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<td>Nickel Industry</td>
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</tr>
</tbody>
</table>
The recent growth and prominence in the mining industry continue to generate debate regarding the sector’s contribution to socioeconomic development of the country. In extreme cases the ‘trust deficit’ and divergent views arising from information gaps and other asymmetries are undermining the optimal exploitation of mineral resources in Zimbabwe.

Responding to these asymmetries, and in an effort to provide adequate and accurate data for crafting optimal policies that support the development and growth of the mining industry, the Chamber of Mines commissioned “The State of Mining Industry Survey” in 2015. Since its inception the Report has become the main source of reference in the Mining industry for the wide spectrum of stakeholders and information users locally and internationally. This year marks the fourth edition of the Survey Report, and I have no doubt of the relevance of the 2018 Report to all stakeholders in their endeavour to: assess the performance of the sector in 2018 and providing insights on developments, trends, opportunities and challenges; gauge the level of business confidence and prospects in the mining industry for 2019; and generate critical data to support the policy formulation, especially the crafting of the National Budget Statements.

I am confident that this survey information will continue to be useful to all stakeholders. We will continue to review the scope of the survey, for purposes of broadening and deepening the content, so as to ensure that the survey enhances its importance to all stakeholders.

In conclusion, I would like to thank the Chamber of Mines of Zimbabwe secretariat for facilitating and sponsoring the State of the Mining Industry Survey. I would also like to extend my sincere appreciation to every stakeholder who supported the study in various ways.

My best regards,

Bati Manhando
The Chamber of Mines is proud to sponsor the 2018 State of the Mining Industry Survey, a data-driven empirical inquiry into the performance and prospects of the mining industry.

To ensure independence and objectivity, the Chamber of Mines’ role was restricted to sponsoring and facilitating access to privileged data and information of our members who formed a greater part of the respondents. A professional team of Consultants were engaged to conduct the whole spectrum of research from research design to the presentation of findings.

It is our hope that the Survey report will address the information asymmetries that exist among the key stakeholders. As part of our mandate the Chamber remains committed to the establishment of a large information base that meets the needs of all stakeholders in the mining industry.

We would like to thank the Survey lead Consultants, Professor Albert Makochekanwa, Chairman Economics Department University of Zimbabwe and Lyman Mlambo, Chairman Institute of Mining Research University of Zimbabwe for working hard to produce this report under very tight timelines.

Isaac Kwesu

Chief Executive Officer
Background and context

Introduction and background

The mining sector has emerged to become the key driver of the country’s economic turnaround, hence generating a lot of interest from many stakeholders, who on many occasions have questioned on a number of issues relating the performance of the sector, contribution of the sector, prospects and sustainability.

It is against this background that the Chamber of Mines sponsors an annual Surveys to provide detailed accounts of the state of affairs in the mining industry vis-a-vis key performance opportunities, prospects and challenges in the mining sector.

Rationale and justification

The survey attempts to bridge the information gap, and provide leverage for government policy as well as strategic planning for other key stakeholders that include mining houses, investors, financiers, suppliers, labour and communities.

Key objectives and outcomes

The State of the Mining Industry Survey seeks to:

- Assess the performance of the sector, including recent trends and developments, challenges, risks and opportunities;
- Provide government and other stakeholders basis upon which to craft appropriate policies and strategies to foster growth and development of the mining sector;
- Gauge the level of business confidence in the mining industry; and
- Generating statistical and descriptive mining data.

Methodology

The survey is based on both primary and secondary data. The cluster sampling method was used to draw a sample from the population of mining operators and related institutions. These clusters include Precious Stones, Precious Minerals (excluding PGMs), Base Metals, Platinum Group Metals (PGMs) and Industrial Minerals Energy Minerals.

The general response rate was around 90%, with the sample results representing a large extent the general behaviour of the whole mining industry.

Key survey outcomes and deliverable

The Survey findings are delivered with three main deliverables.

- Main Survey Report which contains a comprehensive analysis of statistical and accompanying qualitative information which will be disseminated to stakeholders.
- Mining Business Confidence Index which gauges the level of investor confidence in the mining industry.
- Policy Brief- to shape and inform optimal policy for growth and development of the mining industry.
SECTION 1

The Mining Business Confidence and Prospects for 2019
Mining Business Confidence Index

1. Introduction

The Mining Business Confidence Index (MBCI) is an important barometer whose aim is to measure mining business sentiments (optimism or pessimism) about the prospects of the mining industry and the Zimbabwean economy in general in the next 12 months.

The 2019 MBCI was computed based on sentiments of mining executives and investors on prospects of the mining industry and the economy as it related to new political developments which manifested in a change of Government and its leadership.

