



KAYELEKERA MDA

• Lotus agrees 10-year stability period



Hon. Chang'anamuno (centre) captured with Lotus and Government officials at the signing ceremony

By Marcel CHIMWALA

A SX-listed Lotus Resources has announced that it has signed a Mine Development Agreement (MDA) with the Government of Malawi (GoM), for its Kayelekera uranium mine, a major milestone in its redevelopment.

Lotus CEO Keith Bowes says the Agreement ensures that the mine will operate under a stable fiscal regime and provides the necessary confidence to investors.

Bowes explains that the MDA guarantees a Stability Period of 10 years during which the Project will not be subject to any detrimental changes to the fiscal regime.

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MINING

LOTUS AGREES 10-YEAR STABILITY PERIOD

FROM PAGE 1

He says the MDA’s key tax terms are aligned with the Kayelekera Restart Definitive Feasibility Study (DFS) assumptions, including royalty rate of 5% and corporate tax rate of 30%.

“There is also relief provided on Resource Rental Tax and Withholding Tax, specifically as it applies to dividends to non-residents,” he says.

The MDA also provides exemptions for import and export duties, plus excise and Value Added Tax (VAT) on capital goods and specified consumables directly related to mine production.

Bowes adds that the MDA includes internationally recognised principles relating to legal protection on security of tenure, dispute resolution and expropriation.

“MDA demonstrates the commitment by the GoM to develop the local mining industry, a key pillar of Malawi 2063, their new economic vision,” he says.

Bowes also points out that Rio Tinto’s increased shareholding in Sovereign Metals, which holds another key mining project in Malawi, indicates the increased attractiveness of Malawi as a mining destination.

He says:“We are extremely pleased to have finalised our MDA with the Malawian Government. I would like to thank all parties involved in these negotiations, especially the Presidential Delivery Unit who were instrumental in finalising the agreement. The relevant ministries including mining, finance and justice have all been very supportive in our negotiations as we have gone through multiple iterations of the MDA.”

“It has been a timely conclusion to these negotiations as we have seen increased demand for the Kayelekera product from a number of utilities which coincides with the current perceived shortages and strong prices in the market. With the completion of the MDA, we can now move ahead quickly with concluding some of our offtake discussions.”

MDA key terms

The MDA specifies key fiscal terms, legal protections and non-fiscal government support under which Lotus will develop and operate Kayelekera. Lotus has benchmarked comparable fiscal regimes elsewhere in informing its MDA discussions with the GoM.

The MDA is aligned with current Malawi legislation. Key terms agreed include:

- A stability period of 10 years from date of execution during which the Project will not be subject to any detrimental changes to the fiscal regime
- Royalty rate of 5% and the corporate tax rate of 30%
- Tax losses from acquisition are included, with protection from disputes on tax refunds through the principle of tax set-off. The agreement also includes ability to restructure historical loans and tax losses on a tax neutral basis
- Malawi’s currently legislated Resources Rent Tax (RRT), which is not fit for purpose, does not apply. Instead, the GoM proposes to consider an alternate supernormal profits tax (that may consist of a sliding scale linked to uranium price) to replace the current RRT.



Despite that the mine is on care and maintenance, Lotus assists local community in different sectors includng health and education



Kayelekera plant

The Company will receive a waiver until such time as this is effective.

- Exemptions for import and export duties, excise and VAT on capital goods and on specified consumable items directly related to mine production
- Withholding Tax relief (currently 10% for a mining company) on dividends to Lotus for the majority of the mine life
- The maintenance of foreign currency bank accounts inside and outside Malawi that are supportive of project financier requirements
- A Community Development Agreement with a minimum value of 0.45% of project revenue set aside for community projects
- Specific legal protection is afforded to the Company, including Security of tenure, Dispute Resolution and Arbitration and non-discrimination

Engagement with Government of Malawi

Lotus’s negotiations with the GoM were based on the concept of a fair and equitable split of economic benefits for investors that meets the project financing needs, delivers an economically viable project and provides the necessary benefits to the local communities, the Malawian people and the GoM.

