

INVESTING IN TANZANIA

SECTOR INSIGHT

Tanzania's Mining Sector: Recent
Developments and Opportunities
for Foreign Investors

ALN.AFRICA

Overview

Tanzania's mining sector has undergone transformative changes in recent years, making it an increasingly attractive destination for foreign investors.

With a more pragmatic approach to regulation, a focus on critical minerals, and strategic government initiatives – particularly in relation to local value addition and beneficiation – the country is positioning itself as a leader in Africa's mining industry at a time when several other traditional mining jurisdictions are struggling to attract investment. This article provides a high-level overview of some of the most recent developments and the implications for investors.

Should you have any questions on investing in Tanzania's mining sector please do not hesitate to contact us.



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Government Commitment to Mining Investment

The Tanzanian government has, in recent years, consistently demonstrated its commitment to creating a favourable investment climate.

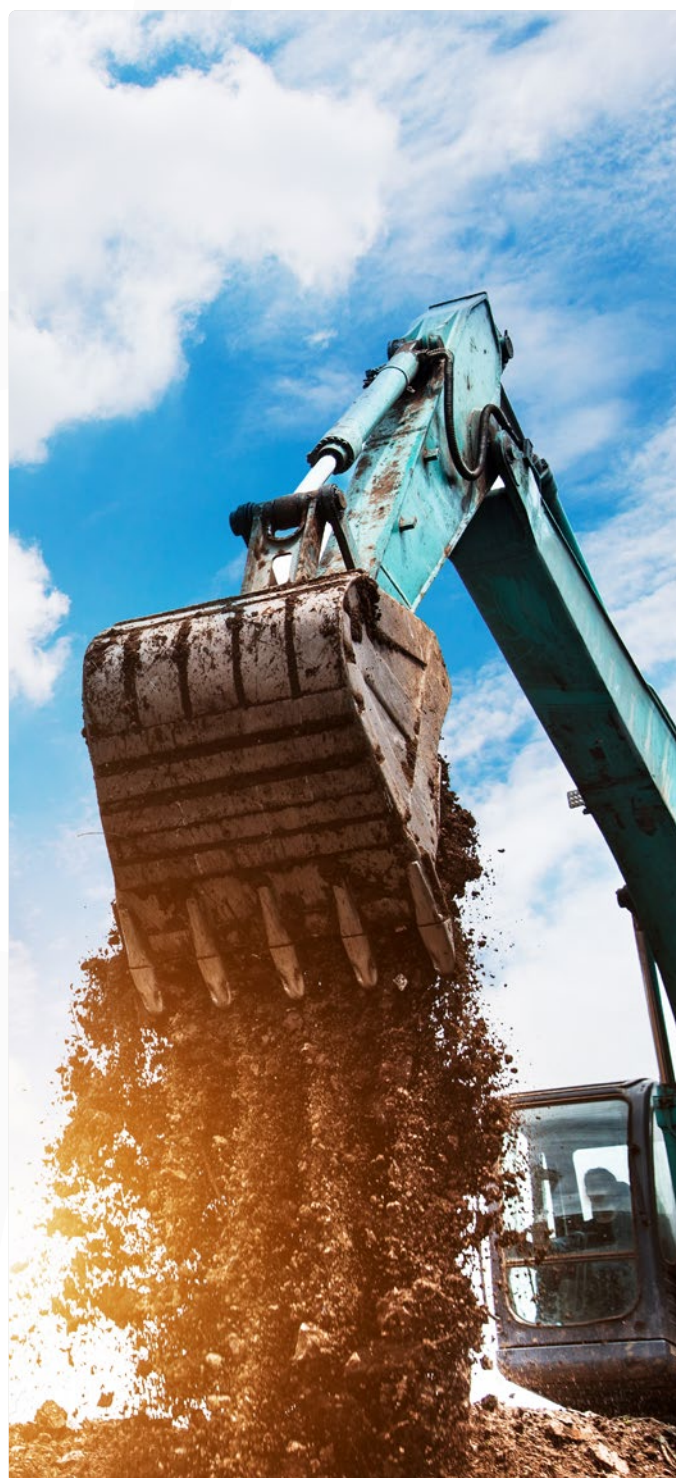
At the 2024 Invest in African Mining Indaba in South Africa, Minister of Minerals, Hon. Anthony Peter Mavunde, went to some lengths to highlight Tanzania's economic and political stability, resource potential and investor-friendly policies.

