

Tanzania Mining Report Q2 2016

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Abstracts

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BMI View: Tanzania's gold sector will remain pressured by low gold prices, which will discourage production growth over coming years. Beyond our forecast period to 2020, the country's mining sector could diversify as various miners are looking to invest in the country's nickel, coal and uranium resources.

Latest Developments & Structural Trends

Tanzania holds vast deposits of coal, cobalt, copper, diamonds, gold, nickel, silver and uranium. Despite these positive aspects, we forecast the country's mining sector growth will decline over 2016-2020. In our view, weak gold prices will halt gold production growth and delay or halt new projects from coming online altogether. We expect Tanzania's mining industry value to decline from USD0.86bn in 2014 to USD0.82bn by 2020.

Tanzania, currently Africa's fourth-largest gold producer, will see modest growth in output due to mine closures and a limited number of projects in the pipeline. Ongoing labour unrest, illegal mining, power shortages and gold price weakness will also temper the sector's production outlook. Acacia Mining (formerly African Barrick Gold) and Resolute Mining have ceased production at two mines due to depleted reserves. Acacia Mining and AngloGold Ashanti have warned about impending job cuts in the north of the country. Given that Tanzania relies upon gold for over 40.0% of its exports, the downturn in the sector is likely to have serious repercussions for the economy as a whole.

Despite this, a number of new projects will ensure the country's production growth remains positive over the coming quarters. For instance, CATA Mining's

Mara gold mine, the second largest project in the region, following Acacia Mining's North Mara gold mine, is expected to begin production in Q316. The miner has invested over USD54mn to develop the project. Further, Shanta Gold recorded gold production of 24,522 ounces (koz) at its New Luika gold mine in Tanzania in Q315. The record production was benefited from a 33% q-o-q improvement in gold ore grade efficiencies and a 25% increase in tons milled during the quarter.

Shanta Gold has laid out a five-year mine plan for its New Luika mine in Tanzania. The new mine plan? which will include underground mining and an ongoing surface mining and tailings recovery project? estimates an average production of 84koz annually over the next five years. An underground extension to the mine will produce 310koz and add USD72mn to the project value. The underground development is estimated to have an up-front cost of USD38mn. Under the plan, the open pit will run until 2018. New Luika is expected to produce a total of 443koz of gold during the 2016-2022 period, of which 310,000oz will be from underground, 133koz from open pit and 19koz from the tailings project.

Contents

BMI Industry View

Table: Tanzania - Mining Industry Value

Latest Developments & Structural Trends

Table: Tanzania - Key Mining Projects

SWOT

Industry Forecast

Gold: Modest Growth Ahead

Latest Developments

Table: Gold Production Forecast (Tanzania 2014-2020)

Structural Trends

Industry Risk Reward Ratings

Tanzania Risk Reward Index

Rewards

Industry Rewards

Country Rewards

Risks

Industry Risks

Country Risks

Risk/Reward Index

Key Takeaways

Latest Revisions

Table: Africa - Mining Risk/Reward Index

Regulatory Development

Trade & Investment Risk Analysis

Commodities Forecast

Commodities Outlook

Table: BMI Commodities Price Forecasts

Competitive Landscape

Key Players

Table: Tanzania - Main Mining Companies

Company Profile

Barrick Gold - Q2 2016

Company Strategy

Latest Results

Table: Barrick Gold - Key Financial Data

Address Details

Regional Overview

Table: SSA - Government Involvement In Mining Sector

Methodology

Industry Forecast Methodology

Sources

Risk/Reward Index Methodology

Table: Weighting Of Indicators

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