Consideration has been given to not only fiscal items such as taxes and royalties but also economic benefits including jobs, business development, local procurement and supporting local businesses and communities.

Next steps

Bowes states that the company’s current priorities include to complete offtake negotiations for the first phase of contracting with offtake agreements likely to have a pre-payment component to support project financing, complete the front-end engineering design program and finalise project financing.

He explains that Lotus’s debt advisor, Orimco, has identified potential financiers to assist in the project financing while Independent Technical, Environmental and Legal reviews are planned prior to receiving credit approved proposals.

Lotus is also expected to complete negotiations and sign a Power Supply and Power Implementation Agreement with Malawi’s electricity utility Electricity Supply Corporation of Malawi (ESCOM).



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MINING

EDITORIAL



BY MARCEL
CHIMWALA,
PUBLISHING EDITOR

Malawi needs to
lay foundation to
promote local
beneficiation of
transitional
minerals

Studies show that Malawi is making substantial progress in exploration work for a number of useful minerals that are on high demand globally.

As reported in our article on Page 12, the minerals that Malawi is endowed with include transitional minerals such as rare earths, niobium and graphite which are important in the promotion of clean energy and environmental conservation.

Malawi is advancing towards extraction of these minerals as evidenced by the recent signing of mine development agreements for Kanyika Niobium in Mzimba; Songwe Hill Rare Earths in Phalombe; and substantial progress in mine development works at Kangankunde in Balaka.

We agree with stakeholders quoted in the article including Chikomeni Manda of Perekezi Consultants and Ignatius Kamwanje of Conquest Geo-consulting that Malawi needs to prepare the ground for local value addition of these minerals so that it will be able to export end products instead of raw mineral concentrates.

As Manda is quoted in the article, we should not expect the mining companies to invest in the whole value chain up to producing and exporting end products from the minerals.

What Malawi needs to do is to promote manufacturing by creating a favorable environment and also dangle incentives to manufacturing companies to produce end products from these minerals.

The Malawi Development Corporation which has been re-established and other public and private firms should also explore investment ventures along this value chain taking advantage of the global energy revolution and the incentives Government is offering in these investments.

Malawi stands to lose out big time by exporting raw mineral concentrates and in turn importing end products of these minerals at high prices.

Malawi is producing graduates in industry related courses every year. It is through developing local beneficiation of minerals that the country will be able to scale up employment creation for these technocrats.

Exporting raw minerals will imply exporting such job opportunities to the countries importing these minerals to produce the end products.

As Kamwanje is quoted in the article, the discovery of these transitional minerals is an opportunity that Malawi needs to utilize not only to address the problem of employment but also grow its economy by maximizing generation of foreign exchange through exporting end products.

Certainly, an industrialized Malawi with mining as a key enabler as reflected in Malawi 2063 is possible if Malawi utilizes these minerals to produce end products for local and export markets.

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New Mining Authority Director
General speaks out

By Wahard BETHA

The newly appointed Director General (DG) for the Mining and Minerals Regulatory Authority Samuel Sakhuta says he is ready for the challenge of serving the nation in developing its minerals sector.

State President Lazarus Chakwera on August 1, 2024 appointed Sakhuta as the first Director General for the newly established Authority.

Reads the statement signed by Principal Secretary for the Ministry of Mining Joseph Mkandawire: “I write to inform you that it has pleased His Excellency the President Dr. Lazarus McCarthy Chakwera to appoint Mr. Samuel Sakhuta as Director General of the Mining and Minerals Regulatory Authority with effect from 31st July 2024.

“In view of this development, all matters pertaining to the Authority will be handled by Mr. Sakhuta in his capacity as Director General.”

“Let me take this opportunity to congratulate Mr. Sakhuta for his appointment and wish him success in the discharge of his responsibilities.”

In an interview with *Mining & Trade Review*, Sakhuta said he is ready for the challenge of heading the new institution.

He thanked the authorities for trusting him and pledged to serve the nation with commitment.

Sakhuta said: “It is good news though a challenge. It is a challenge because am the first person to be appointed as Director General which means people have a lot of expectations from me.”