1.1 Measured Variables

The MBCI for 2019 was constructed and measured based on a set of 12 proxy variables of business confidence as below:

1. Economic prospects
2. Profitability prospects
3. Growth prospects
4. Market outlook
5. Access to and cost of capital
6. Employment (new hirings and layoffs)
7. Investment plans and commitments (including project development plans)
8. Mining title security
9. Investment competitiveness
10. Stability of and optimality of mining fiscal regime
11. Consistence and predictability of mining policies
12. Perception of political risk

The first six variables relate to business risk. Business risk measures the probability that either performance will decline or the business will fail as a result of typical business uncertainties. The last six variables relate to political, policy and regulatory risk. Political risk is defined as the possibility that political events in a country will affect the business climate and mining investors will not make as much money as expected.

1.2 Interpretation of the Business Confidence index

The index is interpreted from a scale ranging from -100 to +100, with the lowest score representing the least level of confidence and the biggest score representing the highest level of confidence.

Table 1: Business Confidence Index Scale

<table>
<thead>
<tr>
<th>Score</th>
<th>Significance</th>
</tr>
</thead>
<tbody>
<tr>
<td>+100</td>
<td>Much more confident</td>
</tr>
<tr>
<td>+50</td>
<td>Slightly more confident</td>
</tr>
<tr>
<td>0</td>
<td>As confident</td>
</tr>
<tr>
<td>-50</td>
<td>Slightly less confident</td>
</tr>
<tr>
<td>-100</td>
<td>Much less confident</td>
</tr>
</tbody>
</table>

1.3 Findings: 2019 Mining Business Confidence Index

Overall Mining Business Confidence Index

Source: 2018 Survey data

The overall Mining Business Confidence Index (MBCI) for 2019 is +8. This means that mining executives are slightly more confident about the mining business prospects for 2019. Despite being positive, the index
The Mining Business Confidence and Prospects for 2019 for 2019 is somewhat lower than that recorded for 2018. The major reasons for the decline in confidence are reflected in the 12 measured indicators outlined in Table 2 below:

<table>
<thead>
<tr>
<th>Mining Business Confidence Index</th>
<th>2019 index</th>
<th>2018 index</th>
<th>2017 index</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Economic prospects</td>
<td>-10</td>
<td>4</td>
<td>50</td>
</tr>
<tr>
<td>2 Profitability prospects</td>
<td>6</td>
<td>18</td>
<td>11</td>
</tr>
<tr>
<td>3 Growth prospects</td>
<td>25</td>
<td>78</td>
<td>50</td>
</tr>
<tr>
<td>4 Market outlook</td>
<td>20</td>
<td>22</td>
<td>17</td>
</tr>
<tr>
<td>5 Access to and cost of capital</td>
<td>(20)</td>
<td>(15)</td>
<td>(72)</td>
</tr>
<tr>
<td>6 Employment (new hires and layoffs)</td>
<td>20</td>
<td>32</td>
<td>28</td>
</tr>
<tr>
<td>7 Investment plans and commitments (including project development plans)</td>
<td>10</td>
<td>50</td>
<td>39</td>
</tr>
<tr>
<td>8 Mining title security</td>
<td>0</td>
<td>2</td>
<td>(11)</td>
</tr>
<tr>
<td>9 Investment competitiveness</td>
<td>(5)</td>
<td>50</td>
<td>3</td>
</tr>
<tr>
<td>10 Stability of and optimality of mining fiscal regime</td>
<td>(5)</td>
<td>30</td>
<td>(39)</td>
</tr>
<tr>
<td>11 Consistence and predictability of mining policies</td>
<td>(6)</td>
<td>2</td>
<td>(11)</td>
</tr>
<tr>
<td>12 Perception of political risk</td>
<td>(12)</td>
<td>(10)</td>
<td>(44)</td>
</tr>
<tr>
<td>Average Business Confidence Index (BCI)</td>
<td>8</td>
<td>21.9</td>
<td>(6.6)</td>
</tr>
</tbody>
</table>

Key: () denotes negative numbers

### 1.4 Analysis by Confidence Variable

#### 1.4.1 Economic prospects

The economic prospects confidence indicator for 2019 is -10. This means that mining executives are slightly less confident about economic prospects in 2019. This indicator has somewhat deteriorated from +4 recorded for 2018. Confirming the above, 63% of respondents were pessimistic about economic prospects and are expecting the economy to contract, while 37% anticipate marginal economic growth in 2019.

