



Income Generating Projects Progress Report

Report on the progress of the income generating programmes for Agricultural Development and Artisanal Small-scale Mining.

July 2023

1 INTRODUCTION

In May 2021, Petra Diamonds Limited (PDL) reached a settlement in relation to claims brought in London on behalf of 71 anonymous claimants, due to alleged breaches of human rights, associated with third-party security operations, at the Williamson Diamond Mine in Tanzania (the Mine).

The settlement included PDL's agreement to invest in certain projects dedicated to providing long-term sustainable support to the communities living around the Mine, which are referred to as the Restorative Justice Projects (RJPs). This report provides a high-level progress update on the potential Agricultural Development and Artisanal Small-scale Mining projects (together, the Income Generating Projects) which form part of the RJPs.

The Mine is operated by Williamson Diamonds Limited (WDL), which is currently 25% owned by the Government of Tanzania and 75% owned by PDL. On December 2021, PDL announced that it had entered into a Framework Agreement with the Government of Tanzania and WDL. On 31 May 2023, PDL announced entry into definitive transaction agreements for the sale of 50% of PDL's holding in WDL. Upon completion of the Transaction and the Framework Agreement, PDL and Pink Diamonds Investments Limited (a company nominated by and affiliated with Taifa Mining and Civils Limited) will each indirectly hold a 31.5% stake in WDL, with Petra retaining a controlling interest in WDL and the Government of Tanzania will own 37%.

2 FUNDING OF RESTORATIVE JUSTICE PROJECTS

Synergy can confirm that PDL has placed all the funds necessary to meet its financial commitments as part of the settlement in relation to the Income Generating Projects in an Escrow fund, with Synergy designated as the payment authority. We confirm that PDL retains no control over the funds and Synergy has been distributing the funds to deliver the projects in accordance with an agreed budget and is committed to distributing the remaining funds to the projects detailed below. Details on the progress of the projects can be found in the following sections.

3 PROGRESS UPDATE ON INCOME GENERATING PROJECTS

The projects aim to stimulate income generating opportunities for the communities around the Mine. These form a central part of PDL's commitment to building a healthy, lasting, and resilient relationship with the Mine's neighbours. In order to determine what project would most impact the community, two focus areas were agreed upon in the settlement agreement, namely agribusiness and artisanal mining. Since the last report, feasibility studies have been completed in both these socio-economic development focus areas to evaluate the feasibility, sustainability, and impact of prospective interventions.

As part of ensuring a fair and objective assessment of the feasibility studies, external independent experts – agricultural and artisanal mining – reviewed the reports and gave direct feedback to the consultants implementing the feasibility studies. In addition, Synergy developed an assessment framework, which focused in on relevance, feasibility, impact, and sustainability. The framework was used to assess the Agribusiness Development Initiative (ADI) and the Artisanal Small-scale Mining (ASM) feasibility reports.

Both feasibility studies concluded that the common sources of income for the communities surrounding the mine are farming, herding, mining, and informal business; with most villagers rotating between these activities interchangeably throughout the course of the year – depending on their access to capital and land. Another key finding was that water is a cross cutting need, identified in ASM, ADI and Sexual Gender Based Violence (SGBV) projects as well, with 75% of the population not satisfied with access to water and 35% having to walk

over 1 km to access water. In this context of mixed livelihoods in a fragile environment, with a dire need for access to water, consideration was given as to what kinds of interventions would bolster and enable “sustainable living and withstanding from poverty and shocks”.

3.1 Artisanal and Small-Scale Mining Feasibility (ASM Feasibility)

OVERVIEW

The purpose of the ASM feasibility study was to understand what sustainable, responsible, and legitimate artisanal diamond mining project could be developed in the local area, to increase economic and wider community benefits, improve the relationship between WDL and surrounding communities and reduce incentives for illegal diamond mining at the Mine.

As previously reported, a pre-feasibility study was completed in 2021 and this was followed by approval to proceed with a detailed ASM feasibility study from the Regional and District Commissioners as well as the Mining Commission in March 2022.

UPDATE

Following a tendering process TDi Sustainability (TDi) and Solidaridad were selected as feasibility study partners in July 2022. TDi is a specialist consulting and implementing agency enabling the building of ethical mineral, metals, and gemstone value chains through the provision of technical assistance, management advice, and communications support. Solidaridad is a global network of organisations that focuses on promoting sustainable production practices across various industries, including mining, with relevant experience of developing ASM projects in Tanzania.

