

सत्यमेव जयते

# Zimbabwe Mining Guide

Embassy of India  
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# Glossary

<b>AMWUZ</b>	Associated Mine Workers Union of Zimbabwe
<b>Afreximbank</b>	The African Export-Import Bank
<b>Africa Chrome Fields</b>	Africa Chrome Fields (Private) Limited
<b>Blanket Mine</b>	Blanket Mine (1983) (Private) Limited
<b>BNC</b>	Bindura Nickel Company
<b>BOOT</b>	Build Own Operate Transfer
<b>BOT</b>	Build Operate Transfer
<b>CBM</b>	Coal Bed Methane
<b>CID</b>	Criminal Investigation Department
<b>COMZ</b>	The Chamber of Mines of Zimbabwe
<b>DTC</b>	Diamond Trading Company
<b>Duration</b>	Duration Gold Limited
<b>EPC</b>	Engineering, procurement, and construction.
<b>EPO</b>	Exclusive Prospective Order
<b>EU</b>	European Union
<b>Exchange control</b>	Exchange Control Department
<b>Falgold</b>	Falcon Gold Zimbabwe Limited
<b>FCAs</b>	Foreign Currency Accounts
<b>Fidelity</b>	Fidelity Printers and Refiners
<b>Freda Rebecca</b>	Freda Rebecca Gold Mine Limited
<b>GDI</b>	Great Dyke Investments
<b>GoZ</b>	Government of Zimbabwe
<b>HCCL</b>	Hwange Colliery Company Limited
<b>HPS</b>	Hwange Power Station
<b>IMTT</b>	Intermediated Money Transfer Tax
<b>IPPs</b>	Independent Power Producers
<b>JSE</b>	Johannesburg Stock Exchange
<b>Karo Resources</b>	Karo Resources Limited
<b>LSE</b>	London Stock Exchange
<b>LSZ</b>	Lower Sulphide Zone
<b>Makomo</b>	Makomo Resources (Private) Limited
<b>Metallon Gold</b>	Metallon Gold Zimbabwe (Private) Limited



<b>Mimosa</b>	Mimosa Mining (Private) Limited
<b>Mines and Minerals Act</b>	Mine and Minerals Act (Chapter 21:05)
<b>Ministry of Justice</b>	Ministry of Justice, Legal and Parliamentary Affairs
<b>MMCZ</b>	Minerals Marketing Corporation of Zimbabwe
<b>MOU</b>	Memorandum of Understanding
<b>MPS</b>	Monetary Policy Statement
<b>MSZ</b>	Main Sulphide Zone
<b>Murowa Diamonds</b>	Marowa Diamonds (Private) Limited
<b>MW</b>	Megawatts
<b>NEC</b>	National Employers Council
<b>NMWUZ</b>	National Mine Workers Union of Zimbabwe
<b>NRZ</b>	National Railways of Zimbabwe
<b>PGM</b>	Platinum Group Metals
<b>RBZ</b>	Reserve Bank of Zimbabwe
<b>RECP</b>	Renewable Energy Cooperation Programme
<b>RioZim</b>	RioZim Limited
<b>RTGS</b>	Real Time Gross Settlement
<b>SEZ</b>	Special Economic Zones
<b>SG</b>	Special Grant
<b>Sinosteel</b>	Sinosteel Corporation
<b>SMEs</b>	Small and Medium Enterprises
<b>SPV</b>	Special Purpose Vehicle
<b>TSP</b>	Transitional Stabilization Programme
<b>Tuli Coal</b>	Tuli Coal (Private) Limited
<b>Unki</b>	Unki Mine (Private) Limited
<b>VAT</b>	Value Added Tax
<b>ZCDC</b>	Zimbabwe Consolidated Diamond Company
<b>ZCTU</b>	Zimbabwe Congress of Trade Unions
<b>ZESA</b>	Zimbabwe Electricity Supply Authority
<b>ZETDC</b>	Zimbabwe Transmission and Distribution Company (Private) Limited
<b>ZIDA</b>	Zimbabwe Investment and Development Authority
<b>ZimAlloys</b>	Zimbabwe Alloys Limited
<b>Zimasco</b>	Zimbabwe Mining and Smelting Company (Private) Limited
<b>Zimplats</b>	Zimplats Holdings Limited
<b>ZIMRA</b>	Zimbabwe Revenue Authority



<b>ZiscoSteel</b>	Zimbabwe Iron and Steel Company
<b>ZMDC</b>	Zimbabwe Mining Development Corporation
<b>ZMF</b>	Zimbabwe Miners Federation
<b>ZPC</b>	Zimbabwe Power Company (Private) Limited
<b>ZSE</b>	Zimbabwe Stock Exchange





26<sup>th</sup> Oct 2018

## FOREWORD

It is with great pleasure that the Embassy of India is publishing a 'Guide' on mining and mining opportunities in Zimbabwe. Zimbabwe is endowed with rich mineral resources. It is also one of the highest foreign exchange earners in the country.

This Guide has been designed specially to assist Indian businesses exploring and seeking to not only trade, invest in the Zimbabwean mining sector, but also looking to form partnerships and business linkages with Zimbabwean businesses.

H.E. Emmerson D Mnangagwa has declared that Zimbabwe is "Open for Business" and this call for investors has been backed by several reforms which will make it easier for investors to come into Zimbabwe. A lot of literature has been developed highlighting the major investment opportunities from a macro-economic point of view. This Guide has been developed, however, to complement such literature by giving more focused information on the opportunities in the mining sector.

The Guide has covered the key areas which a potential investor seeks to know at the first instance namely, key mineral reserves, existing mines and key players, export market, availability of supporting utilities and infrastructure, regulatory and related reforms, labour unions, new players, and potential opportunities to invest directly by establishing one's own operations, opportunities for joint ventures, partnerships, and other related opportunities.

I hope this publication will be useful to Indian businesses/companies planning to invest in this high-potential sector. I would like to thank KPMG, Zimbabwe for helping us in putting together these useful information in the form of this Guide.

Embassy of India will be happy to assist India business endeavors in all possible ways. We can be reached at our website, <http://eoi.gov.in/harare/>

  
(R. Masakui)  
Ambassador

## 2 Country snapshot

<b>Location</b>	Southern Africa, bordered by South Africa (225 km), Zambia (797 km), Botswana (813 km) and Mozambique (1 231 km)
<b>Area</b>	390 580 km <sup>2</sup>
<b>Land</b>	386 670 km <sup>2</sup>
<b>Climate</b>	Tropical, moderated by altitude
<b>Rainy season</b>	November to March
<b>Mineral resources</b>	Coal, chromium ores, asbestos, gold, nickel, copper, iron ore, zinc, vanadium, lithium, tin, diamonds and platinum group of minerals
<b>Population</b>	16 150 362 (2016 estimate)
<b>Age structure</b>	0 - 14 years: 41.9%; 15 - 64 years: 54.3%; Over 65 years: 3.8%
<b>Population growth rate</b>	2.2% (2018 June est.)
<b>Nationality</b>	Zimbabwean
<b>Ethnicity</b>	African 98% (Shona 82%, Ndebele 14%), others 2%
<b>Religions</b>	Syncretic 50%, Christian 25%, Indigenous 24%, Muslims and others 1%
<b>Literacy</b>	90%
<b>Administration</b>	Ten provinces
<b>Government type</b>	Parliamentary Democracy
<b>Executive</b>	Head of State and Government – His Excellency President Emmerson Dambudzo Mnangagwa
<b>Legal system</b>	Mixture of Roman-Dutch and English common law
<b>Suffrage</b>	18 years of age
<b>Agricultural products</b>	Tobacco, cotton, wheat, maize, sugarcane, coffee, tea, timber, flowers and vegetables
<b>Industrial products</b>	Minerals, wood, steel, food, plastic, textiles, chemicals, pharmaceuticals, cement, automobiles, detergents, beverages and tourism
<b>Exports</b>	Platinum, tobacco, cotton, gold, ferro-alloys, textiles and horticulture
<b>Imports</b>	Machinery, chemicals, information technology, vehicles, fuels and pesticides

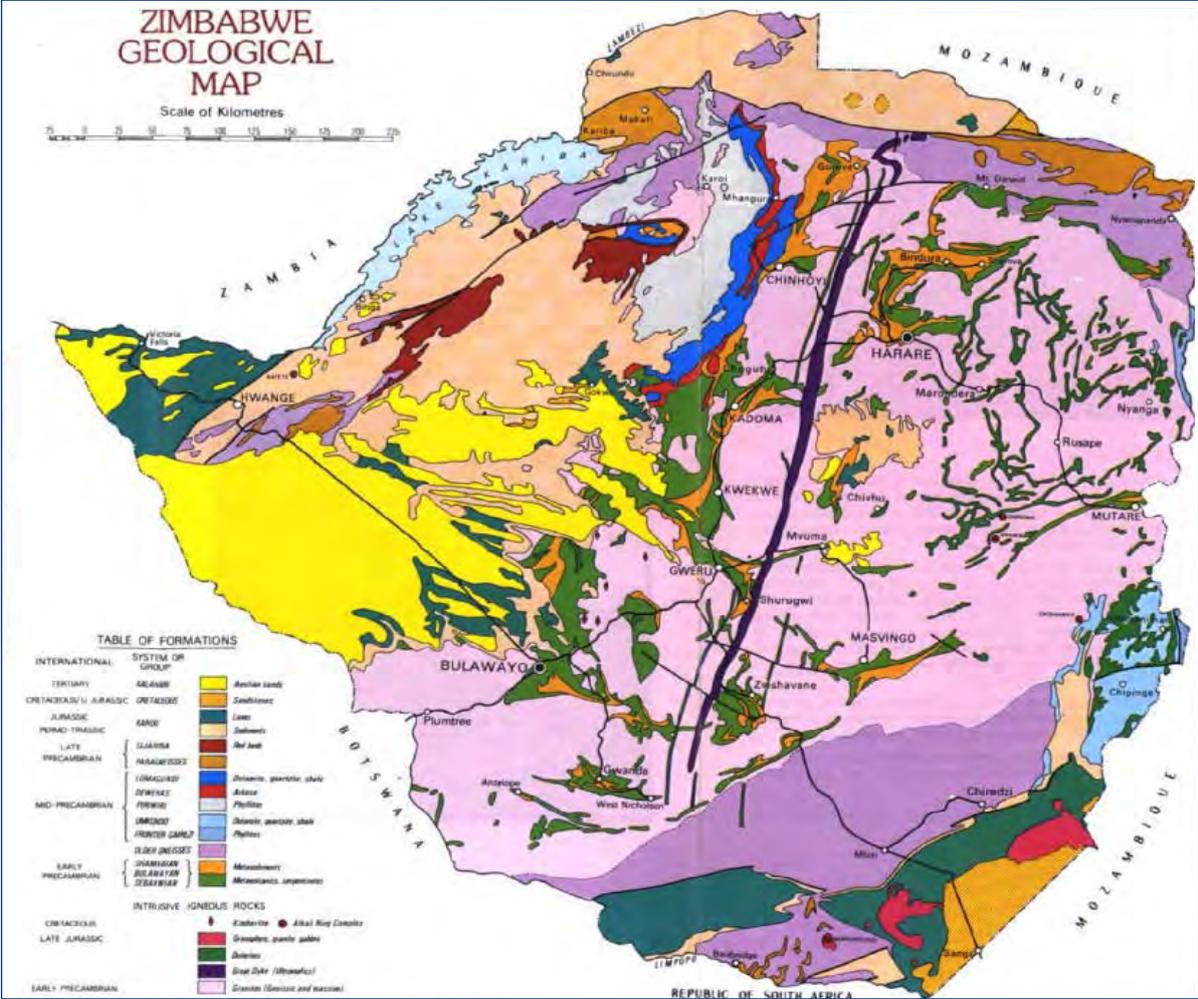
Source: CIA World Factbook

# 3 Introduction to the mining sector in Zimbabwe

## 3.1 Mineral resources

Zimbabwe has 40 known mineable resources, dominated by two prominent geological features, namely the Great Dyke and the ancient greenstone belts. The Great Dyke of Zimbabwe also has the second largest deposits of platinum group of metals in the world after the Bushveld Complex in South Africa. Being home to some of the major metals of the world, Zimbabwe’s key commodities include gold, diamonds, platinum group metals, nickel, coal and chrome. The diagram below illustrates Zimbabwe’s geological map with the prominent feature being the Great Dyke which stretches for more than 550km across the country:

Figure 1: Zimbabwe geological map



Source: Zimbabwe Geological Survey

The Great Dyke spans from the north eastern part of the country to the south western part as shown on the figure above and holds the bulk of the country’s resources.