**Economic Prospects**

![Economic Prospects Graph]

Source: 2018 Survey data

#### 1.4.2 Profitability Prospects

The profitability prospects confidence indicator for 2019 is +6%, indicating mining executives’ optimism about profitability of mining businesses in 2019. Demonstrating the above, 51% of respondents are anticipating profits in 2019, while 39% expect marginal growth, with the remaining 13% indicating that profitability will remain the same as 2018.
### Profitability prospects

<table>
<thead>
<tr>
<th></th>
<th>% respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Significant contraction</td>
<td>14%</td>
</tr>
<tr>
<td>Marginal contraction</td>
<td>25%</td>
</tr>
<tr>
<td>About the same</td>
<td>13%</td>
</tr>
<tr>
<td>Marginal growth</td>
<td>38%</td>
</tr>
<tr>
<td>Significant growth</td>
<td>10%</td>
</tr>
</tbody>
</table>

Source: 2018 Survey data

#### 1.4.3 Growth Prospects

The growth prospects index for the mining industry for 2019 at +25, shows that mining executives are optimistic about the growth of the mining industry in 2019, with more than 52% of respondents expecting the mining industry to grow in 2019, while only 13% are expecting contraction in mining sector activities.

### Investment Plans and Commitments

The investment plans index for 2019 is +10 and show mining executives’ desire to inject capital in 2019. Notwithstanding the desire, the index for 2019 is somewhat lower than that for 2018 which was +50 due to restricted access to capital and uncompetitive investment environment.

### Access to and Cost of Capital

The access to capital index for 2019 (which measures the extent to which access to capital affects mining operations) is -20. This indicates that mining executives expect difficulties in raising capital in 2019.

Source: 2018 Survey data
1.4.3 Employment Forecasts

The employment forecast indicator at +20 for 2019 reflects that mining executives are positive about employment prospects for the mining industry in 2019, with 60% of respondents indicating that they may hire additional employees in 2019.

The investment commitment index for 2019 is at +10. This index shows that mining executives are committed to inject capital in 2019, with more than 60% of respondents indicating that they are going to spend on investment projects in 2019.

Investment Competitiveness

The investment competitive index for 2019 is at -5, indicating that mining executives view the investment environment for 2019 as uncompetitive. Demonstrating the above, 80% of respondents reported that the investment environment will not be competitive in 2019. This compares unfavorably with +50 recorded for 2018.

Mining Title Security

Survey findings show that the overall opinion expressed by mining executives about the mining title regime is neutral.

Stability of Mining Fiscal Regime

Source: 2018 Survey data

Source: 2018 Survey data
The confidence index score for the stability of the mining fiscal framework for 2019 at -5 shows that mining executives are of the view that the fiscal framework for the mining sector is unstable and suboptimal. The 2019 index compares unfavorably to +30 recorded for 2018.

**Consistency and Predictability of Mining Policies**

Respondents were asked their views with regards to the extent to which the current regulatory and legislative environment provides consistency and predictability of mining policies.

Survey findings show that the respondents are pessimistic that the Government will implement consistent and predictable mining policies in 2019 as shown by an index of negative -6, compared to +2 for 2018. Around 40% of respondents are unsatisfied (or pessimistic) about prospects of a consistent and predictable mining policy environment in 2019, while another 40% are neutral on the matter with the remaining 20% positive of consistent policies in 2019.

**Perception on Political Risk**

The 2019 perception on political risk is at -12, indicating that mining executives are of the view that there remains political risk for 2019.

**Market Outlook**

The mining industry expects the 2019 market outlook to be relatively positive with an index of +20, compared to +22 in 2018. About 50% of respondents indicated that they expect the outlook for 2019 to be better than 2018, while 25% are pessimistic about market trends in 2019.
SECTION 2

Findings On Policy Requirements For The Mining Industry
Policy Brief

The Policy Brief outlines policy perception and recommendations thereof, arising from the Survey.

Mining Sector Perception on Policy Environment

According to the findings there has been a general feeling that the level of government consultation with the mining industry improved in 2018 compared to 2017.

Level of Government consultation with the mining sector

Notwithstanding the above, executives in the mining industry are of the view that the policy environment remains suboptimal.

Perception on policy environment

Policies issues raised by respondents

The majority of respondents indicated that policies relating to Fiscal issues (100%), Monetary (100%), Beneficiation (100%) and Environmental (100%) are among policies undermining the performance of the mining sector.

Legislative and Policy issues in the mining sector

1. Monetary Policy and Foreign Exchange Management

Monetary policy issues raised by respondents as affecting their operations include low foreign exchange retentions by the mining industry; exchange rate disparities resulting in mismatch between revenue and the costs and high interest rates on the market making it difficult for mining companies to raise capital.

Monetary policy and foreign exchange issues

Recommendations

The majority of respondents recommended the following:
Fiscal policy issues affecting optimality of the current fiscal framework

<table>
<thead>
<tr>
<th>% respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revised beneficiation tax</td>
</tr>
<tr>
<td>High royalty</td>
</tr>
<tr>
<td>Multiplicity of taxes</td>
</tr>
<tr>
<td>2% tax on electronic money transfers</td>
</tr>
<tr>
<td>High environmental charges</td>
</tr>
<tr>
<td>High IDC charges</td>
</tr>
<tr>
<td>Double taxation of royalty</td>
</tr>
<tr>
<td>Mining fees and charges</td>
</tr>
</tbody>
</table>

Source: 2018 Survey data

**Non-deductibility of royalty**

All respondents recommended that royalty should be deductible as a tax expense in line with best practice in other mining jurisdictions.

