

TANZANIA EXTRACTIVE INDUSTRIES TRANSPARENCY INITIATIVE (TEITI)

SCOPING REPORT FOR THE PERIOD 1 JULY 2011 TO 30 JUNE 2012

June 2014



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LIST OF ABBREVIATIONS

| | |
|---------|--|
| BGM | Bulyanhulu Gold Mine |
| BL | Broker Licence |
| Bn | Billion |
| BoE | Barrel of Oil Equivalent |
| BZGM | Buzwagi Gold Mine |
| CDC | Centers for Disease Control and Prevention |
| CED | Customs & Excise Department |
| CGT | Capital Gains Tax |
| CIT | Corporate Income Tax |
| CNG | Compressed Natural Gas |
| crt | carat |
| CSO | Civil Society Organisation |
| DL | Dealer Licence |
| DRD | Domestic Revenue Department |
| EIB | European Investment Bank |
| EITI | Extractive Industries Transparency Initiative |
| EMP | Environmental Management Plan |
| ESIA | Environmental and Social Impact Assessment |
| GGM | Geita Gold Mine |
| GPM | Golden Pride Mine |
| IFAC | International Federation of Accountants |
| ISA | International Standard on Auditing |
| kg | Kilogram |
| lb | Pound |
| LNG | Liquefied Natural Gas |
| LTD | Large Taxpayers Department |
| MDA | Mining Development Agreement |
| MEM | Ministry of Energy and Minerals |
| ML | Mining Licence |
| MoF | Ministry of Finance |
| MSG | Multi-Stakeholder Group |
| NLGM | New Luika Gold Mine |
| NMGM | North Mara Gold Mine |
| NSSF | National Social Security Fund |
| PAYE | Pay-As-You-Earn |
| PL | Prospecting Licence |
| PML | Primary Mining Licence |
| PPF | Parastatal Pension Fund |
| PSA | Production Sharing Agreement |
| RL | Retention Licence |
| SDL | Skills and Development Levy |
| SML | Special Mining Licence |
| TANESCO | Tanzania Electric Supply Company Ltd |
| TCF | Trillion Cubic Feet |
| TDFL | Tanzania Development Finance Co Ltd |
| TEITI | Tanzania Extractive Industries Transparency Initiative |

LIST OF ABBREVIATIONS

| | |
|------|--|
| TGM | Tulawaka Gold Mine |
| TMAA | Tanzania Minerals Audit Agency |
| toz | Troy Ounces |
| TPDC | Tanzania Petroleum Development Corporation |
| TRA | Tanzania Revenue Authority |
| TTM | TanzaniteOne Tanzanite Mine |
| TzS | Tanzanian shilling |
| US\$ | United States Dollar |
| VAT | Value Added Tax |
| WDM | Williamson Diamond Mine |

1. EXECUTIVE SUMMARY

1.1. Overall objective

The overall objective of this scoping study is to provide a professional opinion on the reconciliation scope which should be covered in the Fourth Tanzania EITI Report (year ended 30 June 2012). The TEITI MSG is tasked with approving the materiality threshold, the reconciliation scope and the reporting template format in accordance with EITI Rules (November 2011).

1.2. Scope of work

We have carried out a scoping study in accordance with our Terms of Reference for the purpose of determining the scope of the reconciliation exercise. This scoping study covers the extractive industry in Tanzania and its related entities (Government Entities and extractive companies).

Our findings and proposed scope for the reconciliation exercise are set out in the relevant sections of our report, which is made solely to the Tanzania Extractive Industries Transparency Initiative Secretariat in order to assist the TEITI MSG in the definition of the perimeter of the reconciliation exercise including:

- the materiality threshold for the revenue streams;
- the extractive companies that will report;
- the revenue streams to be reconciled;
- the Government Entities to be involved in the process;
- the reliability of data provided by the reporting entities; and
- the degree of disaggregation of data in the EITI report.

Our work included a general understanding of the extractive sector in Tanzania. We have also carried out interviews with several entities involved in the EITI process in order to collect relevant information and documentation necessary to the achievement of the objectives of our study.

1.3. Limitations to the scope of our study

- i. According to the information made available by the Ministry of Energy and Minerals (MEM), there were 2,626 valid Prospecting Licences (PL) during 2011-2012. However, we were not provided with any details on the licence holders (individuals and companies) in order to gather financial data on payments made to the government. As a result, these payments were not analysed in our report.
- ii. Tanzania Revenue Authority's (TRA) Domestic Revenue Department (DRD) did not provide us with a complete list of small scale operators in the extractive sector. As a result, we were not able to reconcile the list of permits for exploitation and exploration provided by MEM with the list of companies registered at DRD.

We considered all information provided by relevant stakeholders in the context of our present study as well as the limitations mentioned above. We believe that the information collected is sufficient and appropriate to provide a scoping report.

1.4. Key conclusions

This summary sets out the main conclusions of our scoping work.

- i. The proposed materiality threshold for the reconciliation scope based on Government Entities revenues, is set at TzS 1.4 billion (approx. USD 0.89 million) which is equivalent to 0.21 % of the total income from the extractive sector declared by the government.

The materiality threshold proposed above means that extractive companies contributing 99.79% of total reported payments will be included in the reconciliation exercise. This was achieved by including all companies which have made payments in excess of TzS 150 million (approx. USD 94,000). According to this threshold 43 extractive companies (23 mining companies and 20 oil & gas companies) should be selected for the reconciliation work ended 30 June 2012. These companies are listed below:

| Mining companies | | Oil and Gas companies | |
|------------------|------------------------------------|-----------------------|-------------------------------------|
| 1 | Geita Gold Mining Ltd | 24 | Pan African Energy Tanzania Ltd |
| 2 | Bulyanhulu Gold Mine Ltd | 25 | Songas Ltd |
| 3 | Resolute (Tanzania) Ltd | 26 | Petrobras Tanzania Ltd |
| 4 | Tanzania Portland Cement Co Ltd | 27 | Statoil Tanzania AS |
| 5 | Pangea Minerals Ltd | 28 | Dominion TZ (*) |
| 6 | Tanga Cement Company Ltd | 29 | BG Tanzania Ltd (*) |
| 7 | North Mara Gold Mine Ltd | 30 | Ophir Tanzania (Block 1) Ltd |
| 8 | Mbeya Cement Company Ltd | 31 | Ndovu Resources Ltd (*) |
| 9 | Williamson Diamonds Ltd | 32 | TPDC |
| 10 | Shanta Mining Company Ltd | 33 | National Oil (Tanzania) Ltd (*) |
| 11 | Mantra Tanzania Ltd | 34 | Ras Al Khaimah Gas Tanzania Ltd (*) |
| 12 | Tanzanite One Mining Ltd | 35 | BG International Ltd |
| 13 | ABG Exploration Ltd | 36 | Wentworth Gas Ltd |
| 14 | Tancan Mining Company Ltd | 37 | Etablissements Maurel & Prom |
| 15 | Tanzanite One Trading Ltd | 38 | Heritage Rukwa (*) |
| 16 | Bafex Tanzania Ltd | 39 | Afren Gabon Ltd (*) |
| 17 | Tadc 2000 (Tanzam 2000) | 40 | Dominion Oil & Gas Ltd |
| 18 | Willy Enterprises (*) | 41 | Heritage Oil (*) |
| 19 | Mdn Tanzania Ltd (*) | 42 | Tullow Tanzania B.V |
| 20 | Geo Can Resources Co Ltd (*) | 43 | Swala Energy (*) |
| 21 | State Mining Corporation (*) | | |
| 22 | TOL Gases Ltd (*) | | |
| 23 | Dhahabu Resources Tanzania Ltd (*) | | |

(*) New companies included in the 2012 reconciliation exercise comparing to previous year's report.

- ii. For extractive companies which have made payments of less than TzS 150 million, we recommend unilateral disclosure of Government Entity receipts from these companies in accordance with point (b) of EITI Requirement 11.

- iii. 30 payment streams were identified and proposed for the reconciliation exercise ended 30 June 2012. These revenue streams are presented and defined in Section 4.2.4 of this report. The table below shows the different categories of the selected payment streams and the reporting entities concerned by the reporting:

| Type | Reporting entities |
|--|--|
| Cash payments | Extractive companies and Government Entities |
| Corporate Social Responsibility payments | Extractive companies |

- iv. Based on the proposed list of extractive companies and payment streams, the Government Entities which will be involved in the reconciliation exercise ended 30 June 2012 are detailed as follows:

| Central Entities | | | |
|----------------------|---|----|-----------|
| 1 | Ministry of Energy and Minerals (MEM) | | |
| 2 | Ministry of Finance (MoF) | | |
| 3 | Tanzania Revenue Authority (LTD/DRD/CED) | | |
| 4 | National Social Security Fund (NSSF) | | |
| 5 | Parastatal Pension Fund (PPF) | | |
| Stated owned company | | | |
| 6 | Tanzania Petroleum Development Corporation (TPDC) | | |
| Local Authorities | | | |
| 7 | Biharamulo | 14 | Mbeya |
| 8 | Geita | 15 | Mtwara |
| 9 | Ilala | 16 | Nzega |
| 10 | Kahama | 17 | Simanjiro |
| 11 | Kilwa | 18 | Tanga |
| 12 | Kinondoni | 19 | Tarime |
| 13 | Kishapu | | |

- v. In accordance with Recommendation 19 of the EITI source book, we recommend applying a margin of error for the resulting discrepancies, after adjustment, between the payments made by the extractive companies and revenues reported by Government Entities, equal to **1%** of total declared revenues. The margin of error proposed above means that the reconciliation work will be completed if the final net difference between companies' payments and government receipts is equal or less than 1%.
- vi. For the purpose of the reconciliation work, we recommend retaining the threshold of **TzS 1 million** to define a material deviation of an individual financial flow. All discrepancies exceeding this amount will be investigated and will ultimately require the submission of justification from reporting entities in order to proceed with its analysis and adjustment.
- vii. Based on our scoping study and in order to ensure credibility of the figures reported by extractive companies and Government Entities, we recommend that:
- all reporting templates submitted by extractive companies or Government Entities should be signed off by an authorised officer;
 - all reporting templates submitted by extractive companies should be certified by their statutory auditors or by an external auditor;
 - all reporting templates submitted by Government Entities should be certified by the Auditor General; and
 - a letter is issued by the Auditor General to confirm that the Government Entities reporting were audited under International Standards.

- viii. We recommend that the EITI report will present the reconciliation results on a disaggregated basis. The report should present figures by company and by type of payment.
- ix. In order to prepare for the implementation of the new EITI Rules (May 2013), we recommend that the volume and value of exports are disclosed unilaterally by the extractive companies for the current reconciliation exercise. Disclosure of this information (including comparatives for earlier years) will be required under the new EITI Rules. As a result we have proposed in the reporting template a separate section for that purpose to be filled in by the extractive companies.

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[Date]

2. OBJECTIVES, APPROACH AND METHODOLOGY

2.1. Objective of the report

The objective of this report is to define the reconciliation scope which will be submitted to the TEITI MSG for approval. Our reconciliation of cash flows for the year ended 30 June 2012 will be based on the reconciliation scope approved by the TEITI MSG.

The scope of EITI reporting is one of the key issues that the MSG needs to consider before preparing an EITI Report.

In order to be effective and compliant, EITI Reports must be timely, reliable, comprehensive and comprehensible. Scoping decisions are critical in ensuring that EITI Reports meet these requirements. The Scoping study involves:

- defining the tax reporting period;
- determining material revenue streams from each extractive sector (oil, gas and mining);
- deciding which extractive companies and Government Entities would be included in the process;
- preparing the reporting template to be used by reporting entities; and
- proposing procedures to ensure credibility of the data submitted by reporting entities.

In order to conduct this study, we proceeded by:

- acquiring a good understanding of the extractive resources and industries of the country;
- reviewing the fiscal regime and other relevant revenue streams applicable to the extractive sector including in-kind payments, social payments, infrastructure provisions and other bartering agreements;
- considering the current auditing practices for companies and Government Entities;
- reviewing existing data from the relevant period to determine significant revenue streams;
- defining a materiality threshold for revenue streams to be covered in the EITI Report;
- identifying extractive companies which make material payments within the scope of the agreed material revenue streams;
- identifying Government Entities, including those at sub-national level, which collect material revenues within the scope of the agreed material revenue streams; and
- reviewing the opportunity of extending the scope of reporting beyond the minimum requirements, including disclosure of mid-stream payments, export sales, production data, licences, contracts, revenues from other sectors and other relevant information.

2.2. Approach

2.2.1. Opening meeting

Our scoping study started on 7 October 2013 with an opening meeting with the TEITI Secretariat team during which we were able to:

- discuss the objectives of the study;
- communicate all documents and information required for the scoping work; and
- schedule all interviews to be conducted with key people of Government Entities and extractive companies.