Table 1 below summarises some of Zimbabwe's estimated mineral resources:

Table 1: Zimbabwe mineral resources

Mineral	Description	Estimated resources
Gold	There are over 4 000 recorded gold deposits, nearly all of them are located on ancient rocks. More than 90% of gold deposits are associated with the greenstones. Other gold deposits occur in the Limpopo Mobile Belt in the south of the country and in the Proterozoic Piriwiri rocks in the northwest of the country.	13 million tonnes
Coal	Zimbabwe hosts the largest coal reserves in the Lower Karoo rocks of the mid Zambezi Basin and the Save-Limpopo basin.	>26 billion tonnes on over 29 coal localities
Platinum Group Metals ("PGM")	Zimbabwe hosts the second largest PGM resource in the world, after South Africa, on the Great Dyke, which stretches up to 550 km. PGM comprises of platinum, palladium and rhodium.	2.8 billion tonnes
Chrome	Zimbabwe is estimated to host about 80% of the world's resources of metallurgical chromite. The chrome ore occurs in two distinct geological environments, namely the Great Dyke and the greenstone belts.	10 billion tonnes
Nickel	Zimbabwe's nickel sulphide endowment includes a variety of komatiite and mafic intrusion-hosted deposits. More than 30 deposits have been discovered to date.	761 000 tonnes
Copper	Over 70 known deposits in Zimbabwe have produced copper either as the primary or secondary products. The main producing area has been the Magondi basin (located in the north-western part of the country covering Chinhoyi and Mhangura) in an area which stretches over 150 km. Similar copper deposits are found in the south-eastern part of the country in the Umkondo Basin. Several copper prospects also occur in greenbelts.	5.2 million tonnes
Iron ore	Iron ore deposits are associated with banded ironstone formations in greenstone belts. The most important deposits with high-grade ore are the Buchwa and Ripple Creek. Other significant ironstone deposits include the huge Mwanesi deposit west of Chivhu and Nyuni near Masvingo. Manyoka, Mongula and several similar deposits in the Limpopo Mobile Belt are also important deposits.	30 billion tonnes
Pegmatite	Usually found on the edges of greenstone and in metamorphic belts. These have a variety of minerals including tantalite, tin and wolframite, beryl, mica, feldspar and gemstones, such as emerald, aquamarine, chrysoberyl, alexandramite and euclase.	Resources not ascertained
Dimension stones	The most well-known dimension stone in Zimbabwe is black granite, plentiful in the north-eastern part of the country. Examples of dimension stones are granites, gneisses, migmatites, gabbro-norites, dolerite, marbles and quartzites.	Resources not ascertained
Diamonds	Globally economic kimberlites are commonly found in the ancient cratons such as the Kaapvaal, the Siberia, the Slave and the Congo. With similar geology to these areas, the well-exposed Zimbabwe craton presents vast opportunities for kimberlitic diamond discoveries. The country has about 160 known kimberlites with kimberlite hosted diamond mining taking place at Murowa Mine in Zvishavane, Midlands Province and River Ranche in Beitbridge Matabeleland South Province. The recent discovery of significant placer diamond deposits in the Marange and Chimanimani areas, Manicaland Province points to significant diamond potential in ancient basins across the country.	16.5 million tonnes

Mineral	Description	Estimated resources
Coal Bed Methane ("CBM")	Vast resources of CBM were discovered in Matabeleland North, which is to the western side of the country. It has been proven that this resource can be mined commercially and it being an energy resource the Government of Zimbabwe can issue Special Grants to prospective investors. There is an increasing urgency/need to mine this resource with the decline in power production at Kariba and Hwange given that CBM can be used in the generation of electricity and can be used in the production of fertiliser, an important input in Zimbabwe's strategic sector, agriculture.	Resources not ascertained
Natural Gas	Mobil Exploration conducted oil exploration from 1989 to 1993 in the Zambezi basin. Evaluating the survey data, it was concluded that the region could be characterised as gas prone with potential for liquid hydrocarbons as source rocks with liquid potential were also identified. The Lower Zambezi Basin with its depth of up to 10 000 metres is considered to be the most prospective. Mobil generated a lot of technical information on the whole of the Zambezi Valley, and the area has a potential of hosting 614 x 109 m <sup>3</sup> (8 trillion cubic feet) of recoverable natural gas. Further investigation, including drilling is required to verify existence of the gas.	Resources not ascertained
Uranium	Early uranium exploration in Zimbabwe was restricted to scattered ground and air surveys over small areas. A recent regional airborne radiometric survey flown over the Zambezi valley outlined 16 anomalies. The most potential prospect, the Kanyemba Prospect, was evaluated and reserves have been outlined. Uranium production has been limited to an output declared from the Cripmore claims south of Mutare between 1959 and 1960. At the Kanyemba deposit there are 4 ore bodies which are approximately parallel to each other with a spacing of 20-150m between them. The mineralization occurs in sedimentary rocks of the uppermost Pebbly Arkose Formation 10 to 25 metres thick. The deposit extends over an area of 1000 X 1500 m and is 220m deep. The uranium and vanadium potential indicated by drilling is 450 000 tonnes of ore grading 0.7% U <sub>3</sub> O <sub>8</sub> and 0.4% V <sub>2</sub> O <sub>5</sub> with reserves ranging from 2876 tonnes to 3244 tonnes for U <sub>3</sub> O <sub>8</sub> and between 2691 tonnes and 4857 tonnes V <sub>2</sub> O <sub>5</sub> .	Resources not ascertained
Lithium	Zimbabwe was ranked fourth in the World as a lithium producer in 1984. Nearly all production comes from the Bikita pegmatite of Archaean age, which is one of the largest lithium – bearing pegmatites in the world. Most of the Lithium has been produced from Archaean pegmatites, although some amounts have been mined from pegmatites in the Proterozoic Zambezi Metamorphic belt around Kamativi. Five Lithium minerals are mined at Bikita and all have been produced from other pegmatites in Zimbabwe. The minerals are petalite, lepidolite, spodumene, eucryptite and amblygonite.	Resources not ascertained
Tantalite	Tantalum – Columbite was found in Zimbabwe in 1911, but it was not until 1937 that production commenced from the Bikita Tinfields. Tantalum and niobium occurrences in Zimbabwe are known to be associated with granitic pegmatites. In general, tantalum and niobium in Zimbabwe occurs in pegmatites in the eastern, north eastern and western parts of the country with several others dotted across the country. Some notable resource areas include Hwange (Matabeleland North), Hurungwe (Mashonaland West), Mutoko – Mudzi (Mashonaland East) and Odzi (Manicaland Province).	Resources not ascertained

Mineral	Description	Estimated resources
Graphite	Graphite deposits in Zimbabwe are mainly found in the Proterozoic Piriwiri Group gneisses in the Hurungwe (Karozi) District, where they were formed by the high-grade metamorphism of rocks containing carbonaceous material. The quality of the graphite is known to improve with increase in metamorphic grade. Other deposits occur in the Proterozoic Dett Inlier in the Hwange area. Production of graphite in Zimbabwe has mainly been from Lynx mine in Karoi.	Resources not ascertained

Source: Mineral Potential, Procedures and Requirements of Acquiring Licenses and Permits in Terms of the Mines and Minerals Act

## 3.2 Mining sector review

The mining sector is a strategic industry and is expected to aid in the recovery of the economy through value addition and beneficiation. According to the October 1 2018 Monetary Policy Statement, mining accounted for approximately 80% of the country's exports for January to June 2018. Since 2009, export earnings have accounted for, on average, 61% of the country's liquidity. The mining sector offers significant investment opportunities. Platinum and gold are the largest contributors to revenues in the mining sector.

The Government of Zimbabwe ("GoZ") through the Ministry of Finance and Economic Development launched the Transitional Stabilisation Programme ("TSP") for October 2018 to December 2020 aimed at transforming the Zimbabwean economy to an upper middle income economy by 2030.

According to the TSP, the mining sector is projected to grow as follows:

Table 2: Mining sector projected output

Mining sector projected output				
Mineral	2017 est	2018 proj	2019 proj	2020 proj
Overall Growth	8%	26%	16,1%	15,3%
Black Granite \ ton	177	182	184	190
Chrome \ ton	1 674	2 000	2 200	3 500
Coal \ ton	3 074	4 500	4 800	5 000
Cobalt \ ton	445	500	520	550
Copper \ ton	8 839	9 500	9 700	9 800
Gold \ kg	26 495	40 000	50 000	58 000
Graphite \ ton	1 577	5 700	5 800	6 300
Iridium \ ton	619	620	625	650
Nickel \ ton	16 617	17 300	17 500	18 000
Palladium \ kg	11 822	11 830	12 400	12 800
Phosphate \ ton	60 094	60 095	61 000	62 000
Platinum \ kg	14 257	14 300	15 500	17 500
Rhodium \ kg	1 283	1 285	1 500	1 600
Ruthenium \ kg	1 102	1 105	1 200	1 300
Diamonds \ carats	2 508	3 500	4 200	5 000

Source: Transitional Stabilisation Programme (October 2018 to December 2020)

The mining sector is projected to grow by 26% in 2018, 18% points higher than the 2017 estimated growth of 8%. However, Zimbabwe's dependency on raw mineral exports makes it vulnerable to depressed commodity prices and affects its growth potential.

Mining also continues to be affected by a large pool of factors that hinder growth and efficiency. Notably these factors include power, transport and access to funding.

## 3.3 Availability of utilities and supporting infrastructure

### 3.3.1 Power

The Zimbabwe Electricity Supply Authority (“ZESA”) and its four subsidiaries are responsible for the generation, transmission and distribution of electricity in Zimbabwe. Electricity generation is mainly at hydro and thermal power stations in Kariba and Hwange respectively.

Zimbabwe currently generates an average of 1 100 megawatts (MW) against a peak demand of 2 200 MW. The GoZ has implemented the following measures in order to close the gap:

- Opened up the power sector to Independent Power Producers (“IPPs”) and a few operational IPPs feed excess energy into the national grid albeit in very small units.
- Power purchase agreements with neighboring countries such as Mozambique and South Africa.
- Expansion of the electricity generation capacity with notable projects including:
  - The recently completed Kariba South Expansion Project, which added 300MW to the national grid; and
  - The ongoing expansion of Hwange Power Station (“HPS”) expansion through the addition of two units, Hwange 7 and 8, at an estimated cost of US\$1 billion is expected to add at least 600MW to the national grid.
- The country is also exploring renewable electricity generation sources such as solar and wind. Zimbabwe Power Company (“ZPC”) has completed three feasibility studies and signed EPC contracts for solar projects in Gwanda, Insukamini, Munyati for the generation of 100MW at each site. Solar is considered an efficient energy generation given the location and abundance of sunshine in Zimbabwe.
- The solar energy sector has also been opened to households and corporates given the erratic supply of electricity in the country at the current moment which is still being cushioned by imports from neighbouring Mozambique and South Africa.

Zimbabwe Electricity Transmission and Distribution Company (Private) Limited (“ZETDC”) is responsible for the transmission and distribution of electricity around the country and the establishment of substations and the maintenance of distribution facilities.

The distribution system is made up of 33kV, 22kV, 11kV and 0.380/0.220kV lines. The distribution lines have a total length of over 119 784 km servicing a base of close to 600 000 customers.