Amongst other things, he emphasised the government's focus on transparency, timely licensing processes and addressing investor concerns through public-private dialogues.

In this regard, the Ministry and the Mining Commission have taken significant steps to streamline processes for issuing mining licenses, reducing approval timelines and historical bottlenecks significantly.

In 2023, for example, the Commission approved over 200 mining licenses within a period of approximately six months, including several for critical minerals such as lithium and graphite, underscoring the country's responsiveness to global market demands.

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Enhanced Regulatory Framework

After significant regulatory change and uncertainty from 2017 to around 2021, the government has taken a more practical approach to reforming and implementing the mining regulatory regime. The Mining Act, 2010, most recently amended by the Finance Act, 2024, has introduced significant reforms to modernise the industry and ensure that Tanzania and the Tanzanian people are beneficiaries of the country's rich mineral wealth. Amongst other things:

Local Processing Mandates:

- Mining firms are now required to reserve at least 20% of their gold production for local processing, smelting, and refining. This initiative aims to strengthen Tanzania's downstream capacity while building its gold reserves through the Bank of Tanzania, which is now the statutory gold dealer.

Framework Agreements:

- The government has introduced the Mining (State Participation) Regulations, 2022, which include a template Framework Agreement (FWA) to govern the relationship between the government and a mining investor. The FWA covers various aspects, including fiscal and legal provisions, to increase contractual stability for large-scale mining projects.

Digital Licensing System:

- A new online portal launched in 2023 allows companies to track license applications, reducing bureaucracy and enhancing transparency.

These reforms reflect Tanzania's commitment to taking steps to create an improved regulatory environment that balances investor interests with national priorities.



Special Economic Zones and Incentives

The government has established Special Economic Zones (SEZs) to attract mining companies and facilitate mineral processing and export.

According to the Guideline for Development and Management of Special Economic Zones in Tanzania, 2024, over the past 16 years, the government (through the Export Processing Zone Authority) has registered 34 Special Economic Zones (a combination of government and privately owned sites). This initiative has gained significant momentum in recent years.

Government has licensed the Kahama District Council to operate the Buzwagi SEZ and (as has been widely reported) has achieved a significant milestone with three Tanzanian companies commencing construction of local facilities within that zone to produce essential mining equipment:

- Max Steel Limited is nearing completion of its factory where it will produce wire mesh and rock bolts for use in preventing underground rock falls;
- Rock Solutions Limited is building a facility to manufacture core trays vital for mineral exploration activities; and
- East African Conveyors Supplies Limited has completed construction of its factory, producing conveyor belts that are already being supplied to local mines and neighbouring countries.

The much-anticipated multi-metal refinery to be operated by Tembo Nickel Refinery Company Limited, will also be located at the Buzwagi SEZ. Some of the incentives to investors in these SEZs can include exemption from payment of VAT and customs duties for specified raw materials and equipment; exemptions from withholding tax on rent, dividends and interest for a period; exemption from payment of withholding tax on interest on foreign loans; and preferential processing of work and residence permits. These incentives, combined with proximity to key mineral deposits, make SEZs an attractive option for investors seeking to establish operations in Tanzania.

Tanzania is the third-largest producer of graphite globally. The government has prioritised graphite mining in Lindi and Mahenge, with companies such as Black Rock Mining Limited advancing production plans



Focus on Critical Minerals

Tanzania aims to significantly contribute to the global energy transition and capitalise on the resulting global demand for critical minerals, such as lithium, graphite and rare earth elements, which are essential for renewable energy and electric vehicle production. In this light, recent developments in the market include:

Government-Private Partnerships:

- In late 2023, agreements were signed with foreign investors for large-scale lithium mining projects in the Lake Eyasi and Lake Natron regions.

Graphite Development:

- Tanzania is the third-largest producer of graphite globally. The government has prioritised graphite mining in Lindi and Mahenge, with companies such as Black Rock Mining Limited advancing production plans.

Strategic Policies:

- The government has announced training programs to build a skilled workforce, ensuring local content and capacity-building initiatives align with mining sector needs.