2.2.2. Meetings with Authorities and Companies

We conducted interviews with key officials of Government Entities and companies. During these meetings, we explained that this phase would involve understanding and documenting the size of the Tanzania Extractive industries, the legal environment and the tax payment system.

During these meetings we tried also to identify all companies and Government Entities involved in the extractive sector including companies that trade and export minerals extracted by artisanal and small scale mining operations.

We also explained that this information would be gathered and assimilated through a review of official documents which were already requested by a formal letter.

Administrations and public entities contacted in this regard are as follows:

| Administration |
|---|
| Tanzania Petroleum Development Corporation - TPDC |
| Tanzania Minerals Audit Agency - TMAA |
| Ministry of Energy and Minerals - MEM |
| Tanzania Revenue Authority, Domestic Revenue Department - TRA/DRD |
| Tanzania Revenue Authority, Large Taxpayers Department - TRA/LTD |
| Tanzania Revenue Authority, Customs & Excise Department - TRA/CED |
| Parastatal Pension Fund - PPF |

We held discussions with the Chief Financial Officer of ABG Group (which includes four mining companies) on the type of payments the ABG Group made to the Government and the procedures implemented for preparation of tax declarations and collecting tax receipts.

We also discussed problems encountered during the reconciliation work for the previous years with the different entities we met in order to ensure that adequate measures will be taken to avoid these problems in the current exercise.

2.2.3. Data collection

In order to understand and document the size of the Tanzanian extractive sector, the tax systems and the payment flows, we collected and examined the followings:

- legislation applying to the extractive sector;
- structure of the extractive sector in Tanzania and seek to establish its size and its main stakeholders;
- statistics and financial indicators of the extractive sector in terms of production and contribution in the Tanzania revenue performance;
- all changes which occurred during the reconciliation period with regards to legislation, new contracts or agreements that might impact the extractive sector; and
- the main conclusions and issues raised in the previous TEITI reconciliation reports.

2.3. Methodology

2.3.1. Review of the legal and tax document

We examined all relevant legal texts applicable to the extractive industry in order to identify:

- all taxes paid by mining, oil and gas companies;
- the calculation basis of these taxes in the extractive sector;
- the entities which collect the taxes paid by extractive companies;
- audit regulations of extractive companies and Government Entities, and
- the framework for the implementation of EITI in Tanzania.

2.3.2. Compilation of statistical data on the extractive sector

In order to identify all payment flows as well as relevant entities in the extractive sector, we conducted the following controls and calculations:

- Collection of the list of all active licences during the reconciliation period;
- Collection of all receipts made by the state from companies operating in the extractive sector;
- reconciliation of the list of licences for exploitation and exploration with the list of companies registered at TRA (where possible);
- reconciliation of data collected from a sample of extractive companies with those provided by the Government Entities;
- checking the list of companies included in the reconciliation scope of previous years to ensure comparability between all fiscal years;
- consolidation of revenues collected by Government Entities by type of flow and by company; and
- calculation of the impact of the consolidation results on the materiality analysis.

3. OVERVIEW OF THE EXTRACTIVE SECTOR IN TANZANIA

3.1. Oil and Gas sector

3.1.1. Background and profile of the oil and gas sector in Tanzania

For the past 60 years Tanzania has been exploring for oil and gas. To date no oil has been discovered, although natural gas discovery was made for the first time in 1974 at Songo Songo Island (Lindi Region). The second discovery was made at Mnazi Bay (Mtwara Region) in 1982.

The first National Energy Policy of Tanzania was formulated in April 1992, following structural changes where the role of the Government changed. These changes were driven by markets becoming more liberal and the Government therefore needed to assume a role of promoting the growth of a private sector led economy and to contribute to social economic development, and, in the long-term perspective, to eradicate poverty.

The policy was revised again in 2003 to create a conducive environment for energy development in the country. The Policy envisioned the energy sector to effectively contribute to the growth of the national economy and thereby improve the standard of living for the entire nation in a sustainable and environmentally sound manner¹.

This new policy accelerated the energy sector growth including oil and gas exploration that led to increased discovery of natural gas in the country. Today over 45 billion cubic meters of natural gas has been discovered from both onshore and offshore basins and more gas discoveries are anticipated².

In 2000, in partnership with private companies³, the Government of Tanzania (through Tanzania Electric Supply Company Ltd (TANESCO) and Tanzania Petroleum Development Corporation (TPDC)), implemented the Songo Songo Gas to Electricity Project. In this project PanAfrican Energy Tanzania (PAT) has developed the Songo Songo gas field to produce natural gas. Songas Company then constructed and operated natural gas pipelines from Songo Songo Island to Dar es Salaam (232 km) to transport natural gas to be used as the principal fuel supply for five gas turbines for generation of electricity and industrial use in cement and other factories as a source of energy.

Today gas is used to generate electricity to feed to the national grid and further expansions are underway where a 532 km and 36 inch pipeline is being constructed to transport natural gas from Mtwara and Lindi to Dar Es Salaam with a 25km and 24 inch subsea spur line from Songo Songo Island to tie in at Somanga Fungi, Lindi Region. The government in collaboration with stakeholders is developing various utilisation options such as domestic (households and car fuel); and power generation. Investment in LNG and CNG processing plants is also sought.

3.1.2. Legal context

The key legislation regulating the Tanzanian upstream oil and gas sector is the Petroleum (Exploration and Production) Act 1980 (the Petroleum Act 1980), which vests title to all petroleum within Tanzania and the territorial waters of the United Republic of Tanzania.

¹ Source: The Petroleum (Exploration and Production) Act, 1980.

² Source: <http://www.mem.go.tz/aboutus/MEMOOverview/TheEnergySector/tabid/121/language/en-US/Default.aspx>.

³ The main project sponsor was AES Sirocco (USA), a large electricity company operating worldwide. The other sponsor is Pan African Energy, formerly Ocelot International, a gas development company, with operations in several African countries. Project investors are AES, Pan African Energy, TANESCO, TPDC, CDC, TDFL, EIB and World Bank, the later two through the Government of Tanzania. Source: http://www.tpdz-tz.com/songo_songo.htm.

The large discoveries of natural gas have prompted the Tanzanian Government to develop a Natural Gas Policy. The policy was completed on 10th October 2013 and will supplement Tanzania's existing 2003 National Energy Policy.

Under the Petroleum Act 1980, the oil and gas industry in Tanzania is regulated by the Ministry for Energy and Minerals (MEM), which sets industry-specific policies, strategies and laws. The MEM co-ordinates the TPDC, which regulates upstream activities and the Energy and Water Utilities Regulatory Authority (EWURA), which regulates downstream activities.

The TPDC was established in 1969 by the Tanzanian Government under the Tanzania Petroleum Corporation (Establishment) Order (GN No. 140 of 1969). It is the TPDC through which the MEM implements its petroleum exploration and development policies.

The role of TPDC is set out in the Tanzania Petroleum Corporation (Establishment) Order as being:

- to promote and monitor exploration for oil and gas;
- to develop and produce oil and gas;
- to conduct research relating to development of the oil and gas industry in Tanzania;
- to manage the exploration for oil and gas;
- to advise the Government on petroleum production data;
- to undertake the management of strategic fuel reserves; and
- to undertake trading in petroleum products.

The TPDC is also a signatory to all production sharing agreements (PSAs) entered into in Tanzania. The TPDC monitors the implementation of PSAs and advises the Tanzanian Government on various compliance issues.

3.1.3. Licencing¹

The terms of the PSA's are negotiable and form the basis of the licences. The legislative framework offers considerable flexibility to the Government in negotiating acceptable proceeds sharing terms with oil companies. An exploration licence normally consists of 60 blocks (each block being a 5 minute x 5 minute geographical unit) but the Petroleum (Exploration and Production) Act, 1980 does provide flexibility for more than one licence to be granted and, in certain cases, for a licence to comprise more or less than 60 blocks. The Act also provides provisions for exploration, appraisal, development and production periods.

Exploration is permitted up to 11 years; divided into one initial and two renewable periods of 4, 4 and 3 years respectively. Appraisal normally takes 2 years but can take more if necessary. Development and Production is awarded for 25 years with the possibility of an extension for a further 20 years. According to the Model Producing Sharing Agreement 2008, the annual licence charges include a 4 US\$/km² fee in the first 2 years of exploration; a 8 US\$/km² fee in the first 4 year extension period and a 16 US\$/km² fee in the second 4 and 3 years extension periods.

In the event of a commercial discovery, the holder of an exploration licence has the right to a development licence, subject to the development plan ensuring the most efficient and beneficial use of the resources discovered.

3.1.4. Taxation

The fiscal terms applicable to upstream petroleum activities in Tanzania are governed primarily by terms of the Petroleum Act 1980, the Income Tax Act, No. 11 of 2004 (the Income Tax Act) and any PSA entered into as set out below:

- Royalty: under Section 81 of the Petroleum Act, a registered holder of a development licence must pay a royalty to the government;
- Cost recovery;

¹ Source: http://www.tpdz-tz.com/tpdc/legal_fiscal.php.

- Profit oil: the remainder of the crude oil and natural gas produced is shared between the contractor and the TPDC;
- Taxation: the contractor is subject to income tax under the Income Tax Act at the standard corporate income tax rate of 30 per cent;
- Customs duties: under the MPSA, all machinery, equipment, vehicles, materials, supplies, consumable items and moveable property imported for use in petroleum activities can be imported and exported free of all duties and taxes;
- Other: the contractor must pay the TPDC an annual charge in respect of any exploration licence ranging from \$4–16/sq km (indexed to dollar inflation rates) depending on the period of exploration; and
- Repatriation of profits – the payment of dividends is subject to a withholding tax of 10 per cent.

The 2013 PSA includes a signature bonus of \$2.5 million and a production bonus of at least \$5 million. Royalty rates have been increased to 12.5 per cent of total oil and gas production for onshore or shallow operations and 7.5 per cent of total deep offshore production.

The 2013 model PSA also notes specifically that any assignment or transfer under the PSA shall be subject to the relevant taxation law.

3.2. Mining Sector

3.2.1. Background and profile of the mining sector in Tanzania¹

Tanzania has over 800,000 Km² of varied geological terrains with potential mineral resources such as gold in Archaean greenstone belts – south and east of Lake Victoria as well as in Proterozoic terrains in Mbeya, Sumbawanga, Tanga and Morogoro regions. Also gold, base metals (Ni, Co, Pb, PGM, etc.), and Iron ore are found in Proterozoic rocks in the south-western, southern and eastern parts of the country. Diamond resources have been found and are sometimes mined in Kimberlite pipes in the central and southern portion of the Archaean craton (the Dodoman Craton) in the Shinyanga, Tabora and Singida regions.

There are also gemstones such as tanzanite, ruby, sapphire, spinel, tourmaline topaz, scapolite, aquamarine, emeralds, amethyst, garnets (tsavorite, rhodolite, hessonite, almandite, pyrope, etc.) in Proterozoic rocks east, west and south of the Archaean Craton, along the Mozambican mobile Belt in Arusha, Tanga, Morogoro, Mtwara, Lindi, and Songea Regions. Industrial resources are available in various geological environments across the country (Karoo to Quaternary) like uranium, limestone, phosphates, coal, trona (soda ash), salt brines, and building materials.

In the 1980's Tanzania had to undertake structural economic reforms aimed at promoting socio-economic development. Consistent with these reforms, the role of the Government has shifted from being the sole owner and operator of mines to merely being the regulator, the formulator of policy, guidelines and regulations, and the promoter and facilitator of private investments in the mineral sector.

These reforms brought about changes in the mineral sector, which included formulation of the Mineral Policy of 1997, enactment of the Mining Act of 1998 and amendment of financial laws which created a conducive environment for private investment². The Mining Act of 1998 guaranteed investors' security of tenure, repatriation of capital and profits, and transparency in the issuance and administration of mineral rights on a 'first-come-first-served' basis.

Despite the progress made following the Mineral Policy of 1997, the mineral sector continued to face some challenges. In particular, the sector has experienced low integration with other sectors of the economy; its contribution to GDP has been low relatively to the growth in the sector; minimal inputs from the government to administer the sector (due to capacity constraints); low capacity of the Government to administer the sector; low levels of value addition of minerals; and environmental degradation.

The Mineral Policy of 2009 was then formulated with the aims of strengthening integration of the mineral sector with other sectors of the economy; improving economic environment for investment; maximising benefits from mining; improving the legal environment; strengthening capacity for administration of the mineral sector; developing small scale miners; promoting and facilitating value addition to minerals; and strengthening environmental management¹. To implement the Mineral Policy of 2009, the Mining Act of 2010 was enacted, repealing the Mining Act of 1998.

