Investment Opportunities in the Zimbabwe Mining Sector

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How Much Geological Potential is There?

Varied Geology:

- Approximately 40% of Zimbabwe’s land surface comprises of ancient rocks renowned worldwide for containing rich varieties of mineral resources.
- Prominent geological features include the Great Dyke, ancient Greenstone Belts and sedimentary basins—Mid Zambezi in the north and the Sabi-Limpopo in the south.
- Major known minerals include: Gold, Coal, PGMs, Diamonds, iron ore, asbestos, phosphate, black granite, nickel, chromite etc.
The Mines and Minerals Act Chapter 21:05 is the principal legislation that governs mining in Zimbabwe.

The Government is in the process of finalizing amendments to the Act which is intended to:

- Strengthen security of tenure
- Simplify the mining titles system
- Enhance environmental provisions
- Enhance the use it or lose it principle
- Remove excesses from the Act and place these in regulations

These measures will enhance the competitiveness of the mining legislative framework.
OTHER LAWS GOVERNING INVESTMENT

Other pieces of legislation that influence investments in the minerals sector include:

- The Zimbabwe Investment Authority Act
- The Indigenization and Empowerment Act
- The Minerals Marketing Corporation Act
- The Zimbabwe Mining Development Corporation Act
- Precious Stones Trade Act
- Gold Trade Act
- Environmental Management Act

The Chamber of Mines of Zimbabwe has a cordial working relations with government which has been responsive to issues raised
Mining sector: Anchor for economic development (Zim Asset)

- The mining sector has led economic recovery registering an average growth around 30% between 2009-2013.
- The sector is projected to grow by an average annual rate of 10.2% between 2014 and 2018 compared to other sectors which are anticipated to grow in single digits.
- At this rate the sector has the capacity and potential to create substantial impetus for economic growth and value addition.
- The economic blueprint ZIMASSET placed significant weight on the minerals sector to drive the country’s economic growth on the basis of the economic performance of the minerals sector and the potential to contribute to economic growth.
World Bank projects the value of minerals to increase from about $2.1 billion in 2012 to an average of around $8 billion by 2018. The mining sector is constituting:

- 15% of nominal GDP,
- 58% of the nation’s total exports,
- 13% of fiscal revenue,
- more than 45,000 employment jobs,
- more than 50% of foreign direct investment

Source: ZIMSTAT and COMZ
INVESTMENT OPPORTUNITIES IN THE MINING SECTOR

- There are vast investment opportunities in the mining sector covering the whole mining value chain:
  - exploration,
  - mining production,
  - beneficiation and downstream industries
  - Supply of goods used throughout the value chain
  - Services
    - Drilling
    - Metallurgical
    - Geo-mechanics
EXPLORATION

- Green field Exploration – The country is greatly under explored despite its long history of mining.
- Brownfield exploration – opportunities exist for re-valuating mines abandoned at the outbreak of the second world war
- Zimbabwe has received limited green field exploration investment since 2000
- Some exploration has been conducted on mining claims
- There are opportunities for using modern exploration techniques that have been applied with success in other countries.
Most mining operations suffer from undercapitalisation and are, therefore, in need of recapitalisation through financial injections.

Most mines are currently operating slightly above 50% of their designed capacities due to lack of finances for recapitalisation.

Opportunities exists through Joint Ventures with
- Exploration for Green Field projects
- ZMDC (Government),
- small scale miners, and
- other mining companies facing financial constraints.
- Old dump retreatment

Opportunities also exist in the provision of mining equipment and technical services relevant to mining.

Supply of goods used throughout the value chain
Beneficiation and value addition have become topical issues in mining in Zimbabwe.

The government is emphasising on mineral beneficiation, and is welcoming investment in the setting up of mineral beneficiation facilities.

There is vast investment potential in the areas of:
- platinum refinery,
- chrome smelting,
- coal liquefaction,
- diamond cutting and polishing,
- dimension stone cutting and polishing,
- gold and platinum jewellery etc.