ZETDC has prepared short, medium and long-term master plan studies with an aim to achieve greater reliability in the distribution system and ensure that it is capable of meeting future requirements. The studies outline the need to ensure reliable power supply, with a particular focus on the growing main cities.<sup>1</sup>

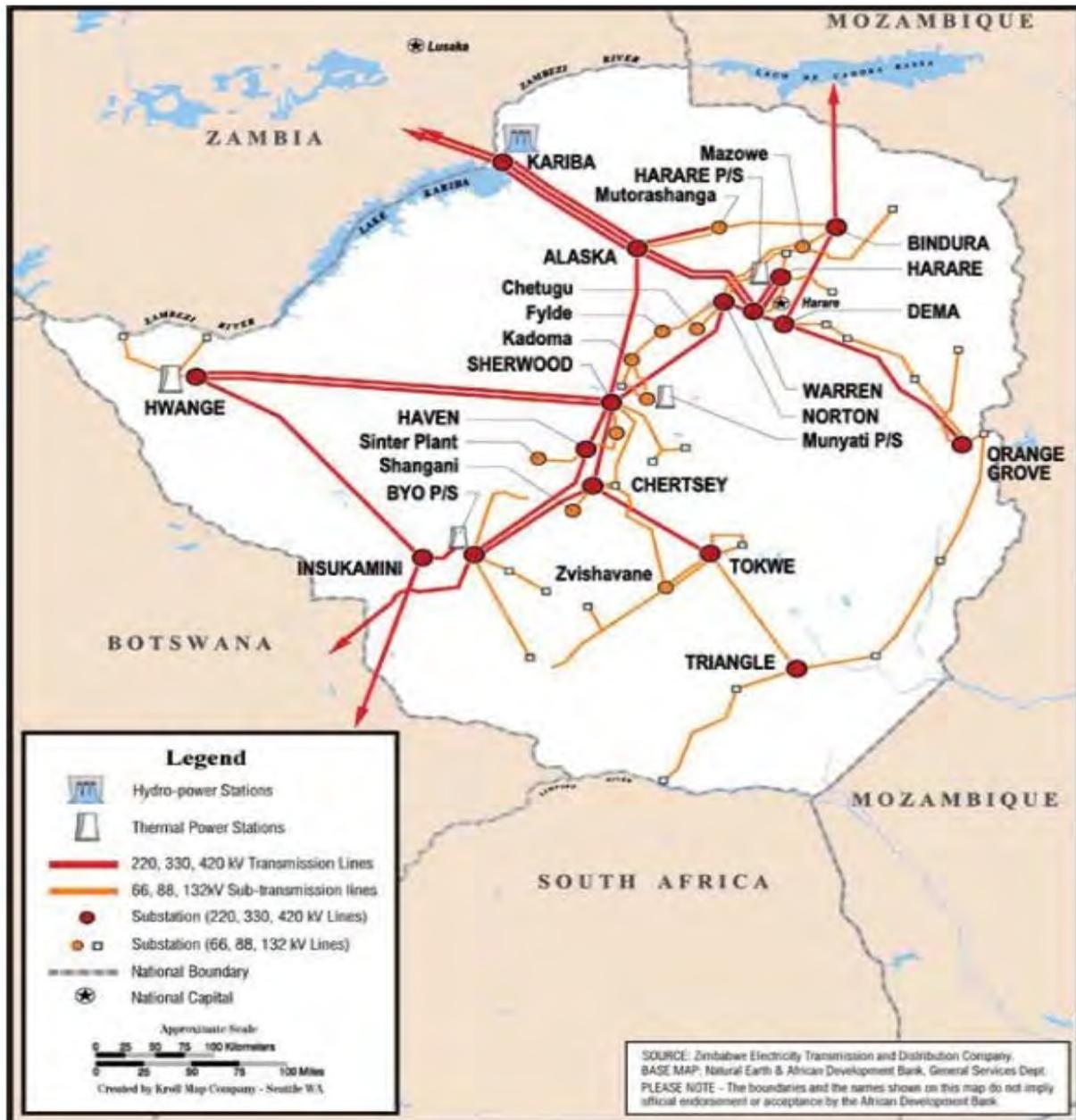
According to the Africa-EU Renewable Energy Cooperation Programme (“RECP”) approximately 40% of the country’s electricity demand is driven by mining and other heavy industries. The demand for electricity in the mining sector is likely to go up with the increased requirement by the government for mining companies to value add their produce especially in the platinum and chrome sectors.

Generally, major mines in the country have a connection to the national grid including those in remote areas. The government does not prohibit the generation of own electricity for consumption in mining and related activities hence offering flexibility to the miner to choose the most cost efficient alternative.

Figure 2 below shows the power distribution network across the country:

<sup>1</sup> Source: African Development Bank and the Africa-EC Renewable Energy Cooperation Programme

Figure 2: Zimbabwe power transmission network



Source: Africa-EU Renewable Energy Cooperation Programme

### 3.3.2 Rail network

Zimbabwe had one of the most sophisticated rail network infrastructure in the region interlinking major towns and cities in the country and across borders with neighbouring countries and others in the Southern Africa Development Corporation region. The economic challenges faced by the country from the year 2000 onwards have hindered investments in railway infrastructure for the past two decades. However, basic infrastructure connecting major mining towns is available across the country especially along the Great Dyke.

The National Railways of Zimbabwe (“NRZ”) is a state owned entity and the sole provider of railway facilities in the country. The company has been in existence for the past 120 years and mining has been among the major customers of the entity. The shutting down of the Zimbabwe Iron and Steel Company (“Ziscosteel”), an iron mining company, significantly affected the operations of NRZ as this was a major client.

The figure below shows the distribution of rail network in the country:

Figure 3: Zimbabwe road and rail network



Source: Economic Intelligence Unit

Noting the importance of rail infrastructure in the country, the GoZ has recently partnered with the Diaspora Infrastructure Development Group and Transnet SOC Limited to upgrade its rail network for an estimated cost of about US\$400 million. As part of the NRZ revival the government recently commissioned 108 wagons, 7 locomotives and 8 passenger coaches.

### 3.3.3 Road facilities

The lack of adequate maintenance and deterioration of the quality of rail infrastructure in the country has led to an over reliance on road infrastructure for the transportation of goods and people. The declining economy also affected sufficient road maintenance has led to poor road infrastructure over the past few years.

However, as depicted on Figure 3 above major towns and cities across the country have a road connection including mining locations. Most mining locations are accessible through tarred road networks while others are accessible through gravel surfaced roads. Moving capital equipment, labour and mineral extracts is fairly simple on the country’s wide roads.

Over the past two decades there have been limited investments in infrastructure related projects including in the road transport sector. The most recent major main road construction project was completed in 2015 and was concentrated on resurfacing of the Plumtree to Mutare highway being a key link to Mozambique and Botswana.

The GoZ has also intensified efforts of resurfacing and repairing most affected roads in cities and towns across the country with notable developments being in Harare. Some major road development projects are also earmarked with the notable one being the dualisation of the Harare to Beitbridge highway. The highway is among the busiest in the country linking Zimbabwe with South Africa, the country’s largest trading partner, as well as providing a crucial link for South Africa to other Southern African countries.

# 4 Regulatory environment

## 4.1 Legislation

The mining industry is regulated by the Mines and Minerals Act and rights to mineral are vested in the President. According to the Act, the mining industry is administered by the following:

- The Ministry of Mines and Mining Development;
- The Mining Affairs Board; and
- Mining Commissioners.

The summarised Mines and Minerals Act is provided in Annexure 8.1.

### 4.1.1 Acquisition of a mining title

A mining title entails purchasing mining claims or prospecting licences and these are district specific. One may acquire the right to search for and work the resources by making a mining or exploration licence application through the Mining Commissioner’s office, in the mining district in which the resources are located. The Mining Commissioner’s office is a department in the Ministry of Mines and Mining Development.

An exploration or mining title may be acquired through an Exclusive Prospective Order (“EPO”) or a Special Grant (“SG”). An SG only applies to energy minerals but the approval process is similar to that of an EPO.

The different mining titles and application requirements based on the Mines and Minerals Act are summarised in Table 3, as follows (detailed requirements in the application for a mining title are provided in Annexure 8.2):

Table 3: Summary procedures of acquiring a mining title

Title (part of the Mines and Minerals Act)	Area	Minerals	Applicant requirement	Length of tenure
<b>Ordinary/special prospecting license (IV)</b>	<ul style="list-style-type: none"> <li>— 10ha precious metal/ stones</li> <li>— 25ha base metal</li> </ul>	All	<ul style="list-style-type: none"> <li>— Any person above 18 years permanently resident in Zimbabwe</li> <li>— A company duly registered in Zimbabwe</li> </ul>	2 years
<b>EPO (VI)</b>	<ul style="list-style-type: none"> <li>— 65 000ha</li> <li>— Any defined area (including reserved)</li> </ul>	All except coal	<ul style="list-style-type: none"> <li>— Any person</li> <li>— Corporate body</li> </ul>	Initial period of 3 years Renewable for a maximum period of 3 years
<b>Mining lease (VIII)</b>	<ul style="list-style-type: none"> <li>— Amalgamation of contiguous mining location</li> </ul>	All	<ul style="list-style-type: none"> <li>— Holder of registered mining location</li> </ul>	Perpetual Annual renewal
<b>Special mining lease (IX)</b>	<ul style="list-style-type: none"> <li>— As mining lease</li> </ul>	All	<ul style="list-style-type: none"> <li>— Holder of registered mining location</li> </ul>	Perpetual Annual renewal

			<ul style="list-style-type: none"> <li>— Investment of US\$100 million</li> <li>— Mine output expected for export</li> </ul>	
<b>Special Grant (XIX)</b>	<ul style="list-style-type: none"> <li>— Any defined area</li> </ul>	All	<ul style="list-style-type: none"> <li>— Any person</li> <li>— Area to be situated in reserved ground</li> </ul>	Perpetual Annual renewal
<b>Special Grant (Part XX)</b>	<ul style="list-style-type: none"> <li>— 20 000ha for coal,</li> <li>— 100 000ha for coal bed methane and natural gas</li> </ul>	Coal, mineral oils, natural gas	<ul style="list-style-type: none"> <li>— Any person</li> <li>— Area to be situated in reserved ground</li> <li>— Intention to mine coal, mineral oils, natural gas</li> <li>— Full information on financial status and technical expertise</li> </ul>	Perpetual Annual renewal

Source: Mineral Potential, Procedures and Requirements of Acquiring Licenses and Permits in Terms of the Mines and Minerals Act

The Mines and Minerals Act also provides for other entry points into the mining industry in Zimbabwe which can be done through transfers, tributes and options. These have to be registered with the Provincial Mining Director. These entry points present less stringent access to the mining sector in Zimbabwe which can also facilitate a rapid start to mining activities if a company or investor is well positioned to establish itself.

#### 4.1.2 Other relevant administrative bodies in the mining sector

The following bodies are also key and pertinent in the mining sector, although association with them may not be a strict requirement unless investors' activities encroach to the business and objectives they stand for:

##### 4.1.2.1 Minerals Marketing Corporation of Zimbabwe ("MMCZ")

The selling and marketing of all minerals produced in Zimbabwe, except gold and silver, are done exclusively by the MMCZ, a company established by the MMCZ Act (Chapter 21:04) of June 1982.

The functions of MMCZ are to:

- Act as the sole marketing and selling agent for all minerals except silver and gold;
- Investigate or cause to be investigated marketing conditions, whether inside or outside Zimbabwe, for minerals in general or for any particular mineral;
- Purchase or acquire any minerals for its own account and to sell or dispose of such minerals;
- Encourage the local beneficiation and utilisation of any mineral; and
- Advise the Minister of Mines and Mining Development on all matters connected with the marketing of minerals.

##### 4.1.2.2 Zimbabwe Mining Development Corporation ("ZMDC")

The ZMDC was created through an Act of Parliament, The Zimbabwe Mining Development Corporation Act (Chapter 21:08) in 1982, as an instrument for State participation in the mining industry, in keeping with the Government's policy of direct involvement in the national economy.

The functions of ZMDC are to:

- Invest in mining in Zimbabwe on behalf of the State;
- Plan, coordinate and implement mining projects on behalf of the State through its Group companies;

- Participate in development of mining projects from preliminary investigation to production;
- Engage in prospecting, exploration development, mining and mineral beneficiation programmes; and
- Render assistance to persons engaged in, or about to engage in, mining.

#### 4.1.2.3 The Chamber of Mines of Zimbabwe (“COMZ”)

The COMZ is a private, voluntary organisation that was established in 1939 and is concerned with all aspects of mining in Zimbabwe and is governed by The Chamber of Mines of Zimbabwe Incorporation (Private) Act (Chapter 21:02).

COMZ’s main objective is to advocate and lobby in order to promote, encourage and protect the interests of the mining industry in Zimbabwe. COMZ activities are guided by its constitution and strategic plan. The member mining companies of COMZ produce about 90% of Zimbabwe’s total mineral output.

#### 4.1.3 Other sources of law and regulations affecting the mining industry

Table 4<sup>2</sup> presents other regulatory requirements from various bodies put in place to facilitate mining activities which may involve applications, registrations and obtain termly licencing to participate in the industry and highlights the laws, regulations and bodies affecting the mining industry in Zimbabwe.