3.2.2. Legal context

The Mining Act of 2010 sets out the legal framework governing mineral exploration, exploitation and trading. Various mining regulations have been established under the Mining Act 2010 to regulate mining activities. These Mining Regulations and Rules are: the Mining (Mineral Rights) Regulations, 2010; the Mining (Mineral Trading) Regulations, 2010; the Mining (Mineral Beneficiation) Regulations, 2010; the Mining (Safety, Occupational Health and Environmental Protection) Regulations, 2010; the Mining (Environmental Protection for Small Scale Mining) Regulations, 2010; The Mining Development Agreement Model 2010; and the Mining (Radioactive Minerals) Regulations, 2010.

¹ The Mineral Policy of Tanzania – September 2009.

² The Mineral Policy of Tanzania, 1997.

Other regulations that were grandfathered from the Mining Act of 1998 and have been adopted by the Mining Act 2010 include: The Mining (Salt and Iodation) Regulations, 1999; the Mining (Dispute Settlement Resolution) Rules, 1999; the Mining (Mineral Controlled Area) Regulations, 2001; and the Mining (Diamond Trading) Regulations, 2003.

The Mining Act of 2010 and its Regulations are therefore the legal instrument to regulate exploration, mining, beneficiation, and mineral trading. The Act promotes and regulates local and foreign participation in investment as follows:

- large and medium scale exploration and mining is open to 100% local, 100% foreign or joint venture local/foreign companies;
- small scale exploration and mining is set for only Tanzanian companies and individuals;
- gemstone exploration and mining is set for joint venture of 50% local and 50% foreign or 100% local;
- mineral trading is set for either 100% local or not less than 25% local and not more than 75% foreign; and
- mineral beneficiation activities also allowed for both local and foreign sole or through joint venture projects.

Under the Mining Act 2010 a Tax Stability guarantee is offered within a Mining Development Agreement (MDA). Under the MDA mining ventures with Special Mining Licences may enter into an MDA with the Government to provide a tax stabilisation assurance for a large project of over US\$100 million investment for the full life of the project with review milestones every 10 years.

One of the main focuses of the new rules fell on the issue of the government's participation in mining projects, as a means to extract economic benefit and provide a measure of control and knowledge transfer. Under the 2010 act, the government may now negotiate with any mineral right to acquire free-carried interest and state participation in any mining operations (with no obligation to contribute to development or operating expenses) under a special mining license.

The level of government's free-carried interest is not set by the 2010 act; the ownership in future mining projects will therefore be based on the level of investment in each individual joint venture. The mining Act 2010 also directs mining projects to provide compensation, relocation and resettlement plans. The plans must be implemented before commencement of the project under the Land Act.

3.2.3. Licencing

The Mining Act (2010) establishes state ownership of minerals and provides rights and conditions to explore, develop and produce such minerals. The Act groups minerals into categories for the purpose of defining incentives, penalties, specialized skills development and mineral administration. The categories of minerals are as follows: gemstones; diamonds; building materials; industrial minerals; metallic minerals and energy minerals.

Licencing procedures for exploration and mining for the aforementioned group of minerals are streamlined to ensure transparency and fairness by conferring ownership of mineral rights based on the "first-come-first-served" principle. According to Regulation 5 of the Mining (Mineral Rights) Regulations 2010, there are four types of licences grouped into two categories that include prospecting licences issued to undertake exploration and mining licences that are issued to undertake mining operations under the Mining Act of 2010.

- i. A Prospecting Licence (PL) may last 9 years and is issued for an initial period of 4 years renewable for a 3 year period followed by a final 2 year renewal. 50% of the licence area must be relinquished following each renewal. In the case of an application for a Prospecting Licence for gemstones, the period may not exceed two years and is not subject to renewal. The area of each Prospecting Licence is set at a maximum of 300 km². For a Prospecting Licence for gemstones or building materials the maximum area shall be 10 km².

- ii. A Retention Licence (RL) may be granted to a holder of a Prospecting Licence, other than a Prospecting Licence for building materials or gemstones, for a period not exceeding 5 years when an exploration programme and feasibility studies have identified the existence of a significant ore body, which cannot be immediately developed as a mine due to adverse market conditions. The licence may be renewed for a single period of 5 years.
- iii. A Special Mining Licence (SML) is granted in respect of the development and production stages of a large mining operation of over US\$100 million investments. The licence may be granted for a period covering the life of the mine or a period not exceeding 25 years if the exploitation of the deposit (according to feasibility study) exceeds 25 years of the proposed mine. An SML may be renewed for a period not exceeding twenty-five years. The minimum size of an SML is 35 km² other than superficial and 70 km² superficial.
- iv. A Mining Licence (ML) may be granted for a period not exceeding 10 years. It may be renewed for a period not exceeding 10 years. The size of each ML shall be as follows: for a Mining Licence for all minerals other than building materials or gemstones the maximum area shall be 10 km²; and for an ML for building materials the maximum area is 1 km².
- v. A Primary Mining Licence (PML), which is only granted to citizens of Tanzania, confers on the holder the exclusive right to carry out mining operations. The licence is granted for a period of 5 years and may be renewed for the same period. The holder of one or several PMLs may apply to convert the licence or licences to a Mining Licence. For PMLs for all minerals other than building materials the maximum size shall be 10 hectares. For PMLs for building materials the maximum size shall be 5 hectares.

Trading licences are also issued under the Mining Act of 2010 to permit individuals and companies to conduct trading activities in the country and abroad. Trading activities are therefore permitted through the following licences:

- Broker Licence (BL) which is only issued to citizens of Tanzania, allowing them to buy minerals from mine sites and to sell to dealers within the country;
- Dealer Licence (DL) granted to citizens of Tanzania or to joint ventures of not less than a 25% local shareholding, allowing them to buy minerals from brokers and to export to any destination after obtaining mineral export permits including a Kimberley Certificate in the case of diamonds.

Mineral beneficiation licences include: Processing Licences that allow individuals and companies to process mineral ores; Smelting Licences that enable companies and individuals to establish smelter plants for metal smelting; and Refining Licences to allow refinery activities to be undertaken.

3.2.4. Taxation

Royalties on minerals are regulated by the Mining Act, 2010 and are charged on gross value for diamonds, gemstone and uranium at 5%; precious metals (gold, silver, copper, platinum, etc.) at 4%, polished and cut gemstones at 1% and others (building materials, salt, industrial minerals) at 3%.

Applicable legislations under the fiscal regime are the Income Tax Act 2008 (revised edition of the Income Tax Act 2003), Financial Laws (Miscellaneous Amendments) Act 1997, the Value Added Act 1997, the Road and Fuel Toll 1985 and the Finance Act 2013.

In Tanzania mining companies are required to pay an income tax (corporate tax) of 30% on income derived from mining operations. Import duty for mining equipment and supplies directly related to mining operations are exempted up to one year after the start of the mine; thereafter a cap limit of 5% applies. Import duty is exempted on exploration equipment.

Usually Value Added Tax (VAT) on domestic sales is 18% whilst exports are Zero rated for VAT purposes. There is a VAT special relief. Normally goods and services purchased or imported are subject to VAT, however, the VAT Act provides relief to mining companies on certain goods and services and VAT paid is fully refundable on these items.

There are also other tax imposed such as a 10% withholding tax on dividends; a withholding tax on technical services of 5% to residents and 15% to foreigners; fuel levy and excise duty on fuel is capped at US\$200,000 per annum; and a Local Government levy is 0.3% on yearly turnover. However, there is a system of project ring-fencing whereby each mine must be taxed separately.

3.2.5. Prospective Projects¹

Mkuju River Project: The project is owned by Mantra Tanzania Limited and operated by Uranium One Inc of Canada on behalf of JSC Atom red met zoloto (ARMZ) of Russia who are the owners of both.

Mineral resource estimate for the project, as of November 2011, specified Measured & Indicated resources of 93.3 million pounds of U₃O₈ (about 35,900 tonnes of uranium oxide), Inferred resources of 26.1 million pounds (about 10,000 tonnes of uranium oxide), and the overall mineral resource of 119.4 million pounds.

Kabanga Nickel Project: Kabanga has a total estimated Measured and Indicated Resource of 37.2 million tonnes grading 2.63% nickel and an inferred resource of 21 million tonnes grading 2.6% nickel. Contingent upon the results of the feasibility study and Government infrastructure improvement projects, it is expected that the operation may be capable of producing more than 40,000 tonnes per year of nickel-in-concentrate at full production.

Mchuchuma-Liganga Project: Mchuchuma Katewaka has a reserve of 536 million tonnes of coal with proven reserve of 159 million tonnes as per study conducted in 1997.

The Liganga project life is expected to be 70 years through which a total of 219 million tonnes of iron ore, 175,400 tonnes of titanium and 5,000 tonnes of vanadium will be mined. The Mchuchuma and Liganga projects are expected to be completed by 2017 and 2018 respectively.

Nyanzaga Gold Project: Nyanzaga Gold Project is 100% owned by ABG since May 2010. ABG has undertaken an extensive step-out and infill drilling programme at both the Tusker and Kilimani deposits with the aim of extending mineralisation on the northern, western and southern domains of the project.

An updated resource for the project is estimated at 3.75 million troy ounces of gold (Indicated, April 2012).

3.3. EITI in Tanzania

Tanzania joined the Extractive Industries Transparency Initiative on February 2009. The decision to join the initiative was as a result of recommendations of the Mineral Sector Review Study of 2007.

A Multi-Stakeholder Working Group (MSG) was established to lead the implementation of the EITI in Tanzania. The MSG is composed of representatives from each of the following three groups: civil society organizations, extractive companies, and the Government. The MSG is led by Hon. Mark Bomani (retired Judge) who serves as an independent member. The MSG is supported by a Secretariat to deal with day-to-day work.

To date, Tanzania published three (3) EITI Reports covering 3 years (one year for each report) from 1 July 2008 until 30 June 2011. Each report demonstrates that improvements have been made compared to the previous one in terms of the number of reporting companies and total revenues reported. The table below shows the progress made in each report:

| Period Covered | Publication Date | Sectors Covered | Government Revenues (US\$ millions) | Company Payments (US\$ millions) | Number of Companies Reporting |
|----------------------------|------------------|------------------|-------------------------------------|----------------------------------|-------------------------------|
| 1 July 2008 - 30 June 2009 | January 2011 | Oil, Gas, Mining | 102,110,000 | 138,760,000 | 11 |
| 1 July 2009 - 30 June 2010 | May 2012 | Oil, Gas, Mining | 309,407,926 | 305,762,430 | 23 |
| 1 July 2010 - 30 June 2011 | June 2013 | Oil, Gas, Mining | 329,804,744 | 337,100,429 | 29 |

¹ Source: TMAA Annual Report 2013.

4. RECONCILIATION SCOPE

Our work included a general understanding of the extractive sector in Tanzania. We visited Government Entities in order to collect relevant information on the size of the extractive sector in Tanzania and its contribution to government revenues.

We have taken into account all the available information presented to us during our fieldwork.

4.1. Sectors and activities

4.1.1. Oil & Gas Sector

According to the information made available by TPDC, no oil has been produced until now while significant gas discoveries were made.

Natural gas activities are currently taking place onshore and shallow waters, deep offshore and inland rift basins. Up to December 2012, there were 26 Production Sharing Agreements signed with 18 oil exploration companies. Over 110,000 km² of 2D seismic data have been acquired onshore, shelf, offshore as well as from inland rift basins. As of February, 2013 total of 21,632 km² of 3D seismic data have been acquired from the deep sea. A total of 67 wells for both exploration and development have been drilled between 1952 and 2013, of which 53 wells are in onshore basins and 14 in the offshore basins.

Natural gas discoveries totalling about 8 trillion cubic feet (TCF) have been made from the onshore gas fields at Songo Songo, Mnazi Bay, Mkuranga, Kiliwani North and Ntorya. As of June, 2013 natural gas discoveries of about 42.7 TCF (7.5 billion barrels of oil equivalent – BoE) have been made from both on- and off-shore basins. The deep sea discoveries have brought about new exploration targets for hydrocarbons in Tanzania and the whole of Western Indian Ocean Region¹.