**2% tax on electronic money transfers**

- All respondents indicated that the 2% tax, which is paid upfront, will be an additional burden to the mining industry, which is already operating in a punitive fiscal (tax) framework.
- The majority of respondents felt that the cumulative impact of tax, (which is levied on transaction across the entire mining value chain and is not based on ability to pay), is more than 30%.
- The tax has resulted in price increases across the mining value chain.
- Marginal mines who responded in the survey indicated that if the tax is not reviewed or removed, they would suspend operations.
- Respondents also felt that the tax will discourage ploughing back of profits due to multiple taxing, and would also increase the total capital requirement for similar projects without the tax.

**Recommendation on 2% tax on electronic money transfer**

- Exempt the mining sector from the tax
- Remove the tax
- Exempt re-invested profits
- Exempt project capital
- Apply the tax on value added basis

Source: 2018 Survey data

**Royalty**

70% of respondents indicated that royalty levels were high compared to other mining jurisdictions in the region, with diamond at 15% being the highest in the region.

**Recommendations**

The majority of respondents underscored the need to benchmark royalty with regional peers.

**Mining fees and charges**

All respondents felt that mining fees and charges are high and unaffordable and that Government continues to delay the review of mining fees and charges, notwithstanding submissions by mining companies on the matter. All respondents were of the view that the high fees we weighing down on the viability of the mining sector.

**Recommendation**

All respondents underscored the need to review and streamline mining fees and charges in line with those obtaining in the region, in order to restore viability of the mining sector.
Rural District Councils charges

All respondents (100%) indicated that Rural District Councils (RDCs) are high, unaffordable and vary with district. As was the case in 2018, all respondents expressed concern over the manner in which RDCs determine unit taxes (based on RDC budgetary requirements).

Recommendations

All respondents (100%) recommended that the RDC unit taxes be rationalized (reduced based on affordability) and be administered by Treasury. Other recommendations are outlined below:

### Success factors in beneficiation

<table>
<thead>
<tr>
<th>% respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>RDC levy be part of a single effective tax</td>
</tr>
<tr>
<td>Reduce and unify charges across all minerals</td>
</tr>
<tr>
<td>Reduce and unify the charges for each mineral</td>
</tr>
</tbody>
</table>

Source: 2018 Survey data

### Recommendations

- All respondents recommended that the beneficiation policy must not be treated in isolation, rather it should be developed in the context of broader national policies such as Minerals Development Policy, Investment Policy, Industrial Policy and Infrastructure Development Policy.
- All respondents proposed the replacement of beneficiation taxes with beneficiation incentives as is the case in other mining jurisdictions.
- 90% of respondents recommended leveraging on existing beneficiation facilities in areas such as coal, nickel, ferrochrome and iron ore, whilst planning and implementing beneficiation facilities in relatively new minerals like diamond and platinum.
- All respondents (100%) underscored the need to invest in generating sufficient feedstock that justify beneficiation facilities for the economics of the projects to be justified.
- All respondents recommended the provision of adequate infrastructure (particularly power and transport) as a key enabler to beneficiation.
- As for platinum, the majority of respondents (90%) recommended indefinite deferment of the export penalties in line with the platinum producers’ proposal and commitment to establish a centralised PGMs beneficiation facility in the country.

3. Beneficiation and value addition

All respondents were supportive of Government thrust on beneficiation and value addition and highlighted that it is a lasting solution to inclusivity in the mainstream mining sector through downstream and upstream linkages. In addition, all respondents recognized that there are many beneficiation opportunities across the mining industry.

### Beneficiation tax penalties

- All respondents (100%) expressed concern on the application of beneficiation penalties to compel mineral producers to beneficiate, arguing that the penalties are too high and will increase the tax burden on the mining sector.
- The respondents identified key success factors for beneficiation as follows:

<table>
<thead>
<tr>
<th>% respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>84% 85% 88% 90% 92% 94% 96% 98% 100% 102%</td>
</tr>
<tr>
<td>Hamming quick wins in existing facilities</td>
</tr>
<tr>
<td>Synchronizing beneficiation policy with the overall industrialisation strategy</td>
</tr>
<tr>
<td>adequate infrastructure</td>
</tr>
<tr>
<td>sufficient feedstock</td>
</tr>
</tbody>
</table>

Source: 2018 Survey data

- All respondents (100%) expressed concern on the
current policy of non-deductibility of royalty arguing that royalties are a direct cost of production and therefore the current practice is undermining the viability of mining companies.