A two-phased approach was taken, initial field and desk research followed by a socio-economic mapping activity in the 12 villages that surround Mwadui, which brought TDi and Solidaridad into contact with 150 participants through small focus-group style discussions. Models for potential ASM projects were developed following the engagements. A second round of stakeholder engagements and research on the ground in Shinyanga took place in January 2023, allowing for in depth stakeholder participation and engagement with WDL, the main stakeholder as the current lease holder, as well as community leaders, community groups, NGOs, the Regional Mining Officer, and District and Regional Commissioners. The study team also consulted on a number of occasions with technical, geological and mining experts from the Mine, as well as PDL’s Chief Technical Officer.

A number of early models were developed and then discarded. Those models are summarised below:

1. Creation of a sacrifice zone in the SML for artisanal miners to exploit.
2. Service provision outside of the SML to complement and enhance existing ASM activity.
3. Ore sharing from the main pit of the SML via a dedicated processing facility off-site.

During the process of feasibility review the models were discounted for reasons including: breaching the restrictions contained in the terms of the SML; the high initial costs involved; uncertainty on the economic benefit that would be delivered to the surrounding communities due to the low productive capacity of the areas under consideration; and concerns about the health and safety and environmental risks associated with them.

However, stakeholder engagements with WDL and PDL regarding the ore sharing option, as described above, sparked the idea of kimberlite scalp oversize, as explained below.

After further consideration a fourth option was proposed, involving extensive input from and consultation with PDL and WDL technical experts: sharing of stockpiled kimberlite oversize (pit material that is too large to feed into the processing plant) with artisanal miners. This became the main focus of the feasibility study given the relatively high carat yield of the oversize while WDL has no immediate plans to process the material and with an existing stockpile available.

Option 4, outside of providing kimberlite oversize, would also include the set-up of a processing plant and setup of Village Savings and Loan Associations (VSLAs) as the mechanism for building village-based self-help groups around which initial capacity building, participation in the project and production profit sharing would be organised. Models were developed to demonstrate the theoretical feasibility of the project including models for capital investment options as well as running costs and revenue streams. Given the complex nature of the project and the many assumptions used to develop the model, the study team agreed with the PDL technical staff's suggestion to implement a phased pilot approach to test practical feasibility, and spread the risk of the project where possible. Initially the focus would be on testing the feasibility of the ASM community handling the scalp oversize. Later phases would include the establishment of a processing plant, with revenue streams coming from diamonds, but also gravel for construction and bricks. The project would be carried out over a two-year period, working on the assumption that revenue from the plant would cover ongoing running costs while also providing a livelihood to participants.

CURRENT STATE

Despite its innovative design, the project would require a significant financial investment over a two-year period to test the project, and its sustainability and potential impact are uncertain due to several key risks. These risks included:

1. Project dependency on a reliable and continuous availability of material of sufficient quality from the mine.
2. High capital investment needed and the potential for it to be self-sustaining being too unpredictable.
3. Although the phased approach would help manage technical risks of the project and spread the costs, the full budget for all phases of the pilot (which corresponds to the majority of the remaining budget for the income generating projects in the Escrow fund) would need to remain available until a clear outcome of the pilot was determined. This was a significant risk in circumstances where the economic benefit for the surrounding communities is uncertain.
4. An inconsistent flow of material of sufficient quality would risk negatively impacting the relationship between WDL and the local communities.

These all serve to confirm that ASM projects are complex and challenging. The potential project was designed to be tested in a phased pilot approach, recognising that many of the risks identified would be further assessed through implementation. However, the high overall uncertainty surrounding the risks above coupled with the high cost of running the pilot to completion led the study team, with input from Synergy and other stakeholders to conclude that the ore sharing project should not proceed at this time.

Although the proposed ASM intervention will not move forward, Synergy is advising on the development of an ASM engagement strategy in keeping with current global best practice for large-scale mining companies as well as continued engagement and feedback to the community regarding the results of the ASM feasibility

study and way forward. WDL will continue to keep potential ASM projects under review as part of WDL's ongoing engagement with the local communities.

Synergy will continue to engage with the local communities and began providing feedback on the outcome of the ASM feasibility study in June 2023. The stakeholder meetings will be completed in July 2023.