We present in the table below major oil and gas operators in Tanzania up to 30 June 2012²:

| Operator | Area/Block | Activity |
|-----------------------------------|---|------------------------|
| 1 Pan African Energy | Songo Songo Gas Development | Production/Exploration |
| 2 Maurel & Prom | Mnazi Bay Gas Development Bigwa - Mafia Channel | Production/Exploration |
| 3 Ndovu Resources | Nyuni - East Songo Songo Ruvuma | Exploration |
| 4 Petrodel | Latham - Kimbiji | Exploration |
| 5 Afren Plc | Tanga | Exploration |
| 6 BG International | DeepSea Block - 1 DeepSea Block - 3 DeepSea Block - 4 | Exploration |
| 7 Statoil | DeepSea Block - 2 | Exploration |
| 8 Petrobras | DeepSea Block - 5 DeepSea Block - 6 DeepSea Block - 8 | Exploration |
| 9 Dominion | DeepSea Block - 7 | Exploration |
| 10 Ophir East Africa Ventures Ltd | Pande East | Exploration |
| 11 Beach Petroleum | L. Tanganyika South | Exploration |
| 12 Dodsai | Ruvu Block | Exploration |
| 13 Hydrotanz Ltd | North Mnazi Bay | Exploration |
| 14 Heritage Rukwa/Heritage Kyela | Rukwa Basin/Kyela Basin | Exploration |
| 15 Swala Energy | Kilosa-Kilombero Basin Pangani Basin | Exploration |
| 16 Motherland Homes | Malagarasi Basin | Exploration |

¹ Source: The National Natural Gas Policy of Tanzania October, 2013.

² Source: Tanzania Petroleum Development Corporation (TPDC).

| Operator | Area/Block | Activity |
|---|---|------------------------|
| 17 Tanzania Petroleum Development Corporation | Kisangire - Lukurilo Mandawa Selous West Songo Songo | Production/Exploration |

Four (4) entities are operating in the downstream segment of natural, namely Tanzania Petroleum Development Corporation (TPDC), Songas Ltd, Pan African Energy Tanzania Ltd, and Etablissement Maurel & Prom.

Songas is the owner of a processing plant and a gas pipeline infrastructure from Songo Songo to Dar es Salaam. Its main activity consists of purchasing protected gas from TPDC and generating electricity. Songas is not carrying out extractive activities.

We examined the information received from TRA and TPDC regarding the revenues from the Oil and gas sector which we summarize in the table below:

Million TZS

| Company | Sector | TRA (LTD/DRD) | TRA (CED) | TPDC | Total |
|-------------------------------------|------------------------|----------------|--------------|---------------|----------------|
| Pan African Energy Tanzania Ltd | Oil and Gas | 26,861 | 1,029 | 9,238 | 37,128 |
| Songas Ltd | Oil and Gas | 23,483 | 1,909 | 9,658 | 35,050 |
| Ocean Rig Poseidon Operations Inc | Oil & Gas services (*) | 30,664 | 2 | - | 30,666 |
| Petrobras Tanzania Ltd | Oil and Gas | 19,050 | 10 | - | 19,060 |
| Leighton Offshore PTE Ltd | Oil & Gas services (*) | 6,061 | 170 | - | 6,232 |
| Drum Cussac (Tanzania) Ltd | Oil & Gas services (*) | 5,969 | 30 | - | 5,999 |
| Statoil Tanzania AS | Oil and Gas | 5,677 | 188 | - | 5,865 |
| Odfjell Invest II Ltd | Oil & Gas services (*) | 5,821 | - | - | 5,821 |
| Dominion TZ | Oil and Gas | 5,601 | - | - | 5,601 |
| BG Tanzania Ltd | Oil and Gas | 5,455 | - | - | 5,455 |
| Ophir Tanzania (Block 1) Ltd | Oil and Gas | 4,331 | 1 | 48 | 4,380 |
| Global Fluids International (T) Ltd | Oil & Gas services (*) | 498 | 2,208 | - | 2,706 |
| Ndovu Resources Ltd. | Oil and Gas | 2,620 | 6 | 27 | 2,653 |
| TPDC | Oil and Gas | 2,424 | - | - | 2,424 |
| National Oil (Tanzania) Ltd | Oil and Gas | 1,541 | - | - | 1,541 |
| Ras Al Khaimah Gas Tanzania Ltd | Oil and Gas | 1,441 | - | - | 1,441 |
| BG International Ltd | Oil and Gas | 773 | 371 | - | 1,144 |
| Wentworth Gas Ltd | Oil and Gas | 798 | 10 | - | 808 |
| Mansoor Industries Ltd | Oil & Gas services (*) | 516 | - | - | 516 |
| Etablissements Maurel & Prom | Oil and Gas | 160 | - | 299 | 459 |
| Heritage Rukwa | Oil and Gas | 379 | - | - | 379 |
| Afren Gabon Ltd | Oil and Gas | 298 | - | - | 298 |
| Dominion Oil & Gas Ltd | Oil and Gas | 265 | - | - | 265 |
| Heritage Oil | Oil and Gas | 231 | - | - | 231 |
| Tullow Tanzania B.V | Oil and Gas | 220 | - | - | 220 |
| Swala Energy | Oil and Gas | - | - | 215 | 215 |
| Beach Petroleum | Oil and Gas | 56 | - | 49 | 105 |
| Petrodel | Oil and Gas | - | - | 54 | 54 |
| Hydrotanz Ltd | Oil and Gas | - | - | 2 | 2 |
| Total | | 151,194 | 5,934 | 19,590 | 176,718 |

(*) These companies provide services to the Oil and Gas industry are not carrying out extractive activities.

4.1.2. Mining sector

The mining sector in Tanzania includes both large-scale and small-scale operations. Large-scale activities are located in nine major mines: seven for gold, one for diamonds and one for Tanzanite. Small-scale operations are characterised by the deployment of manual and rudimentary technologies.

The table below shows major Mining Operations and Projects in Tanzania up to July 2012¹:

| Name of Mine/ Project | Owner | Location | Minerals | Reserve Quantity | Remarks |
|-----------------------------|---|-------------|-----------|--------------------------|----------------------|
| Bulyanhulu Gold Mine | African Barrick Gold (100%) | Kahama | Gold | 10.6 million troy ounces | Proven & Probable |
| Buzwagi Gold Mine | African Barrick Gold (100%) | Kahama | Gold | 2.9 million troy ounces | Proven & Probable |
| Geita Gold Mine | Ashanti Gold | Geita | Gold | 4.7 million troy ounces | Proven & Probable |
| Golden Pride Mine | Resolute Mining Ltd | Nzega | Gold | 0.2 million troy ounces | Proven & Probable |
| North Mara Gold Mine | African Barrick Gold (100%) | Tarime | Gold | 3.5 million troy ounces | Proven & Probable |
| Tulawaka Gold Mine | African Barrick Gold (70%) Northern Mining Exploration Ltd (30%) | Biharamulo | Gold | 64,000 troy ounces | Proven & Probable |
| Nyanzaga Gold Project | African Barrick Gold (100%) | Sengerema | Gold | 3.5 million troy ounces | Indicated |
| Buckreef Gold Project | Tanzania Royalty (55%) Stamiko (45%) | Mwanza | Gold | 1.3 million ounces | Measured & Indicated |
| TanzaniteOne Tanzanite Mine | Richland Resources Ltd (100%) | Simanjiro | Tanzanite | 30.6 million carats | Indicated |
| | | | Tsavorite | 1.4 million | Indicated |
| Williamson Diamond Mine | Petra Diamonds (75%) Tanzania Govt. (25%) | Kishapu | Diamonds | 4.93 million carats | Indicated |
| Kabanga Nickel Project | Barrick Gold Corp. (50%) Xstrata Plc (50%) | Ngara | Nickel | 241.2 million pounds | Indicated |
| Dutwa Nickel Project | African Eagle Resources Plc (90%) | Mwanza | Nickel | 947.24 million pounds | Indicated |
| | | | Cobalt | 30.56 million pounds | Indicated |
| Mkuju River Project | Uranium One (100%) | Namtumbo | Uranium | 93.3 million pounds | Measured & Indicated |
| Mkuju Uranium Project | Uranex (100%) | Namtumbo | Uranium | 2.52 million pounds | Indicated |
| Manyoni Uranium Project | Uranex (100%) | Manyoni | Uranium | 2.43 million pounds | Indicated |
| Kiwira Coal Mine | Tanpower Resources Ltd (70%) Tanzania Govt. (30%) | Ileje/Kyela | Coal | 35.4 million tons | Estimate |
| Mchuchuma Coal Mine | National Development Corporation | Ludewa | Coal | 480 million tons | Estimate |
| Ngaka Coal Project | Intra Energy Corporation Ltd. (70%) National Development Corporation (30%) | Ruvuma | Coal | 412 million tons | Proven |
| Liganga Iron Ore Project | National Development Corporation | Ludewa | Iron Ore | 45 million tons | Proven |

¹ Source: TMAA Annual Report 2012.

a. Active licences

According to MEM, there were 25,711 exploration and mining licences and 504 mineral trading licences which were active during the reconciliation period.

The table below summarises the types of active licences as of June 2012 as well as the number of licence holders.

| Type of licence | 30 June 2012 | |
|-------------------------------|-----------------|---------------------------|
| | Number licences | Number of licence holders |
| Primary Mining Licence (PML) | 22,742 | 7,673 |
| Prospecting Licence (PL) | 2,626 | na |
| Mining Licence (ML) | 278 | 146 |
| Gemstone Mining Licence (GML) | 52 | 24 |
| Special Mining Licence (SML) | 13 | 11 |
| Total | 25,711 | 7,854 |

(na) not available

The table below shows the detail by region of mineral dealer licences which were active during the reconciliation period:

| Zone/Region | Number of mineral trading licences as of June 2012 |
|---------------|--|
| Dar es Salaam | 283 |
| Arusha | 113 |
| Mwanza | 46 |
| Shinyanga | 28 |
| Bukoba | 13 |
| Singida | 7 |
| Morogoro | 6 |
| Mtwara | 6 |
| Mpanda | 2 |
| Total | 504 |

b. Production

According to TMAA Annual Report for 2012 gold production from the major gold mines (from gold bars and Copper Concentrate products) decreased by 3.1% from 1.29 million troy ounces in 2011 to 1.25 million troy ounces in 2012 as shown in the table below:

| Minerals Produced by Major Gold Mines | Year 2012 | Year 2011 |
|---|------------|------------|
| Number of gold bars produced | 2,099 | 2,209 |
| Weight of gold bars produced (kg) | 38,962 | 39,584 |
| Number of containers loaded with Copper Concentrate | 1,971 | 2,027 |
| Net wet weight of Copper Concentrate produced (ton) | 40,247 | 41,332 |
| Gold quantity (toz) | 1,246,821 | 1,293,058 |
| Silver quantity (toz) | 395,757 | 456,106 |
| Copper quantity (lb) | 12,865,738 | 13,794,448 |

Despite increased output to 534,000 toz at GGM, the highest amount since 2005, this decline is mainly due to lower production at BGM, BZGM, and TGM. We set out in the table below the production by mine:

| Mine | Operator | Type of Mineral | Unit | 2012 | 2011 |
|----------------------|---------------------------|-----------------|------|-----------|-----------|
| Bulyanhulu Gold Mine | Bulyanhulu Gold Mine | Gold | toz | 205,513 | 262,218 |
| Buzwagi Gold Mine | Pangea Minerals Ltd | Gold | toz | 156,011 | 172,453 |
| Geita Gold Mine | Geita Gold Mining Ltd | Gold | toz | 534,435 | 481,724 |
| Golden Pride Mine | Resolute Ltd | Gold | toz | 120,151 | 122,412 |
| New Luika Gold Mine | Shanta Mining Company Ltd | Gold | toz | 4,607 | - |
| North Mara Gold Mine | North Mara Gold Mine Ltd | Gold | toz | 182,876 | 171,093 |
| Tulawaka Gold Mine | Pangea Minerals Ltd | Gold | toz | 43,229 | 83,158 |
| TTM | Tanzanite One Mining Ltd | Tanzanite | crt | 2,465,162 | 2,379,183 |
| WDM | Williamson Diamonds Ltd | Diamond | crt | 149,003 | 19,610 |

In addition to production from the major mines, the TMAA report summarises production statistics for selected minerals produced by medium and small scale miners:

| Mineral | Unit | 2012 | 2011 |
|---------------------|-------------|-------|--------|
| Gold | kg | 367 | 892 |
| Rough Tanzanite | kg | 219 | 345 |
| Cut Tanzanite | kg | 28 | 13 |
| Diamond | crt | 9 | 9 |
| Rough Ruby | kg | 25 | 16 |
| Cut Ruby | gram | 10 | 11 |
| Rough Garnet | kg | 159 | 63 |
| Cut Garnet | kg | 1 | 1 |
| Copper Ore | ton '000 | 3 | 6 |
| Coal | ton '000 | 81 | 5 |
| Carbon Dioxide | ton '000 | 3,507 | 3,379 |
| Galena | ton | 762 | 60 |
| Iron Ore | ton | - | - |
| Tin | ton | 20 | 22,046 |
| Bauxite | ton '000 | 59 | 38 |
| Industrial Minerals | ton Million | 1 | 15 |
| Building Materials | ton '000 | 2,434 | 1,434 |

c. Contribution of the mining sector

According to MEM's Budget Speech (June 2013), Mineral sector growth in 2012 was 7.8% compared to growth rate of 2.8% in 2011. Its contribution to the national economy was 3.5% in 2012 compared to 3.3% in 2011, using 2012 prices. The value of mineral export sales increased from USD 1.98 billion (equivalent to TzS 3.2 trillion) in 2011 to USD 2.3 billion (equivalent to TzS 3.7 trillion) in 2012. This is equal to an increase of export revenue of 16.3% between 2011 and 2012. The high revenue growth is attributed to the increase of gold prices in world markets from the average price of USD 1,571.28 per ounce in 2011 to USD 1,668.63 per ounce in 2012. Gold is the largest mineral commodity that contributes to sales exports. The value of gold exports as a percentage of total mineral exports in 2012 reached 94%.