4. Mining Title Administration

- All respondents (100%) reckoned the current title management system is old and is characterized by overlapping claims.
- The majority of respondents also indicated that the current system is difficult to understand and difficult to apply.

Perception on title management system

<table>
<thead>
<tr>
<th>Perception on title management system</th>
<th>% respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>The system is difficult to apply</td>
<td>100%</td>
</tr>
<tr>
<td>The system is difficult to understand</td>
<td>80%</td>
</tr>
<tr>
<td>The system is old and characterised by overlapping claims</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: 2018 Survey data

Recommendation on mining title administration

All respondents (100%) underscored the need for a computerized mining cadastre system to simplify title management and avoid overlapping titles.

5. Amendments to the Mines and Minerals Act

All respondents (100%) felt that finalisation of amendments to the Mines and Minerals Act gathered momentum in 2018 and acknowledged strong support from the Ministry of Mines and the Parliamentary Portfolio Committee on Mines and Energy.

Recommendation

All respondents underscored the need to finalise these amendments to modernise and simplify the Law.
SECTION 3
Findings on Mining Industry
Specific Issues
Findings On Mining Industry Specific Issues

This section presents findings on the industry wide specific issues relating to the mining sector performance, challenges and prospects.

Structure of the Mining Sector

In 2018, the activities in the mining sector remained predominantly concentrated on six key mineral categories (gold, PGMs, diamond, nickel, chrome and coal) accounting for 95% of the value of minerals generated in 2018. The recent emergence of lithium onto the global mining space has brought a new dimension to the Zimbabwe mining landscape. The country has significant known lithium resources which can contribute to the socio-economic development of the country.

Distribution of Value by mineral category (2017 – 2018)

Gold continued to dominate in terms of contribution to total mineral revenue, accounting for 45% in 2018, compared to 40% in 2017.

Mineral output performance

Survey findings show that the majority of minerals are expected to record increase in output for 2018, compared to 2017, with companies in gold, lithium, diamond and chrome sectors anticipating to grow output by more than 5% for the comparable periods.

About 90% of respondents, however, indicated that as from September 2018, they have been experiencing production stoppages due to input shortages, with gold producers highlighting that production disruptions actually started in May 2018.

Prospects for 2019

Survey findings show that the prospects for 2019 will largely depend on resolution of key issues affecting the mining industry.

Baseline scenario

The baseline production scenario assumes status quo (inadequate forex allocations, high input costs and capital shortages) and production targets will be revised downwards with output on average 30% lower than 2018 output.

Optimistic scenario

The optimistic scenario assumes the following

- Adequate foreign exchange allocations,
- Access to cheap inputs (low inflation);
- Adequate capital for both sustenance and ramp up;
- Adequate and affordable electricity;
- Low fiscal charges (deductible royalty for taxation, low mining fees and charges, low RDC charges)

The majority of respondents indicated that the resolution of the above matters will lead to increases of output in as much as 30%.

Mineral output projections

Source: 2018 Survey data
Average capacity utilization for the mining industry was 75% in 2018 (compared to initial projection of 79% in the 2017 Survey). This level of capacity utilization, however, compares favourably to the 71% for 2017. The PGMs sector continues to operate at around 100% capacity utilization, while, nickel (60% to 70%) and diamond (70% to 80%), recorded significant utilization levels in 2017, compared to 2016. Chrome (at 80% for both years). Gold recorded a decline in capacity utilization (73% to 71%) while capacity utilization in chrome remained the around the same at 80%.

Reasons for low capacity utilization

Survey findings reveal that respondents operating below full capacity mentioned inadequate foreign exchange shortages, capital shortages, high cost structure, obsolete equipment and power outages as the major constrains weighing down capacity utilization in the mining industry.
Cost drivers of the mining industry

Survey findings show that procurement, 49%; wages (23%); statutory payments (14%); and power (10%), accounted for an average 96% of total costs in 2018.

Factors undermining viability of the sector

The majority of respondents indicated that factors that undermined viability of the sector in 2017 worsened in 2018 and the factors are outlined below in order of severity.

<table>
<thead>
<tr>
<th>Issue</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inadequate foreign exchange allocations</td>
<td>1</td>
</tr>
<tr>
<td>High input costs</td>
<td>2</td>
</tr>
<tr>
<td>High fiscal charges</td>
<td>3</td>
</tr>
<tr>
<td>High cost of capital</td>
<td>4</td>
</tr>
<tr>
<td>Depressed mineral prices</td>
<td>5</td>
</tr>
</tbody>
</table>

Capital requirements in the mining sector

Survey findings show that the majority of respondents require more capital for both sustanance and ramp up in 2019, compared to 2018.