Government initiated quota system to promote mineral beneficiation: Diamonds 10%, granite 20% and ban on chrome ore export.
Opportunities: Coal

- Zimbabwe hosts large reserves of coal in the Lower Karoo rocks of the mid Zambezi basin and the Save-Limpopo basin.
- Over 29 coal localities are known with estimated resources of approximately 12 billion tonnes.
- 2 major players in the country.
- Scope for further investment in this resource mineral.
- Investment potential of US$3bn
• Production which averaged over 5mt/yr in the 1990s currently hover around 1.784 million in 2012
• Forecast of production is 9.8Mt by 2018 if the sub sector secures capital to the tune of USD3 billion.
Zimbabwe hosts the second largest known PGM resource in the world on the Great Dyke..

Huge potential for PGMs mining development and value addition to the tune of US$5bn
Potential Growth for Gold Production could reach 28.5 ton in 2018 from 14 tons in 2013

- The gold mining sector is currently operating at 50% of potential capacity utilisation.
- A recent World Bank Study estimated that by 2018 production could reach 28.5 tons if the sector secures capital of between $420 million.

Source: COMZ 2012 and RMG 2012
• Zimbabwe has huge iron ore deposits associated with banded ironstone formations in greenstone belts.
• Currently no significant iron ore mining or steel production in Zimbabwe
Most of the nickel production between 2009 – 2012 has been from platinum mining operations.

Capital required to resuscitate and start new projects Hunters Project and others
• The Great Dyke is a significant resource of metallurgical grade chromite
• The sub sector requires a minimum capital of USD85 million to increase production to around 540,000 tons by 2018.
Diamonds

- The well-exposed Zimbabwe craton presents vast opportunities for kimberlitic diamond discoveries.
- Current producers include Murowa, Marange Resources, Mbada Diamonds, DMC, Jin An, Anjin among others.
- The recent discovery of significant placer diamond deposits at Chiadzwa and Chimanimani points to significant potential in ancient basins on the edges of the craton.
- If the deposits are mined extensively, Zimbabwe has the potential to be a significant player on the international diamond stage.
REQUIREMENTS AND PROCEDURES FOR INVESTING IN THE MINING SECTOR

- Investment entry points
  - Access to prospecting and mining ground may be easily obtained, either by:
    - pegging and registration of claims
    - purchase or lease of existing properties
    - entering into joint ventures with going concerns.
Royalty is calculated as a percentage of the gross fair market value of minerals produced and rates applicable are:

- Precious Stones: 15%
- Gold: 5%
- Platinum: 10%
- Base Metals: 2%
- Industrial Minerals: 2%
- Coal Bed Methane Gas: 2%
- Coal: 1%

Income tax on mining operations is levied at 15% for Special Mining Lease holders & APT and 25% for other mining title holders. All capital expenditure incurred exclusively for mining operations is deductible as an allowance at a rate of 100% in the year incurred.

Mining companies enjoy indefinite carry forward of their tax losses. Investors are allowed to borrow locally for working capital purposes. Offshore borrowings above US$7.5 million require Reserve Bank approval and:

- Gearing 3 to 1 set.
MINING INCENTIVES

- Rebate and Suspension of duty may be granted in terms of the Customs and Excise (General) Regulations, 2001 and Customs and Excise (Suspension) (Amendment) Regulations, 2010.
- There is no restriction on the amount of foreign currency brought into Zimbabwe. The foreign investment equity can be in the form of cash or capital equipment.
- Investors can remit 100% of their dividends subject to Exchange Control approval.
- On disinvestment, 100% repatriation of invested capital is allowed.
- Investments of more than US$100 Million qualify for Special Mining Lease, which allows investors to negotiate for favourable concessions.
CONCLUSION

- Zimbabwe is mineral diverse with over 40 different mineral occurrences having been recorded by the Geological Survey of Zimbabwe.
- Zimbabwe has geo-scientific data on mineral occurrences which meets international standards. This data is also in need of updating and requires people with relevant skills for its gathering and compilation.
- The legal framework does facilitate investment as evidenced by the nature and structure as it exist today.
- The Fiscal environment can be enhanced to improved returns on investment.
- Vast investment opportunities exist in mining, beneficiation and value addition and supply of goods used in the value chain.
- Opportunities also exist in the provision of mining equipment and technical services to this growing sector.
Industry bodies: Chamber of Mines of Zimbabwe

- The Chamber of Mines of Zimbabwe (established by an Act of parliament) is the dominant representative body of the mining industry in Zimbabwe.

- The Chamber is established for the purpose of promoting, encouraging, protecting and fostering the mining industry and doing everything necessary and advisable for those objects.
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