4.2. Payment flows

For the determination of significant payment streams, we consulted Government Entities which received flows from the extractive sector. We present below the detail of these flows based on disclosures made by Government Entities.

4.2.1. Specific payments related to the extractive sector

All specific payments related to the extractive industries identified have been included in the scope of reconciliation irrespective of the materiality threshold. The payment flows retained include, in addition to payments made directly to the government, payments made to TPDC (State owned company) and payments made by TPDC to MEM.

Ministry of Energy and Minerals (MEM)

According to the information received from MEM, there are 6 categories of fees and charges payable by mining companies. These fees and charges paid during the reconciliation period are set out in the table below:

| Fees/Charges | Amount (Million TzS) |
|------------------|-------------------------|
| Royalties | 107,928 |
| Annual Rent | 153 |
| Licence Fees | 3 |
| Application Fees | 8 |
| Export Permit | 6 |
| Others | 6 |
| Total | 108,104 |

Tanzania Petroleum Development Corporation (TPDC)

According to the information received from TPDC, there are 4 categories of fees and charges payable by oil & gas companies. These fees and charges are set out in the table below:

| Fees/Charges | Amount (Million TzS) |
|-----------------------|-------------------------|
| Profit per PSA | 9,200 |
| Protected Gas Revenue | 8,144 |
| VAT on Gas Revenue | 1,513 |
| Licences Fees | 733 |
| Total | 19,590 |

As mentioned earlier, no oil has been produced until now, which explains the absence of royalties in the table above. Indeed, this kind of payment is applied on oil recovered from development areas.

4.2.2. Common law taxes

Tanzania Revenue Authority

The data provided by the Tanzania Revenue Authority (TRA) shows 9 types of taxes paid by companies operating in the extractive sector. These companies included those holding licences and mining rights as well as those which provide services to the extractive industry. We note that 16 companies belonging to the latter category which made payments totalling TzS 65,778 million were excluded.

The tables below sets out payments made by the extractive companies to LTD, CED and DRD departments of TRA during the reconciliation period:

| Payment stream | TRA/LTD (Million TzS) | TRA/DRD (Million TzS) | TRA/CED (Million TzS) | Total TRA (Million TzS) | % | Cumulative % |
|-----------------|--------------------------|--------------------------|--------------------------|----------------------------|-------------|-----------------|
| Corporate Tax | 175,950 | 1,061 | - | 177,011 | 33.12% | 33.12% |
| Value Added Tax | 76,321 | 6,908 | 25,965 | 109,194 | 20.43% | 53.55% |
| Pay-As-You-Earn | 103,114 | 1,665 | - | 104,779 | 19.61% | 73.16% |
| WHT | 80,664 | 820 | - | 81,484 | 15.25% | 88.40% |
| SDL | 33,259 | 324 | - | 33,583 | 6.28% | 94.69% |
| Import Duty | - | - | 26,558 | 26,558 | 4.97% | 99.66% |
| Excise Duty | 1,202 | - | 442 | 1,644 | 0.31% | 99.96% |
| Stamp Duty | 73 | 45 | - | 118 | 0.02% | 99.99% |
| Vehicle | - | - | 73 | 73 | 0.01% | 100.00% |
| Total | 470,583 | 10,823 | 53,038 | 534,444 | 100% | |

According to the TEITI Reconciliation Report for the year ended 30 June 2011, TRA received total payments from extractive companies for Fuel Levies amounting to TzS 5,212 million. This levy was not included in the figures received from TRA for the year ended 30 June 2012. However, this levy will be included in the reporting template as the payment made last year is considered to be material.

Parastatal Pension Fund (PPF) / National Social Security Fund (NSSF)

Extractive companies pay 20% of gross salaries per month to PPF and NSSF. We only received data from PPF relating to payments made during the reconciliation period. As per previous EITI reports, we recommend that PPF and NSSF payments are included in the reconciliation scope.

Local Government Authorities

These are district authorities and urban authorities governed by the Local Government Act of 1982 and the Urban Authority Act of 1983. These Acts foresee that revenues, funds and resources of a local Government authority shall consist of all moneys derived from licences, permits, dues, charges or fees specified by any by-law made by these local Government authorities.

The contribution from the Local authorities, were restricted to three fees, as follows:

- Local levy;
- Service levy; and
- Other Local Taxes, Fees and Levies.

The selection of these fees was not based on an assessment of information collected, since local authorities have not provided any information at the time of conducting the scoping study.

These payments are immaterial in the context of Tanzanian EITI Reconciliation Exercise, but they are included because they are important to the areas served by local councils.

Currently the local district authorities, responsible for the collection of local levies from mining companies are: Biharamulo, Geita, Ilala, Kahama, Kilwa, Kinondoni, Kishapu, Mbeya, Mtwara, Nzega, Simanjiro, Tanga and Tarime.

Ministry of Finance

We recommend including dividends received by the government from State owned companies (TPDC) or from extractive companies where the government holds shares as well as revenues received from the sale of Government shareholdings in these companies, if applicable.

It should be noted that no payment flows related to barter arrangements involving infrastructure works as set out in EITI Requirement 9-f have been identified nor confirmed by Government Entities.

4.2.3. Other payment flows and information

We propose the inclusion in the reporting template through a unilateral declaration of extractive companies the following categories of payments and other information:

- others taxes and fees;
- social payments; and
- volumes of produced and exported mining products.

a. Others taxes and fees

This category includes all other material taxes and fees (> TzS 50 million) not listed elsewhere on the TEITI reporting template. This category will be included under each government entity in order to avoid any misunderstanding from the reporting entities and to facilitate the reconciliation work.

b. Social payments

These payments consist of all contributions made by extractive companies to promote local development and to finance social projects in accordance with EITI Requirement 9. This Requirement encourages MSGs to apply a high standard of transparency to social payments and transfers, the parties involved in the transactions and the materiality of these payments and transfers to other benefit streams, including the recognition that these payments may be reported even though it is not possible to reconcile them.

These contributions can be voluntary or compulsory and can be made in cash or in-kind depending on individual contracts or agreements. This category includes, inter alia: health infrastructure, school infrastructure, road infrastructure, and other projects and donations for local communities.

We recommend including the social payments in the EITI scope through a unilateral disclosure of mining companies.

c. Volumes and value of produced and exported mining products

In order to prepare for the implementation of the new EITI Rules (May 2013) and have comparative information for future years, we recommend that the volume and value of exports are disclosed unilaterally by the extractive companies for the current reconciliation exercise. As a result we have proposed in the reporting template a separate section for that purpose to be filled in by the extractive companies.

4.2.4. Conclusion - Financial flows for the 2012 EITI Report

According to the sections above, the flows that should be included in the reconciliation scope for the year ended 30 June 2012 can be summarised as follows:

| Ref | Revenue stream | Description |
|------------|--|---|
| MEM | | |
| 1 | Royalties | Fees payable by the mining companies to the Ministry of Energy and Minerals on export or local consumption upon delivery. |
| 2 | Rent and Licence Fees | Various fees payable to the Ministry of Energy and Minerals by the mining companies at different rates. This heading includes inter alia: <ul style="list-style-type: none"> - Annual Rent - Licence Fees - Application Fees - Export Permit Fees |
| 3 | Profit per Production Sharing Agreements | Gas profit revenue paid by extractive companies. |
| 4 | Protected Gas/Additional Gas Revenues | Revenues paid periodically by TPDC based on gas sales. |

| Ref | Revenue stream | Description |
|-------------------|---|---|
| 5 | Other material payments made to MEM (> TzS 50 million) | A heading to be used by MEM and extractive companies in case there are any material receipts or payments not listed elsewhere on the reporting template (where total payments per year > TzS 50 million). |
| TPDC | | |
| 6 | Protected Gas Revenue | Revenues paid to TPDC based on protected gas sales. |
| 7 | Additional Gas Revenue | Revenues paid to TPDC based on additional gas sales. |
| 8 | Profit per Production Sharing Agreement | Gas profit revenue paid from oil and gas companies. |
| 9 | VAT on Gas Revenue | Tax applied when collecting revenues on gas sales. |
| 10 | Licence Charge | An annual charge payable on the grant of exploration and development licences. This charge subsists until the Licence is terminated. |
| 11 | Other material payments made to TPDC (> TzS 50 million) | A heading to be used by TPDC and extractive companies in case there are any material receipts or payments not listed elsewhere on the reporting template (where total payments per year > TzS 50 million). |
| TRA | | |
| 12 | Corporation Tax (including Provisional Tax and advance tax) | Corporation Income Tax is levied on the company's taxable profit for all companies registered and/or carrying out business in Tanzania. The applicable corporation income tax rate is 30% usually paid in two stages. The provisional tax is paid based on taxpayer's own estimates at the beginning of the business year; and final tax is paid after the official assessment of the total income in the respective year of income. |
| 13 | Withholding Taxes | Withholding is a scheme of tax payment administered by the Income Tax Department whereby taxes are withheld at source. The taxes withheld are offset against final personal and corporation income taxes on resident tax payers, whereas such taxes are final charges in respect of non-resident taxpayers. In the case of Interest, dividends and rental income the taxes withheld are final for both residents and none residents. |
| 14 | Pay- As-You-Earn (PAYE) | PAYE is a withholding tax on taxable incomes of employees. An employer is required by law to deduct income tax from an employee's taxable salary or wages. |
| 15 | Skills and Development Levy (SDL) | Levy collected by TRA under the Vocational Education Training Act and Income Tax Act. SDL is charged based on the gross pay of all payments made by the employer to the employees. Unlike PAYE the SDL is due and payable by the employer. |
| 16 | VAT paid to LTD/DRD | Tax charged on any supply of goods or services in mainland Tanzania where a taxable supply is made by a taxable person in the course of any business carried out. |
| 17 | VAT paid to CED | Tax paid on importation of taxable goods or services from any place outside mainland Tanzania and charged according to applicable procedures under the Customs Laws for imported goods. |
| 18 | Excise Duty | Duty charged on specific goods and services manufactured locally or imported as well as motor vehicles at varying rates. Excise duty is due and payable by the importer, in case of imported goods immediately before it ceased to be subjected to customs control. In case of locally manufactured goods, it is payable by the manufacturer of the article, when tax becomes due. |
| 19 | Import Duty | Import or Customs duty is levied on specified goods imported into Tanzania. |
| 20 | Stamp Duty | The instrument specified in the schedule which is executed in Tanganyika (Tanzania mainland) or if executed outside Tanganyika relating to any property or any matter or thing performed in Tanganyika, must be charged with duty of amount that is specified or calculated in the manner specified in the schedule in relation to such instrument unless it is exempted. |
| 21 | Fuel Levy | Tax levied on importation of petroleum products to the country and is specifically levied on two products only gasoline and gasoil. |
| 22 | Other material payments made to TRA (> TzS 50 million) | A heading to be used by TRA and extractive companies in case there are any material receipts or payments not listed elsewhere on the reporting template (where payments per year > TzS 50 million). |
| NSSF/PPF | | |
| 23 | NSSF Contribution | It is mandatory for all employees, including expatriates, to register and contribute to the National social security scheme. The common schemes in Tanzania are NSSF and PPF. NSSF is a pension scheme that requires each employee to contribute 10%, while the employer contributes 10% of all employees' monthly gross salaries. PPF is a pension scheme that requires each employee to contribute 5%, while the employer contributes 15% of employees' monthly basic salaries. |
| 24 | PPF Contribution | |
| Local Authorities | | |
| 25 | Local Levy | All mining companies pay an annual local government levy of USD 200,000 to the local government where the mines are located. |

| Ref | Revenue stream | Description |
|------------------------|--|---|
| 26 | Service Levy | A "service levy" of up to 0.3% is charged by local authorities on the total turnover of enterprises based within their territorial boundaries (payable either monthly or quarterly depending on the requirements of each local authority) |
| 27 | Other Local Taxes, Fees and Levies | A heading to be used by local authorities and extractive companies in case there are any material receipts or payments not listed elsewhere on the reporting template (where total payments per year > TzS 50 million). |
| MoF | | |
| 28 | Dividends from Government Shares | This is the distribution of profits in proportion to the government shares directly held in the Extractive Company |
| 29 | Revenues from Government shareholding sale | This is the revenues received by Government from the transfer of the shares held in State owned companies operating in the mining sector. |
| Social Payments | | |
| 30 | Corporate Social Responsibility - cash payments | These are monetary payments relating to contributions made by extractive companies to promote local development and to finance social projects. They include, inter alia, health infrastructure, school infrastructure, road infrastructure and other projects and donations for local communities. |
| 31 | Corporate Social Responsibility - in-kind payments | These are non-monetary payments relating to contributions made by extractive companies to promote local development and to finance social projects. They include, inter alia, health infrastructure, school infrastructure, road infrastructure and other projects and donations for local communities. |