Gold Mining and Export Policies

Gold remains a cornerstone of Tanzania's mining industry and the country's economy, accounting for ~90% of total mineral exports. The government has actively sought to facilitate and encourage further investment in this space, while also looking to ensure that gold mining activities contribute to Tanzanian national prosperity. In this respect, key policy advancements include:

Mandatory Gold Reserves:

- Mining firms must allocate 20% of their production to the Bank of Tanzania, in line with the local processing mandate mentioned above.

Expansion of Key Mines:

- Projects like Barrick Gold's North Mara and Bulyanhulu mines have seen significant investment in 2024 to expand production capacity.

These policies balance the government's revenue objectives with incentives for international gold miners.



Gold mining firms must allocate 20% of their production to the Bank of Tanzania, in line with the local processing mandate mentioned above

Local Content Regulations and Ownership Structures

Tanzania's Mining (Local Content) Regulations, 2018 seek to promote and enhance the local mining economy and facilitate greater participation of Tanzanian citizens and companies in the mining industry by ensuring that natural resources are not simply extracted by foreign-owned companies and exported in raw form for beneficiation and value addition offshore.

Key aspects of the Local Content regulations include that non-indigenous companies intending to provide goods or services to the mining sector must form joint ventures with Indigenous Tanzanian Companies, where the local partner enjoys at least 20% equity participation to receive bid preference. An "Indigenous Tanzanian Company" is a company incorporated under Tanzanian law, with at least 20% of its equity owned by Tanzanian citizens. Further, these companies must ensure that Tanzanian citizens fill at least 80% of executive and senior management positions and 100% of non-managerial positions.

Further, in terms of certain of the 2017 amendments to the Mining Act, as well as the more recent Mining State Participation Regulations, 2022 (which have provided much-needed clarity in relation to previously uncertain requirements in this respect), the government is entitled to a 16% free carried interest in mining projects in respect of which mining licenses and special mining licenses have been granted. To implement these arrangements, a FWA and a shareholders'/joint venture agreement will typically be negotiated, where all key terms will be agreed.

The free carry requirements typically do not require the government to contribute capital or bear operational expenses and provide the government with equity participation and all associated rights, such as dividends. The government reserves the right to acquire an additional interest of up to 50%, based on the total value of tax benefits, subsidies, or other incentives granted to the mining company.

A key development in this area related to the acquisition by Perseus of OreCorp's majority interest in the Nyanzaga Gold Project. As part of this transaction, the government's free-carried interest in the project was increased (through the imposition of a condition to this effect on the government's approval for the transaction) from 16% to 20%.



We anticipate that the government may seek to adopt a similar negotiating position in relation to both existing mineral rights holders and new entrants as and when it considers the circumstances warrant this.

Public-Private Partnerships and Dialogue

Tanzania has enhanced its engagement with private sector players to address challenges and improve collaboration. The 2024 Tanzania Mining and Investment Forum brought together government officials and industry leaders to discuss the future of mining in the country. Key outcomes included commitments to:

- Strengthen legal frameworks to ensure investor confidence.
- Expand dialogue platforms to address operational concerns.
- Promote value addition and local participation.

Further, in January 2025 the Ministry of Minerals held a stakeholder engagement forum focused on the draft Tanzania Critical and Strategic Minerals Strategy.

This strategy identifies several critical minerals as being of core importance to the sector's development and outlines plans to support developments in several key areas (including renewable energy).

Constructive discussions in relation to the draft strategy took place between various government stakeholders and the private sector and the government team was receptive to understanding and discussing key private sector concerns and considerations.



Conclusion

Tanzania's mining sector is rapidly evolving, with strategic reforms and government initiatives paving the way for sustainable growth.

The country's commitment to transparency, local content and critical minerals makes it an increasingly attractive destination for foreign investors.

Tanzania is poised to become a key player in the global mining industry by aligning global market demands with national priorities.

Investors looking to explore opportunities in Africa should consider Tanzania's dynamic and promising mining sector and ensure that, in so doing, they take prudent and proactive steps to understand the relevant regulatory and practical nuances.

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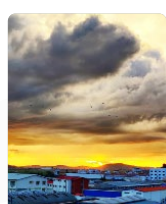
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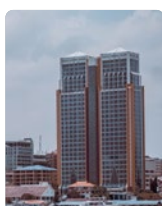
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