Table 4: Summary laws and regulations affecting the mining industry

Source of law	Focus in the mining sector
<b>The Labour Act (Chapter 28:01)</b>	The labour act defines the rights of employees and regulates conditions of employment and other related matters. In the mining sector, the Act governs the relationship between employers and their employees as well as their rights thereto.
<b>The Environmental Management Act (Chapter 20:27)</b>	The Environmental Management Act regulates the impact of mining activities on the environment. Therefore, all mining projects are required to prepare an Environmental Impact Assessment report that the Environmental Management Agency must approve.
<b>The Explosives Act (Chapter 10:08)</b>	The Act makes provisions for regulating and controlling the possession, purchase, delivery, manufacture, storage, and handling of explosives and other related matters in the mining sector.
<b>The Gold Trade Act (Chapter 21:03)</b>	Prohibits the possession of gold by unauthorised persons (those who do not have mining rights) and regulates dealings in gold.
<b>The Water Act (Chapter 20:24)</b>	The Water Act provides for the development and utilisation of the water resources of Zimbabwe; the prevention and control of the environment from water pollution and the requirements for a water permit.
<b>The Precious Stones Trade Act (Chapter 21:06)</b>	The Act regulates the possession of and dealing in precious stones and metals (which include rough diamonds, rough emeralds and industrial diamonds). The act prohibits any person from buying,

<sup>2</sup><https://iclg.com/practice-areas/mining-laws-and-egulations/zimbabwe#chaptercontent1>

	selling, bartering, exchanging, giving, receiving or possessing precious stones unless such person is licensed or holds a permit.
<b>The Forest Act (Chapter 19:05)</b>	Provides for the setting aside of state forests and for the protection of private forests, trees and forest produce; establishes a Mining Timber Permit Board to control the cutting and taking of timber for mining purposes; provides for the conservation of timber resources and the compulsory afforestation of private land; and regulates and controls the burning of vegetation.
<b>The Communal Land Act (Chapter 20:04)</b>	Alters and regulates the occupation and use of communal land.
<b>The District Development Fund Act (Chapter 29:06)</b>	Provides for the control and application of a fund to be used for the purpose of developing communal land and such other areas as may be declared by the Minister of Mines and Mining Development.
<b>The Exchange Control Act (Chapter 22:05)</b>	<p>All investments by foreign investors are governed by the Exchange Control Act. The Act confers powers and impose duties and restrictions in relation to gold, currency, securities, exchange transactions, payments and debts, and the import, export, transfer and settlement of property.</p> <p>Foreign investment requires exchange control approval which is obtained on submitting an application to the Exchange Control Department ("Exchange Control") of the Reserve Bank of Zimbabwe through a registered foreign currency dealer which includes all commercial banks in Zimbabwe.</p> <p>At divestment, an investor is allowed 100% repatriation of invested capital.</p> <p>Operating profits and net dividends from foreign investors have 100% remittance rights upon approval for repatriation obtained from Exchange Control through the local company's commercial or merchant bank (authorized dealers).</p> <p>The profit and dividend remittances can only be made from profits generated for the year and not retained earnings, and within twelve months from the balance sheet date.</p>
<b>The Land Acquisition Act (Chapter 20:10)</b>	Empowers the President and other authorities to acquire land and other immovable property compulsorily in certain circumstances; and to make special provision for the compensation payable for agricultural land required for resettlement purposes.
<b>The Base Minerals Export Control Act (Chapter 21:01)</b>	Prohibits/regulates and controls the export of base metals from Zimbabwe.
<b>The Indigenisation and Economic Empowerment Act (Chapter 14:33)</b>	The GoZ through the Finance Act 2018 (Section 42: Amendment of Cap 14:33), amended the Indigenisation and Economic Empowerment Act confining the 51/49% threshold to only two minerals i.e. diamonds and platinum. The rest of the extractive industry is open to 100% ownership by foreign investors. Further review of the thresholds will be undertaken to formulate a new policy on diamonds and platinum

Source: International Comparative Legal Guide – Mining Law Zimbabwe

#### 4.1.4 Setting up operations in Zimbabwe

This section highlights the key regulatory considerations that an investor interested in setting up operations in Zimbabwe would need to consider.

#### 4.1.4.1 Investment License

To set up operations in Zimbabwe, interested foreign investors are required to obtain an investment license from the Investment Committee currently working on the establishment of the Zimbabwe Investment Development Authority as highlighted in *Section 4.2*.

#### 4.1.4.2 Setting up a company

Upon acquiring an investment license, foreign investors interested in setting up operations in Zimbabwe may consider setting up a new company, setting a branch of an already existing foreign business, acquiring a shelf company or acquiring an already existing business.

The options however, require approval from the Ministry of Justice, Legal and Parliamentary Affairs (“Ministry of Justice”) through an application process and other required procedures to the Registrar of Companies.

Table 5 below summarises the steps in setting up a company in Zimbabwe:

Table 5: Steps in setting up a company in Zimbabwe

Procedure		Indicative time to complete	Cost to complete (US\$)
1	Apply for a reservation of the proposed company names at the Registrar of Companies office.	Five days	5
2	Apply for a certificate of incorporation from the Registrar of Companies.	Twenty one days	140
3	For a shelf company purchase route, the first step (after purchase of the company) would be lodging of a name search in order to change the name to that of your choice.	Seven days	5
3.1	Prepare and lodge advertisements with The Government Gazette and a daily newspaper.	Two weeks	62
3.2	Submit proof of advertisements, Notice of Change of Company Name, Special Resolution to that effect as well as alteration of the objects clause if necessary with the Registrar of Companies.	Two weeks	150 depending on dates
3.3	The Registrar issues a certificate of change of name, once the documents in 3.2 above have been approved.		
4	<b>Registration with ZIMRA</b> (assuming all registrations are done at the same time) A schedule of the registration requirements can be provided on request		
4.1	Corporate tax and capital gains tax	5 working days	400
4.2	Value added tax	Two weeks	1 000
4.3	Pay as you earn	5 working days	200
4.4	Customs	5 working days	100
4.5	Withholding tax	5 working days	100

## 4.2 Proposed economic reforms affecting the mining sector

The GoZ intends to implement a number of economic reforms which are meant to change the economic prospects of the country. Listed below are some of the proposed changes which have a bearing on operations of the mining industry which include the following:

- The Companies and other Business Entities Bill which among other things seek to modernise the Companies Act (Chapter 24:03) and make it easier for domestic businesses to operate;
- The Mines and Minerals Amendment Bill which is expected to introduce significant reforms in the mining sector and improve the functionality of the sector overall. The amendments are meant to:

- provide stronger environmental provision in line with the Environmental Management Act (Chapter 20:27) of 2007;
  - provide a competitive operating framework for investors;
  - simplify the Mines and Minerals Act;
  - provide for a computerised cadastre unit to manage mining titles; and
  - recognise and define small scale miners who over the years, especially in the gold industry, have been contributing significantly to production.
- Establishing a Mining Fiscal Regime to coordinate mineral revenue collections by Government Agencies as well as local authorities so as to avoid unnecessary burdens on mining operations;
  - Capitalisation of the Mineral Exploration Company in order to enhance exploration activities;
  - Pursuing the value addition thrust, particularly on minerals such as gold, diamonds, platinum and chrome;
  - Funding of the newly established Sovereign Wealth Fund; and
  - Operationalisation of a One Stop Investment Services Centre to be called the Zimbabwe Investment and Development Authority (“ZIDA”) in order to better serve potential business investors intending to invest in Zimbabwe. ZIDA will merge the operations of the Zimbabwe Investment Authority, the Special Economic Zones Authority and the Joint Venture Unit.

## 4.3 Labour and Labour Unionisation

### 4.3.1 Labour relations

The mining industry had approximately over 33 000 formally registered employees in 2017, excluding small and artisanal miners and other unregistered mining employees. However, the challenges faced in economy and the mining the sector, has resulted in mining companies retrenching a number of employees as part of their rationalisation programs.

The majority of workers in the mining sector are indigenous Zimbabweans and the sector faces minimum to no difficulties in replacing vacant positions as the skills required in the sector are locally available.

Most of the workers in this sector fall under the National Employers Council of Zimbabwe’s (“NEC”) minimum wage and are looking forward to improvements in their wage and conditions of service, despite their acknowledgement of the current viability challenges facing their employers. The NEC’s minimum wage increase was set at 1.5% in 2017 however, a number of mining companies may not afford the required wage increases in 2018 due to viability challenges in the mining industry.

### 4.3.2 Labour unions

The National Mine Workers Union of Zimbabwe (“NMWUZ”) and the Associated Mine Workers Union of Zimbabwe (“AMWUZ”) are the two labour unions that represent the rights and freedom of workers in the mining industry.

NMWUZ and AMWUZ are both affiliates of the Zimbabwe Congress of Trade Unions (“ZCTU”) whose mandate is to promote, advance and safeguard the economic, social and constitutional freedom and rights of workers by securing legal, political, democratic and good governance framework in Zimbabwe through strengthening its capacity and independence and those of its affiliates.

# 5 Taxation

The corporate taxation of mining activities is covered by specific sections in the Income Tax Act (Chapter 23:06) which are different from those that cover other economic activities. The table below shows the tax rates relevant to general mining companies.

Table 6: Tax rates relevant to general mining companies

<b>Company tax (general mining)</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
Corporate tax <sup>(2)</sup>			
Mining companies and mining trusts	25.75%	25.75%	25.75%
Mineral royalty rates			
Gold - small scale gold miners	0%	0%	0%
Gold - other miners <sup>(2a)</sup>	5%	5%	5%
Platinum	10%	10%	10%
Diamonds	15%	15%	15%
Precious stones	10%	10%	10%
Other precious stones	4%	4%	4%
Base metals	2%	2%	2%
Industrial metals	2%	2%	2%
Coal bed methane	2%	2%	2%
Coal	1%	1%	1%
Chrome	5%	2%	2%
Capital allowances under the new mine method <sup>(3)</sup>			
Mining equipment and related capital expenditure	100%	100%	100%
Pre-production capital expenditure	100%	100%	100%
Environmental restoration costs/mining rehabilitation expenditure	100%	100%	100%
Value Added Tax <sup>(4)</sup>			
Mining companies and mining trusts	15%	15%	15%
Withholding taxes			
Non-resident shareholders tax for listed companies	10%	10%	10%
Non-resident shareholders tax for unlisted companies	15%	15%	15%
Resident shareholders tax for listed companies	10%	10%	10%
Resident shareholders tax for unlisted companies	15%	15%	15%
Fees paid to non-residents	15%	15%	15%
Royalties paid to non-residents	15%	15%	15%
Capital Gains Tax			
Listed securities	1%	1%	1%
Unlisted securities	5%	5%	5%
Immovable property	15%	15%	15%
Other special incentives			
VAT deferment scheme (up to 180days - possible extension by the minister)	Yes	Yes	Yes
Assessed losses can be carried forward indefinitely. These losses are required to be ring fenced as they are not transferable to other mine locations and activities.	Yes	Yes	Yes

Table 7 below contains the tax rates relevant to companies with a special mining lease and provides a brief on how each category of tax or tax deduction is to be treated.

Table 7: Tax rates for companies with a special mining lease

Company tax (special mining lease)	2018	2016	2015
Mineral royalty rates – same as the general mining rates			
Special mining lease	15%	15%	15%
Other special incentives			
Capital allowances under new mine method <sup>(3)</sup>			
Mining equipment and related capital expenditure	100%	100%	100%
Environmental restoration costs/mining rehabilitation expenditure	100%	100%	100%
Pre-production capital expenditure	25%	25%	25%
Pre-production exploration costs	100%	100%	100%
Other special incentives - same as general mining rates			
Value Added Tax - same as general mining rates			
Withholding tax - same as general mining rates			
Capital Gains Tax - same as general mining rates			
Other special incentives - same as general mining rates			

#### Note 1

- Corporate tax is chargeable at the rate of 25%. Additional AIDS Levy of 3% is collected on tax resulting in an effective corporate tax rate of 25.75%.
- Additional profits tax may be chargeable on the income earned from a special mining lease. The additional profits tax is computed based on the net cash position where the net cash position is calculated based on specific income and expenditure of the entity and this additional profits tax may result in total taxes paid being more than 25%. This additional tax is calculated according to the 23rd Schedule of the Income Tax Act (Chapter 23:06).
- Special mining leases are not indefinite, they have expiry periods based on the agreement with issuing ministry.