4.3. Extractive companies

4.3.1. Materiality threshold

The information provided to us during the scoping study was limited to the payments received by TRA, MEM and TPDC. We set out in the table below the tax collection per Government Entity including companies providing services to the extractive sector:

| Company | Sector | TRA/LTD | TRA/DRD | TRA/CED | MEM | TPDC | Total |
|--|--------------------|---------|---------|---------|--------|-------|---------|
| Geita Gold Mining Ltd | Mining | 148,422 | - | 4,443 | 48,270 | - | 201,135 |
| Bulyanhulu Gold Mine Ltd | Mining | 37,815 | - | 4,871 | 18,119 | - | 60,805 |
| Resolute (Tanzania) Ltd | Mining | 45,951 | - | 289 | 9,376 | - | 55,616 |
| Tanzania Portland Cement Co. Ltd | Mining | 40,470 | - | 11,274 | - | - | 51,744 |
| Pangea Minerals Ltd | Mining | 25,501 | - | 6,721 | 15,905 | - | 48,127 |
| Tanga Cement Company Ltd | Mining | 28,145 | - | 9,653 | 52 | - | 37,850 |
| North Mara Gold Mine Ltd | Mining | 20,351 | - | 3,409 | 13,519 | - | 37,279 |
| Pan African Energy Tanzania Ltd | Oil and Gas | 26,861 | - | 1,029 | - | 9,238 | 37,128 |
| Songas Ltd | Oil and Gas | 23,483 | - | 1,909 | - | 9,658 | 35,050 |
| Ocean Rig Poseidon Operations Inc. | Oil & Gas services | 30,664 | - | 2 | - | - | 30,666 |
| Petrobras Tanzania Ltd | Oil and Gas | 19,050 | - | 10 | - | - | 19,060 |
| Mbeya Cement Company Ltd | Mining | 10,039 | - | 2,792 | 96 | - | 12,927 |
| Williamson Diamonds Ltd | Mining | 4,879 | - | 1,851 | 1,136 | - | 7,866 |
| Shanta Mining Company Ltd | Mining | 3,511 | - | 3,756 | - | - | 7,267 |
| Leighton Offshore PTE Ltd | Oil & Gas services | 6,061 | - | 170 | - | - | 6,231 |
| Drum cussac (tanzania) Ltd | Oil & Gas services | 5,969 | - | 30 | - | - | 5,999 |
| Statoil Tanzania As | Oil and Gas | 5,677 | - | 188 | - | - | 5,865 |
| Odfjell Invest II Ltd | Oil & Gas services | 5,821 | - | - | - | - | 5,821 |
| Dominion TZ | Oil and Gas | - | 5,601 | - | - | - | 5,601 |
| BG Tanzania Ltd | Oil and Gas | 5,455 | - | - | - | - | 5,455 |
| Mantra Tanzania Ltd | Mining | 5,098 | - | 153 | - | - | 5,251 |
| Ophir Tanzania (Block 1) Ltd | Oil and Gas | 4,331 | - | 1 | - | 48 | 4,380 |
| Major Drilling Tanzania Ltd | Mining Services | 2,306 | - | 1,848 | - | - | 4,154 |
| Capital Drilling (T) Ltd | Mining Services | - | 3,813 | - | - | - | 3,813 |
| Tanzanite One Mining Ltd | Mining | 2,367 | - | 254 | 997 | - | 3,618 |
| Global Fluids International (T) Ltd | Oil & Gas services | 498 | - | 2,208 | - | - | 2,706 |
| Ndovu Resources Ltd | Oil and Gas | 2,619 | - | 6 | - | 27 | 2,652 |
| Tanzania Petroleum Development Corporation | Oil and Gas | 2,424 | - | - | - | - | 2,424 |
| ABG Exploration Ltd | Mining | 2,195 | - | 49 | - | - | 2,244 |
| Hyspec (Africa) Tanzania Ltd | Mining Services | - | 2,054 | - | - | - | 2,054 |
| National Oil (Tanzania) Ltd | Oil and Gas | 1,541 | - | - | - | - | 1,541 |
| Ras Al Khaimah Gas Tanzania Ltd | Oil and Gas | 1,441 | - | - | - | - | 1,441 |

| Company | Sector | TRA/LTD | TRA/DRD | TRA/CED | MEM | TPDC | Total |
|--|--------------------|----------------|---------------|---------------|----------------|---------------|----------------|
| Tancan Mining Company Ltd | Mining | 1,227 | - | - | - | - | 1,227 |
| BG International Ltd | Oil and Gas | 773 | - | 371 | - | - | 1,144 |
| Minesite Tanzania Ltd | Mining Services | 748 | - | 267 | - | - | 1,015 |
| Maweni Limestone Ltd | Mining Services | 759 | - | 134 | - | - | 893 |
| Tanzanite One Trading Ltd | Mining | - | 829 | - | - | - | 829 |
| Wentworth Gas Ltd | Oil and Gas | 798 | - | 10 | - | - | 808 |
| Midwest Minerals Processor Ltd | Mining Services | 682 | - | 91 | - | - | 773 |
| Bafex Tanzania Ltd | Mining | - | 555 | - | - | - | 555 |
| Mansoor Industries Ltd | Oil & Gas services | 516 | - | - | - | - | 516 |
| Etablissements Maurel & Prom | Oil and Gas | 160 | - | - | - | 299 | 459 |
| Allied Mining Services Ltd | Mining Services | - | 418 | - | - | - | 418 |
| Heritage Rukwa | Oil and Gas | - | 379 | - | - | - | 379 |
| Kaltire Mining Tire Group Tanzania Ltd | Mining Services | - | 351 | - | - | - | 351 |
| TADC 2000 (TANZAM 2000) | Mining | - | 303 | - | - | - | 303 |
| Afren Gabon Ltd | Oil and Gas | - | 298 | - | - | - | 298 |
| Dominion Oil & Gas Ltd | Oil and Gas | - | 265 | - | - | - | 265 |
| Heritage Oil | Oil and Gas | - | 231 | - | - | - | 231 |
| Tullow Tanzania B.V | Oil and Gas | - | 220 | - | - | - | 220 |
| Swala Energy | Oil and Gas | - | - | - | - | 215 | 215 |
| Willy Enterprises | Mining | - | - | - | 212 | - | 212 |
| Geological Drilling Co. Ltd | Mining Services | - | 210 | - | - | - | 210 |
| MDN Tanzania Ltd | Mining | - | 210 | - | - | - | 210 |
| Geo Can Resources Co. Ltd | Mining | - | 200 | - | - | - | 200 |
| State Mining Corporation | Mining | - | 183 | - | - | - | 183 |
| Sparr Drilling Co. Ltd | Mining Services | - | 159 | - | - | - | 159 |
| Tol Gases Ltd | Mining | - | - | - | 155 | - | 155 |
| Dhahabu Resources Tanzania Ltd | Mining | - | 150 | - | - | - | 150 |
| Others companies | Extractive sector | - | 1,048 | - | 267 | 105 | 1,420 |
| Total | | 524,608 | 17,477 | 57,789 | 108,104 | 19,590 | 727,568 |

For each company, we checked the licence information provided by MEM and identified companies which had active licences or had made payments, categorising them as “Extractive companies” and “Extractive service companies”.

Based on the above, the profile of payments to Government Entities, including the extractive services companies is set out in the following table:

| Payment threshold | Extractive Companies | | Non-extractive Companies | |
|-----------------------------------|----------------------|---------------------------------|--------------------------|---------------------------------|
| | Number of companies | Revenue collected (million TzS) | Number of companies | Revenue collected (million TzS) |
| Amount > TzS 50 Bn | 4 | 369,299 | - | - |
| TzS 20 Bn < Amount < TzS 50 bn | 5 | 195,434 | 1 | 30,666 |
| TzS 10 Bn < Amount < TzS 20 bn | 2 | 31,987 | - | - |
| TzS 5 Bn < Amount < TzS 10 bn | 6 | 37,304 | 3 | 18,052 |
| TzS 2 Bn < Amount < TzS 5 bn | 5 | 15,320 | 4 | 12,727 |
| TzS 1 Bn < Amount < TzS 2 bn | 4 | 5,352 | 1 | 1,015 |
| TzS 0.5 Bn < Amount < TzS 1 bn | 3 | 2,191 | 3 | 2,182 |
| TzS 0.15 Bn < Amount < TzS 0.5 bn | 14 | 3,481 | 4 | 1,136 |
| Amount < TzS 0.15 Bn | 58 | 1,421 | - | - |
| Total | 101 | 661,789 | 16 | 65,778 |

The profile of payments based on receipts from extractive companies excluding the extractive services companies, is set out in the following table:

| Payment threshold | Number of companies | Revenue (million TzS) | Weight / total revenue | Cumulative weight |
|-----------------------------------|---------------------|-----------------------|------------------------|-------------------|
| Amount > TzS 50 Bn | 4 | 369,299 | 55.80% | 55.80% |
| TzS 20 Bn < Amount < TzS 50 bn | 5 | 195,434 | 29.53% | 85.33% |
| TzS 10 Bn < Amount < TzS 20 bn | 2 | 31,987 | 4.83% | 90.17% |
| TzS 5 Bn < Amount < TzS 10 bn | 6 | 37,304 | 5.64% | 95.80% |
| TzS 2 Bn < Amount < TzS 5 bn | 5 | 15,320 | 2.31% | 98.12% |
| TzS 1 Bn < Amount < TzS 2 bn | 4 | 5,352 | 0.81% | 98.93% |
| TzS 0.5 Bn < Amount < TzS 1 bn | 3 | 2,191 | 0.33% | 99.26% |
| TzS 0.15 Bn < Amount < TzS 0.5 bn | 14 | 3,481 | 0.53% | 99.79% |
| Amount < TzS 0.15 Bn | 58 | 1,421 | 0.21% | 100.00% |
| Total | 101 | 661,789 | 100% | |

According to the above table, the companies paying taxes of more than **TzS 0.15 billion** represent **99.79%** of the total revenue collected by Government Entities.

The materiality threshold recommended above means that extractive companies making **99.79%** of reported payments will be included in the reconciliation i.e. all companies making payments in excess of **TzS 0.15 billion**. According to this threshold **43** extractive companies will be selected for the reconciliation exercise ended 30 June 2012.

For the extractive companies that have made payments falling below **TzS 0.15 bn**, we recommend a unilateral disclosure of revenues streams collected by Government Entities in accordance with the option set up by the EITI Requirement 11-b. These companies are detailed in Annex 2.

4.3.2. Extractive companies proposed for the reconciliation exercise ended 30 June 2012

According to the materiality threshold proposed above, **Forty Three (43)** extractive companies will be selected for the reconciliation exercise. These companies are listed below:

| Mining companies | | Oil and Gas companies | |
|------------------|------------------------------------|-----------------------|-------------------------------------|
| 1 | Geita Gold Mining Ltd | 24 | Pan African Energy Tanzania Ltd |
| 2 | Bulyanhulu Gold Mine Ltd | 25 | Songas Ltd |
| 3 | Resolute (Tanzania) Ltd | 26 | Petrobras Tanzania Ltd |
| 4 | Tanzania Portland Cement Co Ltd | 27 | Statoil Tanzania AS |
| 5 | Pangea Minerals Ltd | 28 | Dominion TZ (*) |
| 6 | Tanga Cement Company Ltd | 29 | BG Tanzania Ltd (*) |
| 7 | North Mara Gold Mine Ltd | 30 | Ophir Tanzania (Block 1) Ltd |
| 8 | Mbeya Cement Company Ltd | 31 | Ndovu Resources Ltd (*) |
| 9 | Williamson Diamonds Ltd | 32 | TPDC |
| 10 | Shanta Mining Company Ltd | 33 | National Oil (Tanzania) Ltd (*) |
| 11 | Mantra Tanzania Ltd | 34 | Ras Al Khaimah Gas Tanzania Ltd (*) |
| 12 | Tanzanite One Mining Ltd | 35 | BG International Ltd |
| 13 | ABG Exploration Ltd | 36 | Wentworth Gas Ltd |
| 14 | Tancan Mining Company Ltd | 37 | Etablissements Maurel & Prom |
| 15 | Tanzanite One Trading Ltd | 38 | Heritage Rukwa (*) |
| 16 | Bafex Tanzania Ltd | 39 | Afren Gabon Ltd (*) |
| 17 | TADC 2000 (Tanzam 2000) | 40 | Dominion Oil & Gas Ltd |
| 18 | Willy Enterprises (*) | 41 | Heritage Oil (*) |
| 19 | Mdn Tanzania Ltd (*) | 42 | Tullow Tanzania B.V |
| 20 | Geo Can Resources Co Ltd (*) | 43 | Swala Energy (*) |
| 21 | State Mining Corporation (*) | | |
| 22 | TOL Gases Ltd (*) | | |
| 23 | Dhahabu Resources Tanzania Ltd (*) | | |

(*) New companies included in the reconciliation exercise comparing to previous year's report.