3.2 Agribusiness Development Initiative Feasibility (ADI Feasibility)

OVERVIEW

As already stated, the communities around the Mine engage in mixed livelihood approaches with all households involved in some form of farming and husbandry activity. The purpose of the ADI feasibility study was to understand what sustainable, responsible, and legitimate agricultural project could be developed in the local area, to increase economic and wider community benefits, improve the relationship between WDL and surrounding communities and diversify economic opportunities.

A scoping study was completed by Space & Development Company Limited (SpaDe) in February 2022 which identified that there was a supportive institutional environment, as well as markets for produce locally, but further engagement and analysis was needed to understand how to develop a sustainable ADI and align actors to give an ADI the best chance of success.

UPDATE

Having established relationships and demonstrated in-depth technical knowledge along with a sensitivity to the context, SpaDe were contracted to conduct a comprehensive feasibility study.

The approach involved a detailed empirical study – 174 structured and unstructured interviews and group discussions (with government, WDL staff, community members and village leaders); analysis of the district's agriculture extension reports; spatial analysis of natural resources and coverage of production activities; and tracing of the production value chain through product path analysis (from inputs through production to markets and customers within the communities).

Once the findings of the empirical study were shared and workshopped with all stakeholders including local community members, a participatory project design process was undertaken to ensure government and community ownership.

The participatory project design process resulted in two key focus areas being identified:

1. Intervention 1: The development of Charco-dams, which are expected to improve the plight of the 35% of the households in the surrounding communities who have to walk more than 1 km to access water. As well as providing a fundamental resource, the dams will support additional activities such as market gardens, fish farming, rearing livestock, making honey and reforestation.
2. Intervention 2: Mixed breed chicken rearing aimed at increasing the number of households involved in commercialized small and medium scale poultry businesses.

These two interventions aim to increase participation in market gardens and chicken rearing in the surrounding villages and to increase those participants average households' income from an average TZS 254,839/= per month (based on average expenditure) to at least TZS 400,000/= per month. This increase in income is to be achieved through a combination of increasing local knowledge on modern local/mixed breed chicken keeping, increased availability of quality and affordable inputs to growers (chicks and veterinary services), availability

of timely market information for growers, sellers and input suppliers of chickens and increased capacity of council extensionists to serve chicken growers.

The ADI interventions have substantial buy-in and support from diverse stakeholders. They address core livelihood issues such as improving access to water, reducing food scarcity, diversifying income through chicken rearing, increasing youth self-employment, improving living standards and helping to reduce poverty. Lack of water and water points prevails over nearly seven months of the continuous dry season, stagnates economic activities and causes social and economic distress for households.

There are risks, namely:

1. Potential for encroachment by artisanal miners, livestock keepers and gardeners moving onto the land surrounding the dam which can harm the environment and affect the water supply for other users (as noted with the current Songwa dam).
2. Overuse of the water resource by, for example, irrigation leading to reforestation and other land stewardship activities suffering.
3. Chicks are vulnerable to bird diseases such as influenza which would result in lack of income to continue buying feed and medication.

In order to manage these risks and to allow for learning and feedback, a scalable model has been adopted, starting out with a pilot focused on a smaller number of chicken rearing beneficiaries and one Charco-dam development. This ensures that the wider roll out can be managed effectively to provide the maximum economic benefit to the local communities.

CURRENT STATUS

SpaDe have been approved as the implementation partner following consultation with the communities and other stakeholders.

A pilot project has commenced including:

1. Field teams mobilised to site to confirm participants in the chicken rearing training and begin baseline assessments for those people as well as capacity building activities.
2. 100 people from the surrounding villages are being trained on chicken rearing using a national partner to deliver the training and provide support and extension services.
3. 1 Charco-dam and 1 well will be constructed to test the water provision model including processes for dam use and management. The team are currently waiting for an appropriate site to be identified by the village authorities to allow the Environmental Impact Study and dam design to start.

Activities will be monitored and reviewed to inform the wider roll out of interventions later in 2023. Synergy has taken the decision to commit the remaining funds available in the Escrow account in furtherance of this project and a pilot is being undertaken to ensure that the roll out is completed in the most appropriate way. Synergy will disburse the funds in full as part of that wider roll out of the interventions mentioned above.