Source: 2018 Survey data

Electricity and energy matters

Electricity supply

All respondents indicated that power outages were negatively impacting on their operations resulting in output losses. In times of power outages, respondents indicated that they would use diesel powered generators which are expensive to run.

Output losses per annum due to power outages

Cost of power

All respondents were of the view that the current electricity tariff regime (ranging from 8.6c/ KWh to 12.8c/ KWh) is
expensive and increasing the cost of operating mines in Zimbabwe, compared to other mining jurisdictions.

**Labour matters**

**Total headcount**

The mining industry had slightly above 35,000 formally registered employees in 2018, compared to 33,000 in 2017. This figure excludes small and artisanal miners and other unregistered mining employees.

**Distribution of Employment**

From the surveyed companies, 99% were indigenous Zimbabweans. Of the 99% indigenous Zimbabweans, an average of 75% are from local communities, and around 7% are female.

**Skills availability in the mining industry**

All respondents indicated that they managed to fill in all positions that went vacant during the year without any difficulties.

**Trend in wage rates and wage bill**

90% of respondents indicated that they awarded the NEC minimum wage increase of 2.9% for 2018. All respondents were of the view that they will not afford wage increases in 2018 due to viability challenges in the mining industry.

**Exploration and mine development**

Survey findings show that 70% of respondents undertook exploration activities in 2018. Of the 70% who did exploration activities, 80% undertook onmine exploration activities, while around 20% did greenfield exploration. About 10% of respondents did brownfield exploration activities. All respondents indicated that they will do exploration activities in the next 2 years.

**Exploration activities**
• Inadequate and expensive power,
• low feedstock, and
• low commodity prices.

**Issues on beneficiation and value addition**

![Bar chart](image)

<table>
<thead>
<tr>
<th>Issue</th>
<th>% Respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low commodity prices</td>
<td></td>
</tr>
<tr>
<td>Low feedstock</td>
<td></td>
</tr>
<tr>
<td>Inadequate and expensive</td>
<td></td>
</tr>
<tr>
<td>Inadequate foreign exchange allocations</td>
<td></td>
</tr>
<tr>
<td>Capital constraints</td>
<td></td>
</tr>
</tbody>
</table>

**Source: Survey data**

**Linkages and Local Content Matters**

Survey findings reveal that about 80% of capital goods were procured offshore, while 20% were procured locally, while 60% of supplies and consumables were sourced offshore and 40% were locally procured. Of the 40% sourced locally, about 50% were manufactured in Zimbabwe.

**Procurement of supplies and consumables**

![Pie chart](image)

<table>
<thead>
<tr>
<th>% of Procured Inputs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Local</td>
</tr>
<tr>
<td>Offshore</td>
</tr>
</tbody>
</table>

**Source: Survey data**

**Concerns around local suppliers**

Majority of mining companies expressed concern on local suppliers citing the following

• Uncompetitive prices,
• Unreliable supply,
• Poor quality compared to offshore suppliers,
• Limited credit facilities,
• Poor after sales service,
• Few provide warranties

**Support for local suppliers**

About 80% of respondents indicated that they are engaged in local enterprise development through the following:

• Offtake arrangements;
• Support letters to access finance from banks;
• Technical expertise on product development to improve quality; and
• Long term consignment stock arrangements.

**Corporate social investments**

Survey findings show that 70% of respondents increased their expenditure on corporate social investment in 2018, compared to 2017. Of the 70%, about 30% increased the expenditure by more than 10%, while 50% increased by between 5% and 10% and the remaining 20% increased by a range of 1% to 5%.

**Source: Survey data**

The CSI projects were in respect of the following areas of focus.

• Agriculture,
• Education,
• Health,
• Sports,
• Other infrastructure projects related to water, roads, dams, etc.
Gold Industry

As was the case in 2017, the gold industry remained one of the key minerals in Zimbabwe in 2018, generating 45% of mineral exports, compared to 40% in 2017. The gold industry employed around 30% of total formal mining employment, compared to 25% in 2017, and in excess of 500,000 are engaged in artisanal and small-scale gold mining.

Structure of the Gold Industry

The structure of the Zimbabwe gold industry remained predominantly unchanged in 2018, compared to 2017. It comprises of large-scale primary producers, small-scale and artisanal miners as well as gold that is produced in PGMs production.

Performance of the Gold Industry

Gold Output

Gold output is expected to increase to 34 tons in 2018, from 26.4 tons in 2017. As for 2019, the majority of gold producers indicated that their output targets can only be achievable if the following are addressed

- Adequate foreign exchange allocations,
- Low cost of inputs (low domestic inflation),
- Adequate sustenance and ramp up capital

If the above are guaranteed, 60% of gold producers indicated that they would increase production by between 10% and 20%, while 20% would increase output by between 1% and 10% and the remaining 10% will increase by more than 20%.