“If you succeed someone it is a bit easy because you learn from that person whom you are taking over from. But when you are the first ever person it means everything starts with you and it puts you at a position where everyone wants to measure your success.”

The Mining and Minerals Regulatory Authority came into operation on June 28, 2024 following the operationalisation of Mines and Minerals Act of 2023 but the Government is yet to appoint board members for the Authority.

Among other things, the new Act stipulates that the Au-



Sakhuta: It is good news though challenging

thority shall regulate the mineral sector in the development and utilization of mineral resources in line with sustainable development principles and practices and for the benefit of Malawians.

The Authority shall also monitor the activities of licensees to ensure compliance with the Act and the terms and conditions of their licences; promote the harmonization of activities, plans and policies concerned with sustainable development and utilization of mineral resources and ensure their consistency with the overall national development policy.

It shall also regulate local beneficiation and downstream processing of minerals, including mineral value addition.

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MKANGO SIGNS MINING DEVELOPMENT AGREEMENT WITH MALAWI GOVERNMENT FOR THE SONGWE HILL RARE EARTH PROJECT



Mr Lemon (Centre), Hon. Chang'anamuno, Minister of Finance Hon Simplex Chithyola Banda and other dignitaries celebrating the signing of the MDA



Lemon pending his signature



Hon. Chng'anamuno visited Songwe Hill to appreciate the Company's prospecting work



Meeting with the Chiefs and Community leaders of Songwe Hill announcing the signing of the MDA



Mkango has built strong relations with the local community at Songwe Hill as it donates relief items in times of need, and assist the community in the areas of education, health and infrastructure development



By Marcel CHIMWALA

Lancaster Exploration, a 100% owned subsidiary of TSX.V and AIM listed Mkango Resources, has signed a Mining Development Agreement (MDA) for the Songwe Hill Rare Earths Project in Phalombe with the Malawi Government.

The signing ceremony was held at the Office of the President and Cabinet in Lilongwe, Malawi during the evening of Friday July 26th, 2024.

Hon. Minister Monica Chang'anamuno MP, Minister of Mining for Malawi stated

"The signing of the MDA marks a momentous and significant occasion in the history of Malawi's mining sector. It is with great pride and optimism that we sign the MDA between the Government of Malawi and Lancaster Exploration Limited (Mkango) paving the way to start mining Rare Earths at Songwe Hill in Phalombe. The MDA signed by the Government of Malawi is a product of almost two years of hard work. I would like to thank the team at Mkango for their positive partnership spirit during the negotiation period. This Agreement is not just a contractual obligation; it symbolizes a renewed partnership, a commitment to sustainable development, and a shared vision for a prosperous future for both parties. The journey to this has been marked by diligent negotiations, mutual respect, and a deep understanding of the potential that lies beneath our feet. The conclusion and signing of this MDA is a testament to what can be achieved when we work together with a common purpose. It will ensure

that the benefits of our mineral wealth are shared equitably and that our environmental and social responsibilities are upheld. The MDA we have signed today is a win-win agreement and is based on the belief that Government, the mining investor and Malawians share some fundamental interests of benefitting from these future mining activities. On behalf of the Malawi Government I would like to take this opportunity to assure the investors that the Government will adhere to its obligations reflected in this MDA. I would like to reiterate Government's commitment in ensuring that it provides requisite infrastructure to support the mining activities at Songwe Hill and the country in general. The future mining operations at Songwe Hill in Phalombe will have far-reaching impacts on our economy. As we are all aware mining represents the hopes and dreams of the Malawian people for economic growth, wealth and job creation in line with Vision 2063 and the Agriculture, Tourism and Mining (ATM) Strategy championed by His Excellency the President Dr Lazarus McCarthy Chakwera. To the management team at Lancaster Exploration Limited (Mkango) I would like to thank you for your unwavering commitment to Malawi. Together, we are not just signing an agreement; we are embarking on a journey towards a brighter, more prosperous future for Malawi. Let this be a shining example of what can be achieved through partnership, perseverance, and a shared vision for a better tomorrow."