#### Note 2

- Mining royalties are not a tax deductible expense.
- However, the Mines and Minerals Act provides for a full rebate of royalty in respect of all minerals or mineral-bearing products used wholly within Zimbabwe.
- Income earned by expatriates in Zimbabwe is taxable in Zimbabwe.

#### Note 2a

- Incremental gold production as compared to the prior year, is subject to a reduced royalty rate of 3%.

#### Note 3

- The Income Tax Act (Chapter 23:06) provides three methods by which capital allowances can be claimed. These are the new mine, life of mine and mixed mine methods. Under the new mine method, pre-production expenditure (both capital and revenue) is accumulated and claimed in full in the year production commences. Thereafter, subsequent capital expenditure is claimed in full the year in which it is incurred. The capital allowances included in the table above on capital expenditure are based on the assumption that the mining company elects to claim such allowances based on the new mine method. This method results in the maximum capital allowances being claimed in the earlier years of production.

Under the life of mine method, accumulated capital expenditure is claimed over the estimated remaining years considering the life of the mine. The estimated life of mine is required to be reassessed annually and the maximum years are prescribed based on the minerals being mined as illustrated in the table below:

Table 8: Life of mine method

Mineral mined by the entity	Maximum estimated life of the mine
Lead or Zinc	10 years
Iron	5 years
Other mines	20 years

The mixed method allows pre-production capital expenditure to be claimed over the estimated life of mine with subsequent capital expenditure being claimed in the year it is incurred.

The capital allowances claimed under any one of these methods is restricted in the following cases:

- Passenger motor vehicles – cost limited to US\$10 000 which is the case with other companies;
- Staff housing for employees at a school or hospital at the mine are each limited to US\$50 000;
- Expenditure that is incurred for staff housing for employees that work on a mine is not limited;
- The building costs of a school, hospital or nursing home at the mine are each limited to US\$50 000; and
- Shareholders housing is limited to US\$10 000.

With effect from 1 January 2018

- Value of a staff house by a miner operating a special mining lease will increase from US\$10,000 to US\$25 000.
- Expenditure on housing used by staff at school, hospital nursing home or clinic will increase from US\$100 000 to US\$150 000.

#### Note 4

- Value Added Tax (VAT) on the importation of goods will be calculated on the value for duty purposes plus any duty levied in respect of the importation of such goods.
- 15% special VAT on export of un-beneficiated chrome and platinum is currently suspended effective from 1 January 2015.
- Export of un-beneficiated lithium is subject to a 5% export tax.
- A staggered export tax is charged on un-beneficiated dimensional stones (including granite and marble):
  - 5% for uncut stones;
  - 2.5% for cut stones; and
  - 0% for cut and polished stones.
- The supply of rough diamonds to the local authority is zero rated.
- Supply of gold to Fidelity Printers and refineries is charged at 0%.
- Importers are entitled to deferment of VAT on importation of capital assets in terms of section 12A of the VAT Act (Chapter 23:12).
- Importers cannot claim input tax on imports that are subject to VAT deferment until VAT has been paid.
- The potential deferment period depends on the value of the capital goods computed from the date on which the goods are deemed to have been imported in terms of section 36 of the Customs Act (Chapter 23:02) as shown below:

Table 9: Value Added Tax deferment period

Value of Equipment (US\$)	Deferment period (days)
100 000 to 1 000 000	90
1 000 001 to 10 000 000	120
10 000 001 and above	180

**Note 5**

- *Special Mining Lease investor is exempted from withholding tax on dividends, fees, royalty as well as corporate income tax for the first 5 years and therefore the corporate income tax rate of 15%.*
- *A holder of a national project status or special mining lease is entitled to the following tax exemptions:-*
  - a) *Non-Resident tax on shareholder’s dividends;*
  - b) *Non-Resident tax on technical fees;*
  - c) *Non-Resident tax on royalties;*
  - d) *Resident Tax on shareholder’s dividends; and*
  - e) *Customs Duty*

*There are exchange control and immigration dispensations which will also be granted*

- *The holder of national project status or special mining lease are granted a tax holiday for corporate income tax for the first 5 years and thereafter the corporate income tax rate of 15%.*
- *Specialised expatriate staff are taxed at a flat rate of 15% whilst the normal highest effective rates is 51.5%.*

**Note 6**

- *A holder of an investment licence issued in terms of Special Economic Zones Act (SEZ)(Chapter 14:43) is entitled to the following tax exemptions:*
  - a) *Non-Resident tax on shareholder’s dividends;*
  - b) *Non-Resident tax on technical fees;*
  - c) *Non-Resident tax on royalties; and*
  - d) *Resident Tax on shareholder’s dividends.*

**Note 7**

- *The Build Own Operate Transfer (BOOT) or Build Operate Transfer (BOT) investors are charged corporate tax at 0% for the first five years, then 15% for the next 5 years, 20% for the next 5 years and thereafter 25%.*
- *The investor can also enter into a Build Own Operate Transfer (BOOT)/Build Operate Transfer (BOT) on the smelting operations to enjoy a tax holiday. The incentive tax rates will be staggered over 15 years as shown below:*

Table 10: BOOT and BOT corporate tax rates

Year	Corporate Income Tax rate
1-5	0%
6-10	15%
11-15	20%
Thereafter	25%

## 5.1 Intermediated Money Transfer Tax

Intermediated Money Transfer Tax (“IMTT”) is an electronic transaction tax administered by financial institutions including mobile money operators.

Prior to the Monetary Policy Statement of 1 October 2018 the IMTT was calculated at the rate of US\$0.05 for each transaction exceeding US\$10 on which the tax is payable.

IMTT has been amended by Statutory Instrument 205 of 2018, effective from the 12<sup>th</sup> of October 2018, and is now calculated at the rate of US\$0.02 on every dollar (2%) transacted for each transaction on which tax is payable. The tax is only charged on transactions greater than US\$10 and a maximum limit has been set at US\$10 000 being levied on transactions of any transactions greater than US\$500 000.

The following transactions are currently exempted from the IMTT:

- The transfer of money for the purchase or sale of marketable securities and money market;
- The transfer of money for the purchase or redemption of money market instruments;
- The transfer of money on payment of remuneration;
- The transfer of money to or from the Zimbabwe Revenue Authority for the payment or refund of taxes;
- The intra-corporate transfer of money, that is to say, transfer of money between the treasury account and any trading account held in the name of the same company;
- The transfer of money from (but not into) specified trust accounts (Trust account required under Legal Practitioners Act, Estate Agents Act and Estate Administration Act);
- The transfer of money into and from Nostro foreign currency accounts;
- The transfer of money by Government from the Consolidated Revenue Fund or from funds established in terms of the Public Finance Management Act;
- The transfer of money to any pension fund or to beneficiaries of such a fund;
- The transfer of money for the procurement, production or sale (wholesale or retail) of a petroleum product by a petroleum company licensed; and
- Single transaction of the value of US\$10 or below.

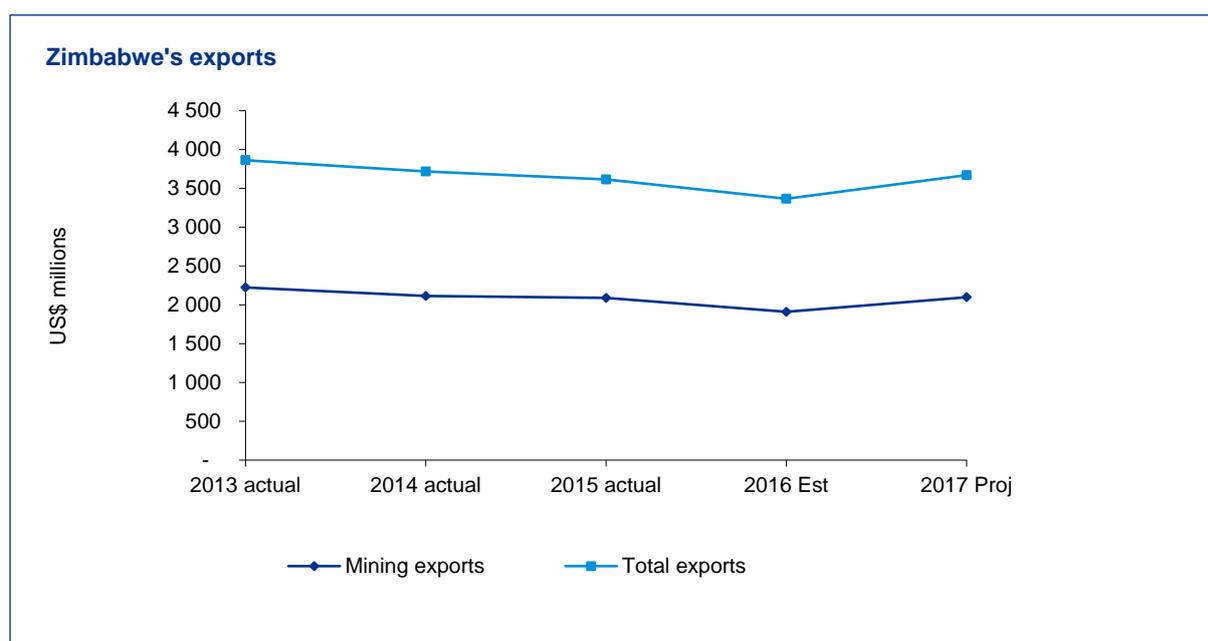
As this is a transactional tax, the net impact on the local value chain is expected to be considerably greater than the 2% as it is compounded with each transaction. There has been an initial outcry by the market, against the revised tax, with proposals submitted to the Ministry of Finance and Economic Development, as part of the 2019 National Budget consultation process, to amend the tax. The 2019 National Budget is expected to be announced towards the end of November 2018.

# 6 Focus on key minerals

## 6.1 Export of minerals

The mining sector contributes significantly to the country's export earnings, contributing on average 57% to the country's total exports. The major export minerals in Zimbabwe are gold and platinum. The graph below shows the country's mining exports revenue from 2013 to 2017:

Figure 4: Zimbabwe exports revenue



Source: Monetary Policy Statement, January 2017

- Ever since Zimbabwe's deregistration from the London Bullion Market in 2008, gold produced in Zimbabwe is sent for final processing and selling in South Africa given its access to the London Bullion Market.
- All of the platinum produced in the country is exported to South Africa out of the country for further processing given the proximity and the involvement of South African miners in the local platinum production in Zimbabwe. There is no local beneficiation of platinum products in the country as producers are still working on the construction of a refinery.
- The majority of the coal produced in Zimbabwe is for local consumption in power generation. The single largest purchaser of coal in the country is ZPC which uses coal in thermal power generation at HPS. Some of the local coal miners have been exploring export markets in Zambia, Democratic Republic of Congo and South Africa although in very limited quantities. It is expected that when all the coal producers in the country are operating at full capacity and able to fully supply ZPC's HPS and other local industries exports to the target markets will be possible in larger volumes.
- Zimbabwe does not currently have a diamond cutting and polishing facility in the country hence all of the diamond produced is sold in its raw form. The major export markets for unprocessed ore China and Indonesia.
- Zimbabwe does not have a steel processing plant hence most of the chrome produced in the country is exported as raw chrome or processed high carbon ferrochrome. As at 30 June 2018, 49% of the chrome produced in the country was exported as raw while the remaining 51% was

beneficiated and exported as HCF. The government continues to encourage chrome miners to beneficiate the mineral so that the country realises more value from the sale of the mineral.

### 6.1.1 Export incentives

In 2016, the RBZ established a US\$200 million export incentive facility of up to 5% on all foreign exchange receipts, including tobacco and gold sale proceeds. This export incentive was to be credited into the exporters' or foreign currency earners' FCA.

The incentive facility was introduced on the back of the issuance of the bond notes to provide liquidity for business trading operations, which were supported by the African Export-Import Bank ("Afreximbank").

Some large mining (resource based) exporters, are entitled to 2.5% export incentive scheme given that there are no overdue export proceeds whilst other mining are entitled to the 5% export incentive scheme. The export incentive scheme for gold was increased to 10% in the Monetary Policy Statement of February 2018

In the recent Monetary Policy Statement (October 2018), the Governor of the RBZ in a bid to strengthen the Multi-Currency System introduced separate foreign currency accounts ("FCAs") i.e. Nostro FCAs and Real Time Gross Settlement ("RTGS") FCAs.