Projected output growth

Survey findings revealed that weighted average capacity utilization in the gold industry is estimated at 71% in 2018, falling from 74% in 2017. The majority of gold producers indicated that capacity utilisation fell because of inadequate foreign exchange allocations and input shortages, high cost structure, power outages and antiquated equipment.

Key challenges for the gold sector

The majority of gold producers identified the following bottlenecks as constraining their operations.

Inadequate foreign exchange allocations

- Most gold producers reported that on average the received between 12% and 18% of their foreign exchange proceeds during 2018. The remainder is liquidated in the RTGS account at 1:1. This is happening at a time 80% of their suppliers are no longer accepting RTGS for settling invoices.

High input costs on the local market

- Respondents indicated that in isolated instances where RTGS are still accepted the local input prices have moved upwards as much as six times, impacting negatively on the viability of mineral producers.

Capital shortages

- The majority of gold producers have not expanded their operations over the past two years due to capital and foreign exchange shortages.
Policy recommendations for the gold industry

Respondents in the gold industry identified the following policy interventions to promote the growth of the gold industry:

*Provide adequate and timely foreign exchange allocations*

All gold producers underscored the need to provide adequate foreign payments to support importation of critical raw materials for production and capital equipment for expanding operations.

All respondents recommended the following:

- Allow gold producers to access a minimum of 70% of their proceeds into their nostro in line with the actual US$ cost of inputs on the market,

- For the remainder liquidated at 1:1 in the RTGS, a fair compensation aligned to foreign exchange developments on the market should be applied.

*Convergence of incentives and support for both small-scale and large-scale producers*

All the respondents recommended that capitalisation support and incentives (reduced royalty and access to proceeds in foreign exchange) applicable to small scale producers should also be extended to large scale producers and the respondents cited the fact that both producers face the same market and price, while large scale producers have a relatively higher production cost compared to small scale producers.
Platinum Group Metals (PGMs)

Survey findings show that there are three active producers’ number of emerging projects in the PGMs sector. Active producers are Zimplats, Mimosa and Unki, while new projects are Great Dyke Investments and Karo Resources.

The contribution of active producers to total platinum output is as given below.

<table>
<thead>
<tr>
<th>Contribution to total platinum output - 2018</th>
<th>Contribution to total platinum output - 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Zimplats: 54%</td>
<td>Zimplats: 50%</td>
</tr>
<tr>
<td>Mimosa: 15%</td>
<td>Mimosa: 15%</td>
</tr>
<tr>
<td>Unki: 15%</td>
<td>Unki: 15%</td>
</tr>
<tr>
<td>Great Dyke Investments: 10%</td>
<td>Karo Resources: 10%</td>
</tr>
</tbody>
</table>

Source: Survey data

Platinum output

Platinum output is expected at 14.6 tons in 2018, compared to 14.3 tons in 2017. Platinum output is expected to increase to 15.5 tons in 2019 as all producers (100%) are projecting output increases in 2019.

Capacity utilisation in the PGMs sector

As was the case for 2017, survey finding show that all active platinum producers were operation at almost full capacity.

Roadmap to Platinum Beneficiation

- In 2018, Platinum Producers developed a road map towards the establishment of a centralised beneficiation facility which will be available for use by all Platinum Producers at the various levels of beneficiation.
- All Platinum Producers will hold an equity stake in the company, as will the Reserve Bank of Zimbabwe.
- The facility will be the sole refiner and exporter of PGMs in the country and individual platinum producers will send their production to the facility for beneficiation.
- The Platinum Producers will carry out the necessary technical and commercial feasibility studies that will lead to the phased construction of the centralised beneficiation facility, starting with a smelter followed by a Base Metal Refinery (BMR) and finally a Precious Metal Refinery (PMR).
- The facility is expected to be finalised by 2021.

Capital requirements for the PGMs industry

The PGMs industry requires around US$7 billion (for both sustenance and ramp up) to optimise production in the next five years.

Challenges in the platinum industry

All the PGM producers cited the following major challenges which have been hindering their production performance directly and indirectly:

- High operating costs.
- Inadequate foreign exchange allocations,
- High power tariffs;
- Suboptimal fiscal regime;

Policy requirements for the PGMs industry

Over and above mining industry policy requirements, survey findings show that all respondents indicated that the PGMs sector requires the following policy interventions:

- Remove the beneficiation penalty;
- Introduce beneficiation incentives;
- Remove import duty on grinding media;
- Allow PGMs producers access to at least 70% of their proceeds to ensure adequate foreign exchange for current operations and beneficiation projects.
Mineral Specific Matters

Diamond Mining Industry

Structure of Diamond industry

The diamond mining industry comprise of two players, which are Zimbabwe Consolidated Diamond Company (ZCDC) and Murowa Diamonds. The survey findings show that ZCDC contributed 80% of diamond output in 2018, while Murowa Diamonds contributed 20%.

