficult to deal with when they are not duly informed of how beneficial the mining activities will be for them. So there is a need for the government to come to the people for Mkango Resources to be operating freely," said Maona.

In his remarks, Cliff Kawelani, an officer from the Centre for Environmental Policy and Advocacy (CEPA) responsible for Unika project lamented that the communication gap is too wide to the disadvantage of the community.

Kawelani said: "The challenge is that members of the community are concerned because they are in the dark on the EISHA report despite the government approving it. The report covers their environment, health, and social aspects so they want to know.

"On the issue of sexual exploitation, harassment, and employment, these are valid concerns by communities in mining areas. Most people flock to these places and there is chaos. Mining activities upset social and health settings.

"So since government approved the ESHIA, the company might have included provisions on the issue of gender. One of the requirements is to develop an employment plan that includes measures to ensure gender equality."

"The concerns are strong, and as CSOs it is our responsibility to ensure that the needs of the communities are met. We will continue to lobby and advocate so that their issues are heard and addressed by authorities."

UNIKA is a two year project being funded by the Southern Africa Trust. CEPA through the Publish What You Pay (PWYP) coalition and Multi-Stakeholder Group (MSG) members of the Malawi Extractive Industry Transparency Initiative (MWEITI) under the Natural Resources Justice Network (NRJN) are implementing UNIKA project as one approach to fill an existing gap in mining governance by ensuring that stakeholders and communities are knowledgeable and remain vibrant in mining processes. The goal is to strengthen the capacity of Civil Society Organizations (CSOs) across the country to participate in the mining governance oversight.