Nostro FCAs relates to free funds, diaspora remittances, international organisations' remittances, portfolio investment inflows, loan proceeds and export retention proceeds. The MPS also noted that all exporters may retain 100% of their export proceeds in their Nostro FCA accounts, with the exception of gold producers that may retain 30% of export proceeds while platinum, diamonds and chrome may retain 35% of export proceeds.

The balance of export proceeds will be transferred to the exporters local RTGS FCA at the rate of 1:1.

Table 11 below summarises the retention thresholds for selected exporters and producers.

Table 11: Retention threshold for selected exporters and producers

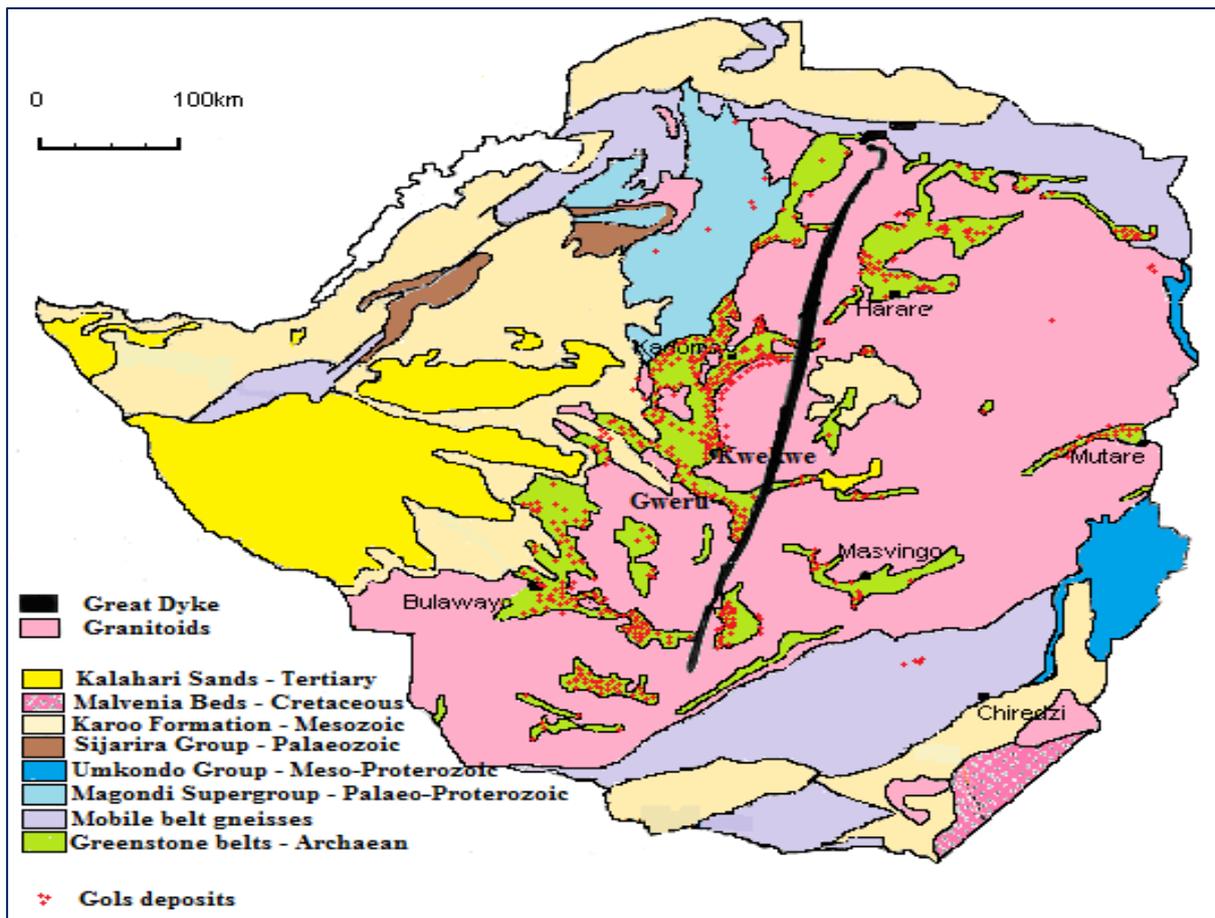
Category of exporter	Exporter Retention Portion	RBZ Portion	Authorised Dealer Portion
Large scale gold producers	30%	70%	0%
Platinum, Chrome & Diamonds	35%	60%	5%
All other minerals excluding Gold, Chrome, Platinum and Diamonds.	50%	40%	10%

Source: RBZ Exchange Control Directive RT120/October 2018

## 6.2 Gold

At least 95% of Zimbabwe's total gold production has been derived from orogenic lode-gold style mineralisation, which occurs within many of the greenstone belts. In around half of the known deposits, the host rocks are not mafic volcanic but ultramafic and banded iron formations. In lode-gold deposits, gold and gold bearing sulphide mineralisation is present in quartz filled shear zones. It is believed that Zimbabwe has richest greenstone belts in the world in which most of the gold deposits are found. The figure below shows where most of the gold deposits are located in the country:

Figure 5: Zimbabwe gold deposits



Source: Zimbabwe Geological Survey

Gold is Zimbabwe’s major export and foreign currency earner contributing at least 40% of the mineral exports revenue.

### 6.2.1 Key players and mines profiles

The gold mining industry is composed of both large and small scale producers. Large scale gold producers are mainly well established corporations which employ a vast number of works and use diversified machinery in their operations. On the other hand, small scale gold miners are individuals and small to medium enterprises (“SMEs”) which do not employ a lot of people or use highly sophisticated machinery in their operations.

Table 12 below shows the profile of some of the gold producers in Zimbabwe:

Table 12: Profile of gold miners

Gold miners	Description of the company
RioZim Limited (“RioZim”)	RioZim operates Renco Mine located in Masvingo, Dalny Mine in Chakari, Cam & Motor Mine and Empress Nickel Refinery in Kadoma. In addition, the Group holds 50% interest in Sengwa Colliery (Private) Limited, a company with coal assets located in Gokwe North and a 22.2% interest in Murowa Diamonds (Private) Limited a company with a diamond operation located in Zvishavane. RioZim is owned by Gem Riozim Investments Ltd (NNR) (44.01%) and Old Mutual Life Assurance (22.48%) together with other minority shareholders. <sup>3</sup>
Metallon Gold Zimbabwe (Private) Limited (“Metallon Gold”)	Metallon Gold is a wholly owned subsidiary of UK company, MetGold Limited. It operates five gold mines namely: How Mine, Shamva Mine, Redwing Mine, Dalny Mine, and Mazowe Mine. <sup>4</sup>
Blanket Mine (1983) (Private) Limited (“Blanket”)	Blanket is currently owned by Caledonia Mining Corporation Plc, with a current shareholding of 49%. Caledonia has recently announced their intention to increase their shareholding to 64% through a memorandum of understanding to acquire an additional 15% shareholding from an existing indigenous shareholder.  Caledonia Mining Corporation Plc, listed on the Toronto Stock Exchange and AIM on the London Stock Exchange.
Falcon Gold Zimbabwe Limited (“Falgold”)	Falgold has been listed on the ZSE since 1991 and owns Golden Quarry mine. Falcon Gold is owned 100% by New Dawn Mining Corporation. <sup>5</sup>
Duration Gold Limited (“Duration”)	Duration offers gold exploration and production services. The company owns 5 core assets with historic production of 4.6 million oz. It also sells gold at international spot prices. The company was founded in 2006 and is based in Bulawayo, Zimbabwe. Duration operates as a subsidiary of Clarity Enterprises Limited. <sup>6</sup>
Freda Rebecca Gold Mine Limited (“Freda Rebecca”)	Freda Rebecca commenced operations in 1988 and is owned 85% by ASA Resource Group PLC. <sup>7</sup>
Zimbabwe Mining Development Corporation (“ZMDC”)	ZMDC was established by an Act of Parliament No. 31 of 1982. The company is a wholly owned government entity and has interests in Sabi Gold Mine in Zvishavane, Jena Gold Mines in Silobela and Elvington Gold Mine in Chegutu.

### 6.2.2 Production statistics

Statistics from Fidelity Printers and Refiners (“Fidelity”), the country’s sole gold buyer, shows that small scale gold producers have been increasing their gold output with deliveries up to August 2018 greater than deliveries by larger gold producers. Small scale gold producers delivered at least 60% of gold to Fidelity during the year 2018 while larger scale producers delivered the remaining 40%.

The increase in small scale producers output is attributable to a Gold Development Finance Facility setup by the RBZ to help small players access machinery and other necessary production inputs. The

<sup>3</sup> RioZim 2017 Annual Report

<sup>4</sup> <http://metcorp.co.uk/operations/zimbabwe-overview.aspx>

<sup>5</sup> <https://www.bloomberg.com/research/stocks/private/snapshot.asp?privcapid=40373468>

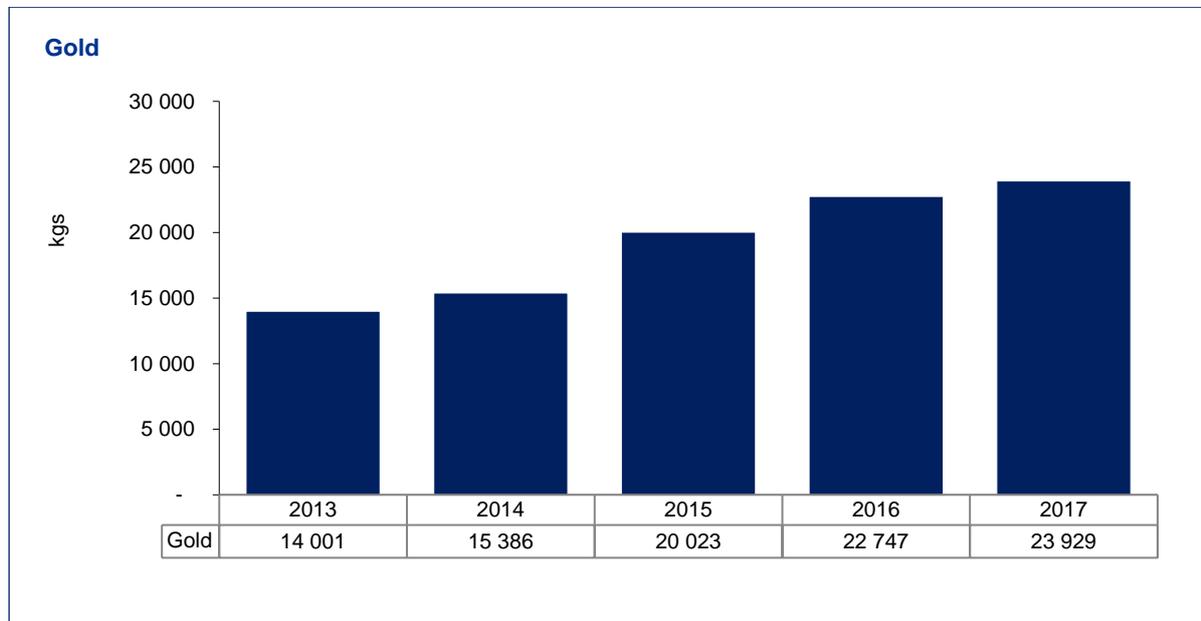
<sup>6</sup> <https://www.bloomberg.com/research/stocks/private/snapshot.asp?privcapid=115295402>

<sup>7</sup> <https://asaresourcegroup.com/commodities/asa-gold/freda-rebecca>

RBZ had distributed US\$102 million under this facility by the end of September 2018 and there is potential to increase the facility to US\$500 million.

Cumulative gold deliveries from January to August 2018 stood at 24.8 tonnes and it is expected that overall 2018 production will exceed the 30 000kgs target. The figure below shows gold production statistics from 2013 to 2017:

Figure 6: Gold production



Source: Zimstat

Gold production is expected to continue increasing as the country also seeks readmission into the London bullion market. According to Fidelity cumulative production from January to June 2018 was 18 113kgs and gold deliveries stood at 17 274kgs for the same period and 64% of these deliveries were from small scale.<sup>8</sup>

### 6.3 Platinum Group Minerals (“PGM”)

Zimbabwe hosts the second largest known platinum reserves in the world, after South Africa, in the Main Sulphide Zone on the Great Dyke. The Great Dyke is a sinuous, layered, mafic, ultramafic intrusion. It is 550 km long and has a width ranging between 4km and 11km.