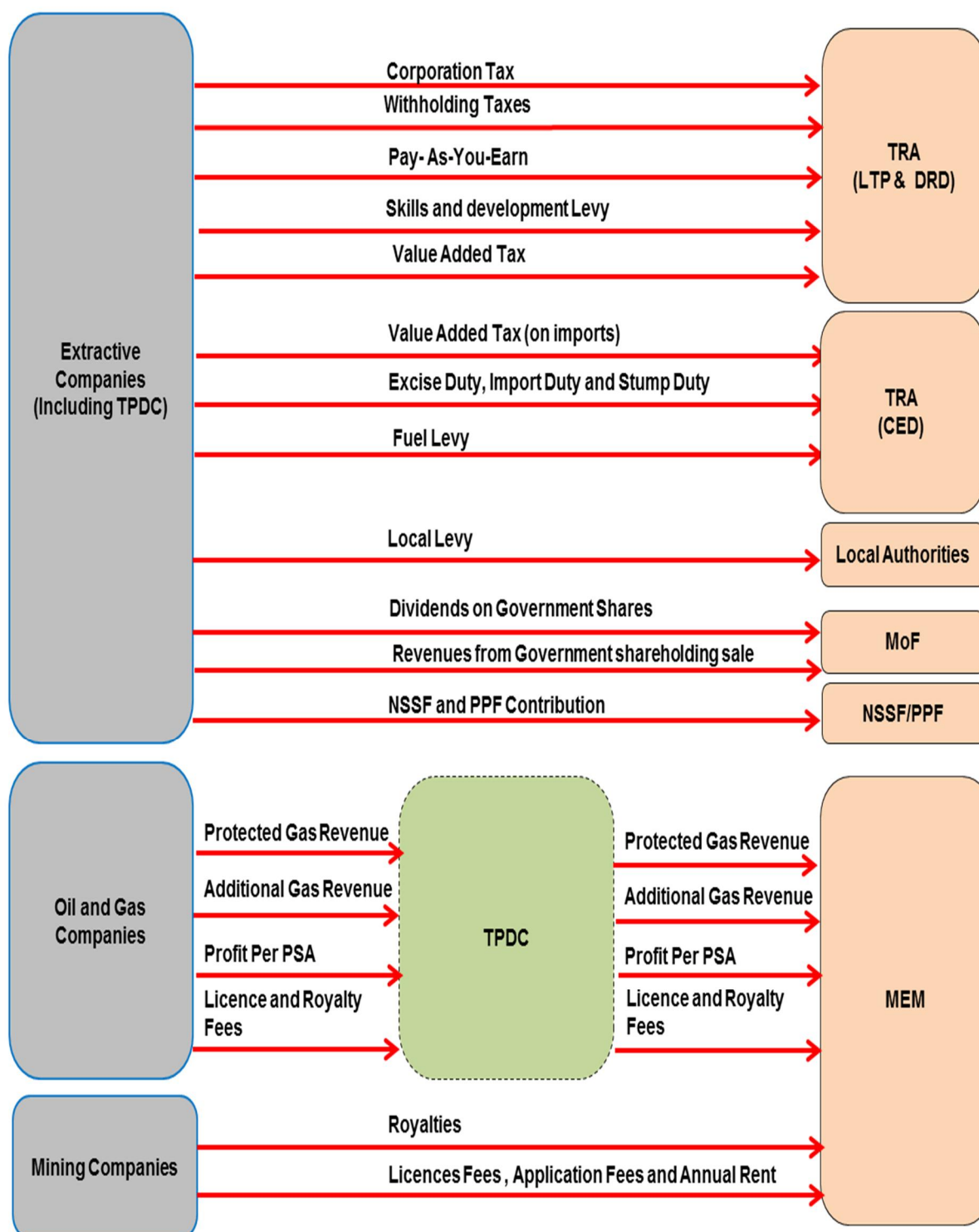
The non-extractive companies which have made payments in excess of TzS 0.15 billion and excluded from the materiality threshold analyses are detailed in Annex 3.

4.4. Government entities

Based on the proposed list of extractive companies and payment streams, the Government Entities which will be involved in the reconciliation exercise ended 30 June 2012 are detailed as follows:

| Central Entities | |
|----------------------|---|
| 1 | Ministry of Energy and Minerals (MEM) |
| 2 | Ministry of Finance (MoF) |
| 3 | Tanzania Revenue Authority (LTD/DRD/CED) |
| 4 | National Social Security Fund (NSSF) |
| 5 | Parastatal Pension Fund (PPF) |
| Stated owned company | |
| 6 | Tanzania Petroleum Development Corporation (TPDC) |
| Local Authorities | |
| 7 | Biharamulo |
| 8 | Geita |
| 9 | Ilala |
| 10 | Kahama |
| 11 | Kilwa |
| 12 | Kinondoni |
| 13 | Kishapu |
| 14 | Mbeya |
| 15 | Mtwara |
| 16 | Nzega |
| 17 | Simanjiro |
| 18 | Tanga |
| 19 | Tarime |

4.5. Flow chart of payment flows



5. RELIABILITY AND CERTIFICATION OF DATA

In order to comply with EITI Requirements 12 and 13 and to ensure the credibility of data submitted, we propose the following approach in the preparation of the reconciliation report for the year ended 30 June 2012:

- All companies' reporting templates must be signed off by a Senior Official from the company;
- All Government Entity template declarations must be signed off by a Senior Official;
- All figures reported in the template declaration should be detailed payment by payment and date by date in the supporting schedules;
- All reporting templates must be certified by an external auditor:
 - extractive companies, including TPDC: will be required to obtain confirmation from a registered external auditor that their financial statements for the year ended 30 June 2012 have been audited under International Auditing Standards and that the transactions reported in the template are complete and in agreement with the accounts for the year ended 30 June 2012; and
 - Government Entities: will be required to obtain confirmation from the Auditor General that the transactions reported in the template are complete and in agreement with the entity's accounts for the year ended 30 June 2012.
- The Auditor General will be required to provide a letter confirming that the accounts of the Government Entities were audited in accordance with international standards.
- For any update to the original data provided in the templates, supporting documents and/or confirmation from reporting entities will have to be made available to the Reconcilers.

6. UPDATED WORK PLAN

| N° | Phase / Activity | Proposed date 2013-2014 |
|--|--|--------------------------------|
| Phase I: General awareness and planning | | |
| 1 | Opening meeting | 7 October 2013 |
| 2 | Interview with stakeholders | 7 to 11 October 2013 |
| 3 | Data collection on extractive industries | 14 to 18 October 2013 |
| 4 | Preparation of the Inception Report | 19 & 20 October 2013 |
| Phase II: Scoping study | | |
| 5 | Preparation of the map of payment flows | 21 October 2013 |
| 6 | Design of the Reporting Template and developing reporting guidelines | 22 & 23 October 2013 |
| 7 | Follow up of missing documentation | 24 October to 29 November 2013 |
| 8 | Delimitation of the reconciliation scope | 2 & 3 December 2013 |
| 9 | Preparation of the draft Scoping Report (incl. Reporting Template) | 4 to 6 December 2013 |
| 10 | Transmission of the draft Scoping Report | 7 December 2013 |
| 11 | MSG meeting to deliberate on draft Scoping Report | 18 December 2013 |
| 12 | Analysis of TEITI-MSG comments on draft Scoping Report | 19 to 20 December 2013 |
| 13 | Preparation of the final Scoping Report | 23 December 2013 |
| 14 | Transmission of the Final Scoping Report | 23 December 2013 |
| 15 | Distribution of reporting package and assisting stakeholders | 23 December 2013 |
| Phase III: Capacity building | | |
| 16 | Conducting capacity building workshop | 14 January 2014 |
| Phase IV: Follow up and data collection | | |
| 17 | Follow up of the reporting reception | 20 to 31 January 2014 |
| 18 | Data collection and analysis | 3 to 7 February 2014 |
| 19 | Submission of progress report | 7 February 2014 |
| Phase V: Analysis of discrepancies | | |
| 20 | Data compilation and payment reconciliation | 10 to 14 February 2014 |
| 21 | Discrepancies analysis | 17 to 21 February 2014 |
| 22 | Follow up of inconsistent reports and resolving discrepancies | 24 to 28 February 2014 |
| Phase VI: Completion and reporting | | |
| 23 | Closing Meeting | 28 February 2014 |
| 24 | Preparation of the draft Reconciliation Report | 3 to 14 March 2014 |
| 25 | Transmission of the draft Reconciliation Report | 14 March 2014 |
| 26 | Reception of TEITI-MSG comments on the draft Reconciliation Report | 28 March 2014 |
| 27 | Analysis of TEITI-MSG comments on the draft Reconciliation Report | 1 & 2 April 2014 |
| 28 | Preparation of the final Reconciliation Report | 3 & 4 April 2014 |
| 29 | Transmission of the final Reconciliation Report | 4 April 2014 |
| 30 | Preparation of the presentation for the national conference | To be agreed |
| 31 | Presentation of the final Reconciliation Report at the national conference | To be agreed |

ANNEXES

Annex 1: Reporting template and supporting schedules

EITI PAYMENT/RECEIPT REPORT
(From 1 July 2011 to 30 June 2012)
**A- Basic information**

| | | | |
|--|----|----------|-----------------|
| Name of the Entity (Extractive company / Government Entity) | | | |
| TIN | | | |
| Licence No. | 1. | | Type of licence |
| | 2. | | Type of licence |
| | 3. | | Type of licence |
| | 4. | | Type of licence |
| Reporting template prepared by | | Position | |
| Email address | | Tel. | |

B- Direct Payments/Revenues

| Ref. | Type of Tax | Paid/Received Amount | | Comments |
|---|---|----------------------|-----|----------|
| | | TzS | USD | |
| Ministry of Energy and Minerals (MEM) | | | | |
| 1 | Royalties | | | |
| 2 | Rent and Licence Fees | | | |
| 3 | Profit per Production Sharing Agreements | | | |
| 4 | Protected Gas/Additional Gas Revenues | | | |
| 5 | Other material payments made to MEM (> TzS 50 million) | | | |
| Tanzania Petroleum Development Corporation (TPDC) | | | | |
| 6 | Protected Gas Revenue | | | |
| 7 | Additional Gas Revenue | | | |
| 8 | Profit per Production Sharing Agreement | | | |
| 9 | VAT on Gas Revenue | | | |
| 10 | Licence Charge | | | |
| 11 | Other material payments made to TPDC (> TzS 50 million) | | | |
| Tanzania Revenue Authority (LTD/DRD/CED) | | | | |
| 12 | Corporation Tax (including provisional ax and advance | | | |
| 13 | Withholding Taxes | | | |
| 14 | Pay- As-You-Earn (PAYE) | | | |
| 15 | Skills and Development Levy (SDL) | | | |
| 16 | VAT paid to LTD/DRD | | | |
| 17 | VAT paid to CED | | | |
| 18 | Excise Duty | | | |
| 19 | Import Duty | | | |
| 20 | Stamp Duty | | | |
| 21 | Fuel Levy | | | |
| 22 | Other material payments made to TRA (> TzS 50 million) | | | |
| NSSF/PPF | | | | |
| 23 | NSSF Contribution | | | |
| 24 | PPF Contribution | | | |
| Local Authorities | | | | |
| 25 | Local Levy | | | |
| 26 | Service Levy | | | |
| 27 | Other Local Taxes, Fees and Levies | | | |
| Ministry of Finance (MoF) | | | | |
| 28 | Dividends from Government Shares | | | |
| 29 | Revenues from Government shareholding sale | | | |
| Total payments | | - | - | |

C- Social responsibility (*)

| Social Payments | | TzS | USD | Comments |
|-----------------|--|-----|-----|----------|
| 30 | Corporate Social Responsibility cash payments | | | |
| 31 | Corporate Social Responsibility in-kind payments | | | |

D- Production & Export (*)

| No. | Product / Mineral | Unit | Production (Qty) | Exportation (Qty) | Value (TzS) | Value (USD) |
|-----|-------------------|------|------------------|-------------------|-------------|-------------|
| 1 | | | | | | |
| 2 | | | | | | |
| 3 | | | | | | |
| 4 | | | | | | |
| 5 | | | | | | |

(*) These sections should be filled in by extractive companies only

Confidentiality - All information provided on this form shall be treated on a confidential basis and is only for the use of the Reconciler and Government solely for the purposes of EITI Reporting requirements. Other than information disclosed in the EITI Report, no information shall be disclosed to any third party without the disclosing party's written consent, unless disclosure is required by law.