Alexander Lemon, President of Mkango stated: "We are very pleased to announce this major milestone for the Company and the nation of Malawi. I am delighted that the MDA has been agreed and signed with the Government of Malawi.

The Project when developed, is expected to be a game changer and transformational for Malawi and Mkango welcomes the very strong support it is receiving from the Government of Malawi and all stakeholders. When developed, my hope is that Songwe Hill will catalyse a new industrial revolution in Malawi, creating employment opportunities, producing high value-added exports, as well as further unlocking Malawi's mineral potential and new infrastructure developments."

Songwe is one of the very few rare earths projects globally to have completed a definitive feasibility study and hold a signed and approved Environmental, Social, Health Impact Assessment ("ESHIA"), which was completed in compliance with IFC Performance Standards and The Global Industry Standard for Tailings Management (2020) ("GISTM") adopted for design and management of the tailings storage facility. The key rare earths being targeted at Songwe are neodymium, praseodymium, dysprosium and terbium which are all critical for the green transition and are essential to permanent magnets for electric vehicles, wind turbines and many electronic devices.

Key components of the MDA include:

- > 5% royalty of gross revenue
- > 30% corporate tax rate
- > 10% non-diluting equity Interest in the Project to Malawi Government
- > Exemption from customs and excise duties – Lancaster will be exempted from

Export Duty, Import Duty,

Import Excise and Import VAT on imports and exports of capital goods as provided in the applicable law

- > 10 years stability period
- > 10 years Tax loss carry forward
- > Community Development Expenditure is an allowable tax deduction

The key rare earths being targeted at Songwe are neodymium, praseodymium, dysprosium and terbium which are all critical for the green transition and are essential to permanent magnets for electric vehicles, wind turbines and many electronic devices. Rare earth elements are critical enablers of clean energy and electro-mobility. They are used in a wide range of applications that have transformed modern society, and due to their unique physical and chemical properties, are exceptionally challenging to duplicate or replace.

UK and Canadian listed Mkango has been conducting detailed geological exploration and feasibility study work since 2010 at Songwe Hill in Phalombe and invested over US\$35-million to date

The Company works closely with the local communities and prioritizes employing both skilled and non-skilled workers from the community, and carries out a number of corporate social responsibility projects in different areas including education, health, agriculture and infrastructure development.

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MINING & TRADE *Review*

CONGRATULATIONS

The Board of Directors, Management and Staff of Mining Review Publications congratulate Mr Alywn Vorster on his appointment as Chief Executive Officer of Lindian Resources Ltd

Wishing you all the success in developing the Kangankunde Rare Earth Mine



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MINING & SOCIAL ISSUES

with Ignatius Kamwanje



The Author is a Consulting Geoscientist with experience in Mineral Exploration, Mining Geology, ESIA, Ground Water Resources and Occupatioinal Safety, Health and Environment

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The Role of Malawi Revenue Authority in Metals and Mining

The Malawi Revenue Authority (MRA) is an agency of the Government of Malawi responsible for assessment, collection and accounting for tax revenues. It was mandated in April,2024 to start collecting mineral royalties in Malawi and this follows an amendment of the Mines and Minerals Act and the Taxation Act in 2019. This change in the law has resulted in the transfer of the collection of the mineral royalties from the Department of Mines now to Malawi Revenue Authority (MRA).

The Malawi government has been losing out potential revenue on some initial mining ventures including gemstone smuggling. But it is now good to note that the government has now revised necessary laws of the sector to curb the situation and capacity building is underway to ensure that Malawi rightfully earns the required income through domestic revenues and close financial leakages that miners use in illegal externalisation of funds and mineral resources. Other means of externalizing the funds in mining are potential illicit financial flows, transfer pricing and these contributed to the dwindling economy of the country through externalization of foreign exchange. In this regard, the government needs to tighten measures that will see the economy of the country improving through the control of externalizing foreign exchange, ring fencing etc. To improve the situation, eight Malawi government agencies also signed a Memorandum of Understanding establishing an initiative to fight illicit financial flows and transfer pricing in the country. These institutions which are implementing this initiative are Malawi Revenue Authority, Reserve Bank of Malawi, Police, the Office of the Director of Public Prosecutions, Immigration and Citizenship Services, the Anti-Corruption Bureau and the Financial Intelligence Authority.