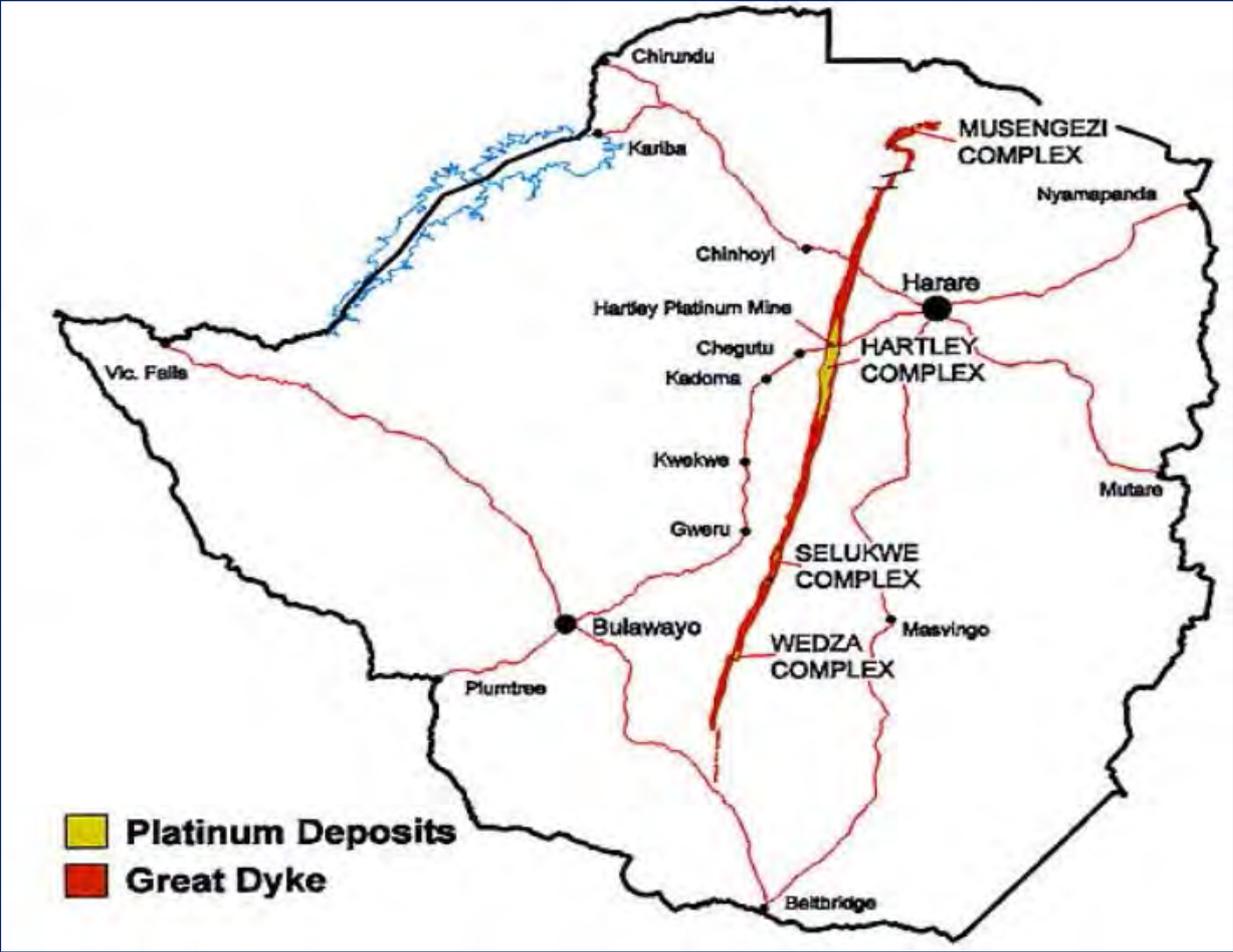
The Great Dyke consists of four geological complexes, namely Msengezi, Hartley, Selikwe and Wedza. The Hartley Complex is by far the largest and contains approximately 80% of Zimbabwe’s total PGM resources. Resources available are estimated to be 2.8 billion tonnes. Large resources are locked up in oxidised parts of the Main Sulphide Zone (MSZ) while the Lower Sulphide Zone has not been explored in detail. The stratigraphy is broadly divided between a lower ultramafic and an overlying mafic sequence. The ultramafic sequence hosts the P1 pyroxenite, directly below the mafic-ultramafic contact, which in turn hosts the economic PGM-bearing Main Sulphide Zone. The MSZ is generally 2-3 m thick.

According to the RBZ and the Ministry of Mines and Mining Development, platinum is among the country’s largest foreign currency earners contributing at least 20% of mineral exports revenue. The mineral and its extraction fall under the designated extractive sector in the country’s Indigenisation and

<sup>8</sup> Monetary Policy Statement, 1 October 2018

Economic Empowerment regulations. This implies that any foreign investors who seeks to participate in platinum production in Zimbabwe is required by the law to cede at least 51% of ownership in the company to the government. The figure below shows the locations of major platinum deposits in Zimbabwe<sup>9</sup>:

Figure 7: Zimbabwe platinum deposits



Source: Mining Technology

6.3.1 Key players and mines profiles

As depicted on Figure 7 above, there are currently four main complexes from where platinum is mined along the Great Dyke in Zimbabwe. The Hartley Complex is believed to hold the largest deposits of platinum in the country.

The table below shows the profile of platinum producers in Zimbabwe:

<sup>9</sup> <https://www.mining-technology.com/projects/hartley/attachment/hartley2/>

Table 13: Profile of platinum miners

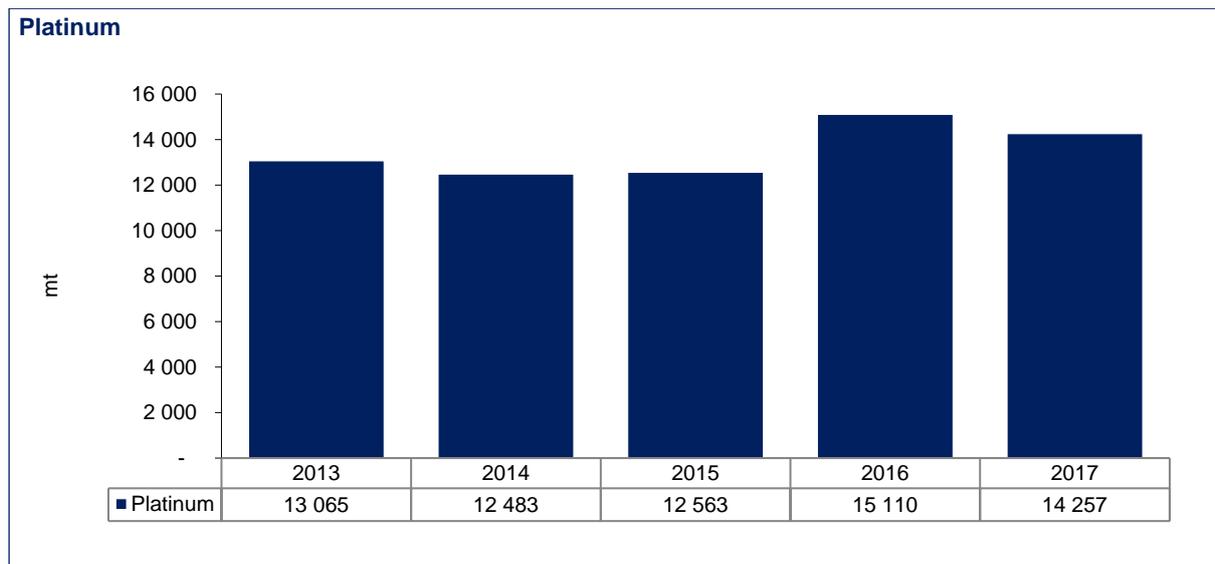
Platinum miners	Description of the company
Zimplats Holdings Limited ("Zimplats")	Delta Gold Limited established Zimplats in 1998 to take over all its platinum interests, facilitating the independent development of its gold assets. Zimplats has operations on the Hartley Geological Complex. Zimplats is held 87% by Impala Platinum Holdings Limited. <sup>10</sup>
Mimosa Mining (Private) Limited ("Mimosa")	Mimosa is a joint venture partnership between Impala Platinum Holdings Limited and Sibanye Still Water. The operations are located on the Wedza Geological Complex. <sup>11</sup>
Unki Mine (Private) Limited	The mine was commissioned in 2010 and the operation is located at the Selukwe Geological Complex along the Great Dyke. <sup>12</sup>

During the year 2018, Karo Resources signed a multibillion dollar agreement with the GoZ to enter into platinum mining in Zimbabwe and they have already started prospecting for the mineral.

### 6.3.2 Production statistics

Overall platinum production has not followed a consistent trend over the five year period from 2013 to 2017. Platinum output was, weighed down by the closure of Bimha Mine, Zimplats largest underground mine, from November 2014 to March 2018 as it went through a redevelopment phase. The figure below shows production statistics from 2013 to 2017:

Figure 8: Platinum production



Source: Zimstat

According to the Monetary Policy Statement released on the 1<sup>st</sup> of October 2018, cumulative production for the six months from January to June 2018 was 7 182kgs. However, a quarter on quarter comparison between the second quarter of 2017 and the second quarter of 2018 shows that production during the second quarter of 2018 was slower by 6.9% at 3 438kgs compared to 3 693kgs in 2017.

<sup>10</sup> Zimplats 2017 annual report

<sup>11</sup> <http://www.implats.co.za/operations.php>

<sup>12</sup> Anglo American 2017 annual report

The GoZ offered a reprieve to the 15% export tax charged to platinum producers when selling unprocessed ore subject to them constructing a refinery to value add the mineral and sell a more valuable product. The reprieve will expire on 31 December 2018 and any producer selling unprocessed ore will be liable to the export tax as the country tries to move away from reliance on primary products.

The tax which will be effect from 1 January 2019 has been reduced from 15% and will be charged in staggered rates as shown below:<sup>13</sup>

Table 13: Platinum tax regime

Level of Beneficiation	Export Tax on Un-beneficiated Platinum (%)
PGM Concentrate	5
White Matte	2.5
PGM and Base Metal	1
Precious Metal Refinery	0

Source: 2018 National Budget Statement

## 6.4 Diamonds

Diamonds mined in Zimbabwe are mainly alluvial white diamonds. The first significant diamond site was discovered at Murowa in south-central Zimbabwe in 1997, some 400 km east of Harare. Diamonds were also discovered in 2006 in the Chiadzwa area of Marange District. Some reserves were also found in the Binga and Masvingo area.

According to the government, Zimbabwe’s diamond industry is also working with Botswana to benchmark best practices and diamond mining technology systems. Zimbabwe is also in talks with the Diamond Trading Company (“DTC”) for cutting and polishing of locally produced diamonds in Botswana.

Diamond mining in Zimbabwe has mainly been alluvial but the alluvial diamonds have significantly depleted leading to lower levels of diamond output. Companies are now looking into conglomerate and kimberlitic diamonds which require significant investment, compared with alluvial stones which are on or just beneath the surface. Conglomerate diamonds are located deeper than the alluvial diamonds but have more value when compared to the alluvial diamonds and need highly technological equipment to extract.

There is a requirement to get a license to deal in precious stones in particular to cut and polish rough diamonds. The requirements are as follows:

- Vetting by police;
- Inspection of premises by a team comprising the Department of Mining Law, Mining Promotion and Development and C.I.D for suitability of premises & diamond security;
- Submission of company profile; and
  - Certificate of Incorporation
  - Memorandum of Association
  - Articles of Association
  - Directorship & Shareholding structure
  - Tax clearance
  - List of equipment

The application is made to the Permanent Secretary and the license is valid for 10 years.

<sup>13</sup> 2018 National Budget Statement

#### 6.4.1 Key players and mines profiles

Prior to 2016, Zimbabwe had 7 operating diamond companies. The Government in 2016 did not renew or issue new licenses to diamond operators in the o pave way for the formation of Zimbabwe Consolidated Diamond Company (“ZCDC”), a government entity responsible for mining diamonds operating Chiadzwa area in Zimbabwe. We understand that the objective for the formation of ZCDC was to enhance oversight, transparency and accountability in the diamond sector.