Diamond output performance

 Increased investments in the mining sector and processing capacity by the ZCDC resulted in increase in diamond production. Diamond output is projected at 3.5 million carats in 2018, compared to 1.6 million carats in 2017.

![Diamond output in million carats](source: Survey data)

In 2019, diamond output is expected at 4.5 million carats, benefitting from capital injections over the past 12 months.

Exploration for diamond

Survey findings show that ZCDC spent in excess of US$18 million in exploration in 2018, and is planning to spend US$20 million in 2019 to discover more diamond resources.

Mine development and expansion projects

Survey findings show that both producers injected some capital into projects in 2018, with the players having spent more than 100 million between 2017 and 2018 on capitalisation projects. Already ZCDC commissioned a crushing plant in September 2018 and also acquired some movable equipment to expand their operations.

Capacity utilisation

 Average capacity utilisation in the diamond sector decreased to around 65% in 2018, compared to 70% in 2017. Respondents indicated that they expanded their capacities in 2018 and are therefore in the process of mobilising adequate resources to utilise the existing capacity.

Challenges in the Diamond industry

Both respondents identified five major challenges that have been hindering their production performance directly and indirectly.

- Foreign payments challenges
- High cost structure
- Limited access to funding
- Depletion of alluvial resources
- Policy uncertainties and unpredictability

Policy interventions to improve performance

The following policy measures have been identified as key by the diamond producers to enable them to operate at full capacity. Both respondents recommended the following:

- Allow diamond producers enough foreign currency allocation for importation of key consumables, equipment and machinery
- Lower tariffs, for example, power tariff from USc12.86/KWh to USc8/KWh to reduce costs;
- Consider separating ZCDC from ZMDC to allow ZCDC to operate outside sanctions framework.
Chromium Sector

Structure of the Chromium Industry

The structure of the chromium sector in the country remained predominantly the same in 2018, compared to 2017, with both large scale and small-scale producers. Chrome production in 2018 was dominated by two large scale producers which hold around 70% of chrome reserves in the country. These producers have integrated operations, which cut across all key segments of the chrome value chain from production, smelting to casting to metal castings.

Capacity utilisation in the chromium sector

Average capacity utilisation in the ferrochrome industry for 2018 remained at 80% as was the case for 2017. In 2019, average capacity utilisation is expected at around 85%.

Contribution of the chrome industry to mineral revenue

The chromium industry contributed 12% of mineral revenue in 2018, up from 10% in 2017.

Key challenges in the ferrochrome sector

All respondents cited the following constraints as weighing down activities in the ferrochrome sector

- Inadequate foreign exchange allocations impacting negatively on investment in productive capex,
- NRZ failing to transport export cargo,
- Where container shipping lines are used for moving export cargo (eg Mediterranean Shipping Company), freight charges billed in forex are not being allocated to such companies, which also have to pay for services in foreign currency along the export value chain,
- Volatility in ferrochrome prices.

Ferrochrome output and outlook for 2019

Ferrochrome output recorded marginal increase of about 5% in 2018. In 2019, ferrochrome output is expected to further increase with one of the key producers targeting a jump in export concentrate production of more than 60%.
Nickel

Structure of the Nickel Industry

The nickel industry comprised of one integrated primary producer and three secondary producers all of which are PGM operators in 2018. The primary producer operates two mines, a smelter and a base metal refinery. One of the mines has been on care and maintenance since December 2008. The primary producer contributed around 38% of nickel output in 2018 (compared to 37% in 2017), while 62% came from secondary platinum producers.

Contribution to nickel output

![Pie chart showing nickel contribution](image)

Source: Survey data

Contribution of Nickel to Value of Mineral Output

The contribution of Nickel revenue to the value of mineral output is at 6.4% in 2018, compared to 6.8% in 2017.

Contribution of nickel exports to total mineral exports

![Bar chart showing nickel contribution](image)

Source: Survey data, RBZ

Capacity Utilisation

Capacity utilisation in the nickel sector is at 70% for 2018, and is projected at 80% for 2019.

Nickel Output

Nickel output is expected at 17,600 tons in 2018, compared to 16,594 tons in 2017, largely benefitting from a more than 5% output increase by the primary producer and a moderate 3% improvement in PGMs activities. In 2019, nickel output is expected at 18,000, largely depending on the availability of adequate foreign exchange allocations and improved global nickel prices.

Nickel output

![Bar chart showing nickel output](image)

Source: Survey data

Key challenges in the nickel sector

- Aged equipment,
- Lagging development due to low equipment availability,
- Inadequate foreign exchange allocations to import critical materials for production