1. Revenue Collection outlook

Mining companies should be encouraged to invest and financiers should focus on acquiring more opportunities in the industry, while government must set necessary policies including regulations to curb exploitation of mineral resources in order to earn the much expected fees and taxes from the industry.The notion of generating adequate funds on domestically mobilised resources, of which taxes are substantial, should maintain the oversight role of accountability in tax remittances. The focus is that improved tax systems will increase accountability of the State to its citizens, enhance domestic resource mobilisation and thereby foster economic growth. This is because right amounts of taxes should translate into robust economic activities. Besides, the government will be guaranteed of sustainable supply of funds to support infrastructure development and provision of efficient social services. When citizens see that the results of their taxes they pay
2. Mineral Royalties

Mineral loyalties are payments made by mining companies to the Malawi Government which owns mineral rights in the country and the mineral royalties are calculated as a percentage at 5% of the value of extracted minerals and may be subjected to change from Mining Development Agreements of a particular mine site. The Malawi Revenue Authority has been engaging various mining companies in Malawi to sensitize them on the transfer of the collection of mineral royalties to enable them understand the new law and what is expected of them such that the transfer of the mandate of collecting mineral royalties will enhance MRAs’ efficiency. Mining companies have to determine if the produced minerals are for local use or for export. If the minerals are for local use, a mining company would be required to file the royalty return processed by the Department of Mines to MRA. Previously, the Ministry of Mines had been collecting mineral royalties but there were continuing challenges as far as capacity is concerned and that is why thresponsibility has been transferred to MRA. In this case, the Department of Geological Surveys would then evaluate the mineral royalty base to determine value and volume, issue a certificate of inspection and seal the container. One of the conditions of allowances as an incentive is that a person carrying out mining operations who incurs mining expenditure in any year of assessment shall be entitled to an allowance equal to 100 percent of such expenditure in the first year of assessment.
3. Fiscal Regime and Resource Nationalization

A good fiscal regime must identify the mineral resource, allocate rights, design it, administer and be able to manage the revenues. Since citizens are jealousy to guard the mineral resources at times, it is the responsibility of the State to engage itself in partnership with the mining company for the state, the mining company and communities also to benefit. There are four possibilities of equity participation which are Full, Carried, Free and Production Sharing as in Petroleum. The government is encouraged to venture into one or two of these sharing participations and negotiate for such since it seems to be silent at the moment. It is through these participations that the royalty and tax base can also be uplifted, amplified and enhanced by the Malawi Revenue Authority. The danger here is that if the State has no money, it may trade off future taxes for equity and finds itself in a risky situation.



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IRON ORE IN MALAWI

GEOLOGICAL SKETCH OF MINDALE HILL

The map shows Mindale Hill with contour lines at 2000, 2400, 2800, and 3200 feet. The central area is shaded with diagonal lines, representing iron ore. Within this area, there are several small circles and lines, possibly representing specific geological features or structures. The surrounding area is labeled 'Country Rocks'. A north arrow is located in the upper right corner. A scale bar at the bottom indicates distances from 0 to 800 feet. The map is titled 'GEOLOGICAL SKETCH OF MINDALE HILL'.

Legend:

- Iron ore (shaded area)
- Iron debris (small circles)
- Country Rocks (unshaded area)

Scale: 0 to 800 Feet

Geology by F. Hubbard

JRM

[illegible]

(c) Geomine 2024

DZONZE IRON ORE, NTCHEU

To Ntcheu Junction

Mpala

Kapidimba

Ntendere

Nenani

To Tsangano

Fe

SCALE

0 1 2

Kilometres

LEGEND

- Fe
- River
- Road
- Int. Boundary
- Village

(c) Geomine 2024

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KAYELEKERA, SONGWE PROJECTS TO STRENGTHEN MALAWI'S ECONOMY

By Wahard BETHA

Minister of Mining Monica Chang'anamuno has lauded the finalization of the Mining Development Agreements (MDAs) for Kayelekera Uranium in Karonga with ASX-listed Lotus Resources and Songwe Hill Rare Earths in Phalombe with Lancaster Exploration saying the two mines have the potential to boost the economy of Malawi.