Management sign-off

I acknowledge for and on behalf of the above Entity's responsibility for the truthful and fair presentation of the attached reporting template in accordance with the reporting instructions. Specifically, I confirm the following:

1. The information provided in respect of amounts paid/received is complete and has been faithfully extracted from the Entity accounting records;
2. All amounts paid/received are supported by genuine receipts and substantiated by documentary evidence;
3. The amounts paid/received exclude payments/income made before 1 July 2011 and payments/income made after 30 June 2012;
4. The classification of amounts paid/received on each line is accurate and does not include amounts due to be reported on other line;
5. The amounts paid/received do not include amounts paid/received on behalf of other Entities;
6. The amounts paid/received only include amounts paid/received by the Entity;
7. The accounts of the Entity on which the figures are based have been audited and an unqualified audit opinion issued.

Name

Position

Signature and Stamp

Auditors Certification

I, (name), registered external auditor, have examined the foregoing TEITI reporting template of (insert name of Mining Company/Government Agency) and can confirm that I have tested the completeness and accuracy of the extraction of the payments data included on the reporting template from the audited accounting records/financial statements of the Entity for the period(s) [stat dates] under International Auditing Standards.

Based on this examination, we confirm that the transactions reported therein are in accordance with instructions issued by TEITI, are complete and are in agreement with the books of account for the respective period.

Name

Position within the Audit firm

Name of the Audit Firm (if applicable)

Address of the Audit Firm (or Auditor)

Signature and Stamp



Period covered: 1 July 2011 to 30 June 2012

| | |
|--|--|
| Name of the Entity (Extractive company / Government | |
|--|--|

TIN

Prepared by[illegible]

(*) If more convenient, the supporting schedules can be prepared in another format or be in the form of computer print outs or typed lists. However, they must contain the same information. Critical information that should be included is the official receipt number and payment date as without this, it will be very difficult to trace the payment/receipt in the records of the extractive company or Government Entity.



Template for social payments details (*)
Period covered: 1 July 2011 to 30 June 2012

| | |
|--------------------|--|
| Name of the Entity | |
| TIN | |
| Prepared by | |

[illegible]

(*) This template must be filled in by extractive companies only



Template for production details (*)
Period covered: 1 July 2011 to 30 June 2012

| | |
|--------------------|--|
| Name of the Entity | |
| TIN | |
| Prepared by | |

[illegible]

(*) This template must be filled in by extractive companies only



Template for exportation details (*)
Period covered: 1 July 2011 to 30 June 2012

| | |
|--------------------|--|
| Name of the Entity | |
| TIN | |
| Prepared by | |

[illegible]

(*) This template must be filled in by extractive companies only

Annex 2: List of extractive companies paying taxes below the materiality threshold

Figures in TzS

| Company | TRA/DRD | MEM | TPDC | Total |
|---|-------------|-------------|------------|-------------|
| Protocol Mining Ltd | 144,618,241 | - | - | 144,618,241 |
| Minjingu Phosphate And Fertilizer Ltd | 77,153,291 | 41,043,637 | - | 118,196,928 |
| Beach Petroleum | 56,330,848 | - | 49,122,768 | 105,453,616 |
| Marmoe. Granito Mines (t) Ltd | - | 101,320,833 | - | 101,320,833 |
| El Hillal Mineral Company | 95,195,254 | - | - | 95,195,254 |
| mundarara Ruby Mining Co. Ltd | 8,663,100 | 80,417,619 | - | 89,080,719 |
| Cultural Heritage Ltd | 79,540,912 | - | - | 79,540,912 |
| Swala Gem Traders Ltd | 67,894,381 | - | - | 67,894,381 |
| Mzuri Exploration Services Ltd | 55,510,000 | - | - | 55,510,000 |
| Petrol | - | - | 54,346,052 | 54,346,052 |
| Uranex | 53,223,557 | - | - | 53,223,557 |
| Sanskrit Ltd | 53,092,884 | - | - | 53,092,884 |
| Collectors Corner Ltd | 43,090,032 | - | - | 43,090,032 |
| Glitter Gems Ltd | 37,317,730 | - | - | 37,317,730 |
| AAA Drilling Ltd | 36,620,000 | - | - | 36,620,000 |
| Classic Gems Ltd | 35,118,197 | - | - | 35,118,197 |
| The Blue Tripple A Ltd | 26,768,804 | - | - | 26,768,804 |
| Prima Gems Tanzania Ltd | 25,442,851 | - | - | 25,442,851 |
| Crown Lapidary Ltd | 20,562,784 | - | - | 20,562,784 |
| Weirminerals East Africa Ltd | 18,444,150 | - | - | 18,444,150 |
| ARM | - | 17,342,461 | - | 17,342,461 |
| Naval Gems Ltd | 15,741,032 | - | - | 15,741,032 |
| Iraqw Mining Tanzania Ltd | 14,214,000 | - | - | 14,214,000 |
| Gem And Rock Ventures | - | 13,260,826 | - | 13,260,826 |
| African Galleria Ltd | 12,990,129 | - | - | 12,990,129 |
| Isle Of Jewels Ltd | 12,394,616 | - | - | 12,394,616 |
| Tazara Kongolo Quarry & CSP Ltd | - | 7,360,050 | - | 7,360,050 |
| KGK Crafts Ltd | 7,165,596 | - | - | 7,165,596 |
| J.N Mining | 5,573,000 | 1,178,210 | - | 6,751,210 |
| Tanlap Company Ltd | 5,847,186 | - | - | 5,847,186 |
| Lolkisale Kiteto Ventures | - | 5,372,656 | - | 5,372,656 |
| Oiaq Tanzania Ltd | 4,500,000 | - | - | 4,500,000 |
| Paradiso Minerals (Tanzania) Ltd | 3,995,500 | - | - | 3,995,500 |
| Muungano Arusha Ltd | 3,661,597 | - | - | 3,661,597 |
| The Tanzanite Laboratory Ltd | 3,474,459 | - | - | 3,474,459 |
| Manga Gems Ltd | 2,980,260 | - | - | 2,980,260 |
| Geminex Company Ltd | 2,976,891 | - | - | 2,976,891 |
| Britons International Gems Ltd | 2,400,000 | - | - | 2,400,000 |
| Charming Gems Ltd | 2,177,391 | - | - | 2,177,391 |
| Kidee Mining Tanzania Ltd | 2,100,000 | - | - | 2,100,000 |
| Colour Store Ltd | 1,693,500 | - | - | 1,693,500 |
| Hydrotanz Ltd | - | - | 1,660,350 | 1,660,350 |
| Arusha Minerals Centre Ltd | 1,500,000 | - | - | 1,500,000 |
| Gem and Rock Ventures Co. Ltd | 1,450,000 | - | - | 1,450,000 |
| Abdulkarim Mohamed Hassan T/A Bahedele Drilling Co. | 1,115,000 | - | - | 1,115,000 |
| Al-Marooof Gems Ltd | 1,097,065 | - | - | 1,097,065 |
| Sky Gems Ltd | 916,223 | - | - | 916,223 |

| Company | TRA/DRD | MEM | TPDC | Total |
|--|----------------------|--------------------|--------------------|----------------------|
| Rallid And Company Ltd | 800,000 | - | - | 800,000 |
| Tomgems Company Ltd | 600,000 | - | - | 600,000 |
| Exxonmobil Exploration and Production TZ Ltd | 600,000 | - | - | 600,000 |
| Perfalion Minerals Ltd | 472,800 | - | - | 472,800 |
| A.M.M. Gem & Minerals (T) Ltd | 400,000 | - | - | 400,000 |
| Vada Gems Traders Company Ltd | 242,000 | - | - | 242,000 |
| Multiplex Drilling And Mining (T) Ltd | 230,000 | - | - | 230,000 |
| B & B Gems | 220,500 | - | - | 220,500 |
| Tanquest Gem Mining Ltd | 200,000 | - | - | 200,000 |
| General Exploration Ltd | 75,000 | - | - | 75,000 |
| Macdrilling Services Tanzania Ltd | 70,000 | - | - | 70,000 |
| Total | 1,048,460,761 | 267,296,292 | 105,129,170 | 1,420,886,223 |

Annex 3: List of non-extractive companies paying taxes in excess of the materiality threshold

| Company | Sector | TRA/LTD | TRA/DRD | TRA/CED | Total |
|--|--------------------|---------------|--------------|--------------|---------------|
| Ocean Rig Poseidon Operations Inc | Oil & Gas services | 30,664 | - | 2 | 30,666 |
| Leighton Offshore PTE Ltd | Oil & Gas services | 6,061 | - | 170 | 6,231 |
| Drum Cussac (Tanzania) Ltd | Oil & Gas services | 5,969 | - | 30 | 5,999 |
| Od fjell Invest II Ltd | Oil & Gas services | 5,821 | - | - | 5,821 |
| Major Drilling Tanzania Ltd | Mining Services | 2,306 | - | 1,848 | 4,154 |
| Capital Drilling (T) Ltd | Mining Services | - | 3,813 | - | 3,813 |
| Global Fluids International (T) Ltd | Oil & Gas services | 498 | - | 2,208 | 2,706 |
| Hyspec (Africa) Tanzania Ltd | Mining Services | - | 2,054 | - | 2,054 |
| Minesite Tanzania Ltd | Mining Services | 748 | - | 267 | 1,015 |
| Maweni Limestone Ltd | Mining Services | 759 | - | 134 | 893 |
| Midwest Minerals Processor Ltd | Mining Services | 682 | - | 91 | 773 |
| Mansoor Industries Ltd | Oil & Gas services | 516 | - | - | 516 |
| Allied Mining Services Ltd | Mining Services | - | 418 | - | 418 |
| Kaltire Mining Tire Group Tanzania Ltd | Mining Services | - | 351 | - | 351 |
| Geological Drilling Co. Ltd | Mining Services | - | 210 | - | 210 |
| Sparr Drilling Co. Ltd | Mining Services | - | 158 | - | 158 |
| Total | | 54,024 | 7,004 | 4,750 | 65,778 |

Annex 4: Persons contacted or involved in the assignment**Moore Stephens - Independent Reconciler**

| | |
|-------------------------|-----------------------------------|
| Tim Woodward | Partner |
| Ben Toorabally | Head of Office – Mission Director |
| Radhouane Bouzaiane | Senior Manager – Team Leader |
| Maher Ben Mbarek | Audit Senior |
| Dr. Dalaly Peter Kafumu | BP Unique Company Ltd – Chairman |

TEITI Secretariat

| | |
|--------------------|-------------------------|
| Benedict Mushingwe | Head of the Secretariat |
| Athuman M. Kwariko | Programme Coordinator |
| Alice J. Swai | Legal Officer |
| Zaria Abdallah | Technical Officer |

Tanzania Petroleum Development Corporation - TPDC

| | |
|----------------------|---|
| Braison Kunyalanyala | Acting Director of Finance and Administration |
| Sudi A. Balawazi | Principal Accountant |

Tanzania Minerals Audit Agency - TMAA

| | |
|---------------------|--|
| Andrew A.Mwangakala | Manager – Data Analysis and Management |
|---------------------|--|

Ministry of Energy and Minerals - MEM

| | |
|-----------------|------------------|
| Ahadi E. Msangi | Chief Accountant |
|-----------------|------------------|

Tanzania Revenue Authority, Domestic Revenue Department - TRA/DRD

| | |
|------------------|--------------|
| Patrik N.Kassera | Commissioner |
|------------------|--------------|

Tanzania Revenue Authority, Large Taxpayers Department - TRA/LTD

| | |
|---------------------|---------------------|
| Neema G. F. Mrema | Commissioner |
| Alfred P.T.N. Mereg | Deputy Commissioner |

Tanzania Revenue Authority, Customs & Excise Department - TRA/CED

| | |
|-----------------|---------------------------------|
| Tiagi M. Kabisi | Commissioner |
| Ayoub A. Mbowe | Manager Oil Products monitoring |

Parastatal Pension Fund - PPF

| | |
|-------------|-----------------------|
| Cosmas Sasi | Contributions Manager |
|-------------|-----------------------|

ABG Group

| | |
|----------------|-------------------------|
| Porini Shabani | Chief Financial Officer |
|----------------|-------------------------|