The Minister said at the signing ceremony of the two agreements: "As we are all aware mining represents the hopes and dreams of the Malawian people for economic growth, wealth and job creation in line with Vision 2063 and the Agriculture, Tourism and Mining (ATM) Strategy championed by His Excellency the President Dr. Lazarus McCarthy Chakwera."

"These mines will go a long way in reshaping and strengthening Malawi's economy by among other things creating jobs, generating government revenue through taxes and royalty, generating the much needed forex, and stimulating local economic activities in general."

She cited that Kayelekera is expected to create 450 direct employments and 200 indirect jobs of up to 200 workers. The

anticipated revenue is \$1.6 million per year in dividends, \$20 million in royalties annually and other taxes only if the Uranium price is pegged at \$65/ pound."

On the other hand, the Songwe Hill Project will create over 1200 jobs during the 2-year construction period and then 500 jobs per annum during the 18-year mine life and 10000 indirect jobs while the anticipated revenue is \$120.6 million per annum in form of royalties, dividends and other taxes.

"The Mining Development Agreements we have signed today are win-win products based on the belief that Government, the Mining Investors and Malawians share some fundamental interests of benefitting from these mining activities," she said.

Chang'anamuno urged the investors to adhere to their obligations reflected in the Mining Development Agreements.

She said: "Equally, I would like to urge the two companies to meet their obligations by among other things mobilizing themselves as soon as possible so that mining activities can start."

"I would like to reiterate Government's commitment in ensuring that it provides requisite infrastructure to support the mining activities at Kayelekera and Songwe and the country in general."



Chang'anamuno: These mines will go a long way in transforming economy

STAKEHOLDERS LOBBY FOR LOCAL VALUE ADDITION OF TRANSITIONAL MINERALS

By Wahard BETHA

Stakeholders working in the extractives sector have called on the Malawi Government to come up with policies and strategies to attract investors in local value addition of transitional minerals.

Malawi has the potential for mining of transitional minerals including graphite, niobium, rare earths and rutile.

Partner for Perekezi Consultants Chikomeni Manda said even though mining and manufacturing are two different sectors, availability of the raw materials have the potential of developing the manufacturing sector which will help the country achieve the Malawi 2063 aspirations.

He said: "In order to achieve this economic agenda, Malawi needs to transform into a manufacturing country that exports end products."

"For example, we have graphite, niobium and rare earths which I think can be beneficial to the country as readily available raw materials for production of strong magnets to produce batteries to power electric vehicles."

"What we need to do is promote manufacturing by creating a favorable environment and also put a lot of incentives to manufacturing companies so that they are able to manufacture end products from these minerals."

Manda said it will be unfortunate to see Malawi only mining the transitional minerals to export in raw form and import the end products at very high prices.

He said the country is currently experiencing forex shortages and the challenge of high unemployment rate which could be addressed through industrialization and export of end products.

"These manufacturing companies create a lot of employment opportunities, support other businesses through linkages as well as facilitate knowledge and skills transfer," Manda said.

In a separate interview, a seasoned Consulting Geoscientist Ignatius Kamwanje concurred with Manda saying the transitional minerals have the potential to drive Malawi out of poverty.

Kamwanje said with increased calls for clean energy globally, the country has the opportunity to grow its economy only if it shows seriousness and support towards the mining sector.

"The Transitional Minerals are important in the modern technological era because of the demand for clean energy and that they do not damage the environment. At the same time, these minerals have the potential to drive the country's economy," said Kamwanje.

Malawi's ongoing transitional minerals projects include: Kangankunde Rare Earth by ASX-listed Lindian Resources Limited in Balaka; Songwe Rare Earth by Mkango Resources Limited in Phalombe, Kasiya Rutile-Graphite Project by Sovereign Metals in Lilongwe and Globe Metals and Mining's Kanyika Niobium Project in Mzimba.



Manda: Malawi needs to transform