Table 14: List of diamond miners

Diamond miners	Description of the company
ZCDC	ZCDC is a wholly owned government entity responsible for diamond mining in the Chiadzwa area. The company was formed under the Zimbabwe Companies Act. ZCDC was issued with Special Grants 6026 and 6460 which vests mineral rights to carry out mining operations for diamonds in Chiadzwa and Chimanimani respectively. <sup>14</sup>
Murowa Diamonds (Private) Limited (“Murowa”)	Murowa has been operating in the country since the early 1990’s when exploration begun. In 1997, this exploration came to fruition on the discovery of three diamond-bearing kimberlite pipes in the Murowa area. Two of the kimberlite pipes namely K1 and K2 can be mined profitably. <sup>15</sup> Murowa Diamonds is owned 22.2% by RioZim while the 71.8% is owned by RZ Murowa Holdings Limited. <sup>16</sup>

The government through the Ministry of Mines and Mining Development is working on the development of a diamond policy which will ensure improved regulation in this sector. Some of the players who had been barred from participation in the diamond sector when the government did not renew their licenses in 2016 could potentially resume operations when the policy comes into effect as it seeks to open up the sector and encourage more participation<sup>17</sup>.



<sup>14</sup> <https://www.zcdco.com/>

<sup>15</sup> [http://www.riozim.co.zw/?page\\_id=233](http://www.riozim.co.zw/?page_id=233)

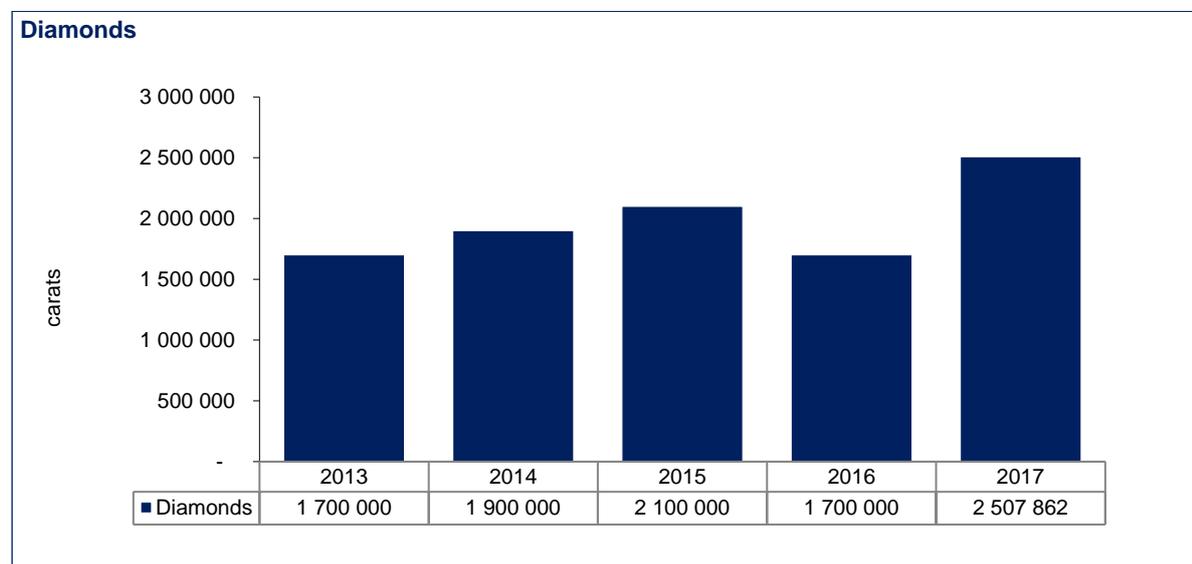
<sup>16</sup> RioZim 2017 Annual Report

<sup>17</sup> Mining Zimbabwe

## 6.4.2 Production statistics

The newly formed company, ZCDC, is expected to significantly increase diamond output following a government capitalisation which enabled it to purchase new crushing equipment. Historical diamond production from Kimberly Process is shown below:

Figure 9: Diamond Production



Source: Zimstat and Kimberly Process Certification Scheme

The graph above shows that diamond production has been declining from a record high recorded in 2013 although signs of recovery were shown in 2017. The decline in production can be attributable to the exhaustion of the alluvial diamonds in the Marange area. However measures put in place by the government to limit illicit dealings in diamonds and to reduce the number of operating companies has resulted in a rebound in production. ZCDC targets to produce 3 million carats of diamonds in 2018 as the government entity seeks to further boost its output from 2017 levels.

According to the Monetary Policy issued on the 1<sup>st</sup> of October 2018 cumulative diamond production from January 2018 to June 2018 was 1 904 468 carats.

## 6.5 Coal

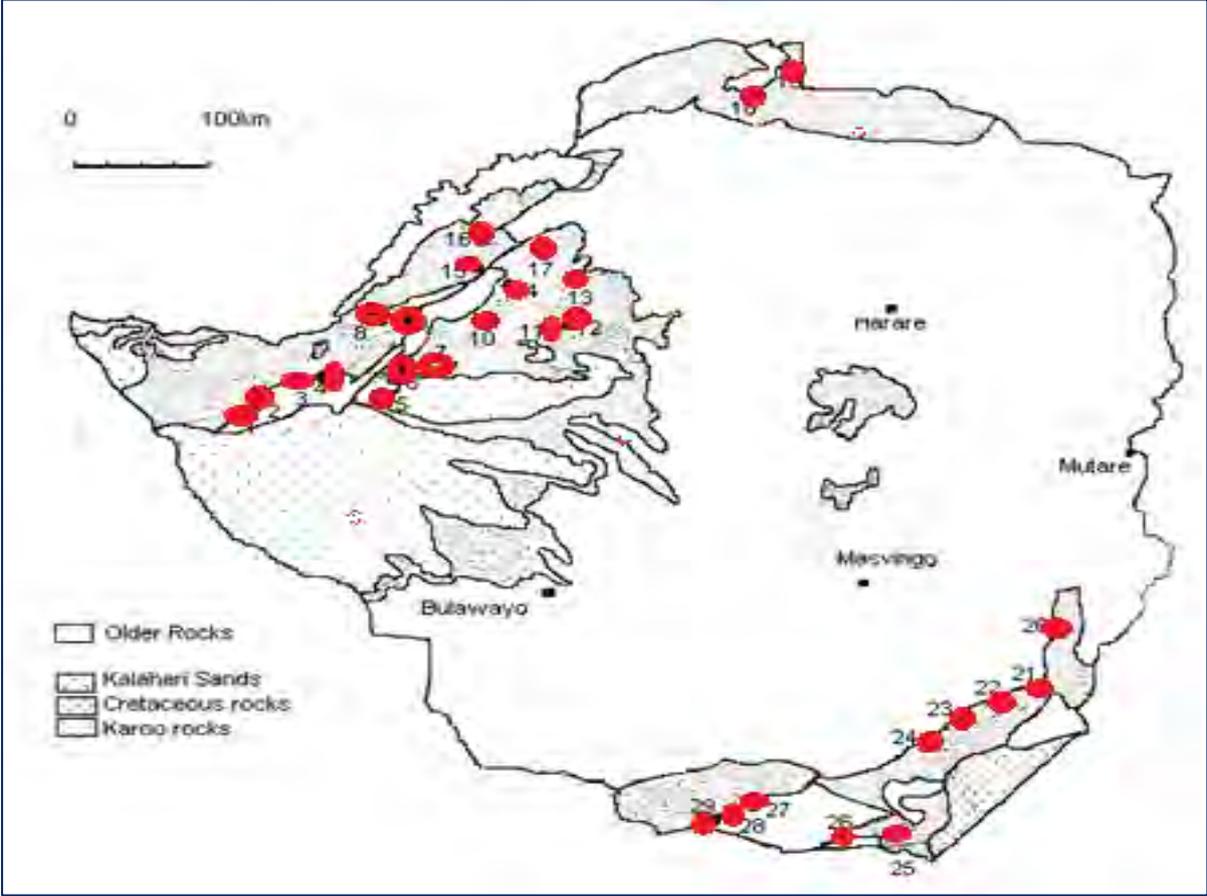
Zimbabwe hosts the largest coal reserves in the Lower Karoo rocks of the mid-Zambezi Basin and the Save-Limpopo basin. Over 29 localities are known with estimated resources of over 26 billion tonnes. These coalfields include Sengwa coalfields near Gokwe, and Mkwesine coalfield.

Most of the country's coal deposits are found in the in the north-western parts of the country in Matabeleland North where all the mines are concentrated. Smaller deposits were also discovered in the southern parts of the country in Matabeleland South province.

The coal produced in Zimbabwe is split into coal peas, coal cobbles, coal fines and coking coal.

The figure below shows coal geology in the country:

Figure 10: Coal deposits



Source: Zimbabwe Geological Survey

6.5.1 Key players and mines profiles

Some of the existing players are shown in table 16 below:

Table 15: List of coal producers

Coal miners	Description of the company
Hwange Colliery Company Limited (“HCCL”)	HCCL is the country’s major coal producer and has been in the coal business since 1913. HCCL is listed on both the ZSE, LSE and JSE. Shareholders in HCCL include Government of Zimbabwe (36.77%) Messina Investments (16.61%) Mittal Steel African Investments (9.68%). <sup>18</sup>
Makomo Resources (Private) Limited (“Makoma”)	Makomo Resources operates an opencast mine in Hwange, Matabeleland North Province and is the largest privately owned coal producer in Zimbabwe. The company supplies Zimbabwe’s power stations, and industrial and agricultural sectors. <sup>19</sup>

<sup>18</sup> HCCL 2017 annual report

<sup>19</sup> <https://makomoresources.com/>

Tuli Coal (Private) Limited (“Tui Coal”)	The Tuli Coal Mine is situated in Beitbridge, 35km west along the Limpopo River on the South Africa Zimbabwe border. One of the shareholders in Tuli Coal is Senzile Resources (Proprietary) Limited of South Africa. <sup>20</sup>
Sengwa Coal Mine	The company is owned by RioZim (50%) while the other 50% is owned by RZ Murowa Holdings Limited. and the company operates in the Matabeleland North province. <sup>21</sup>

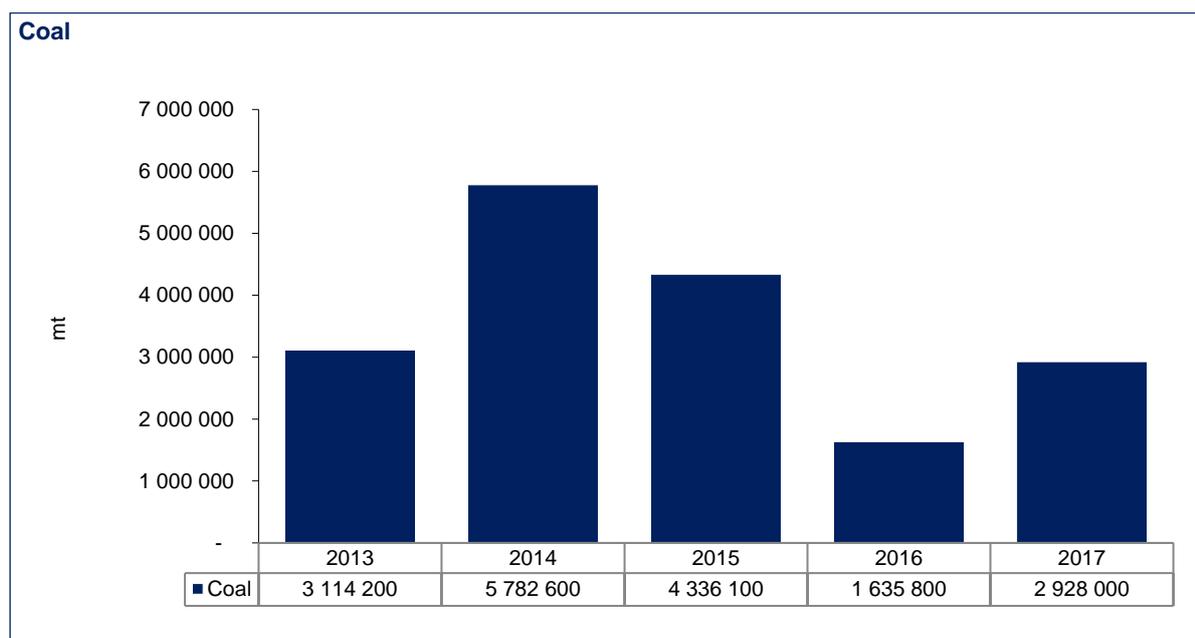
HCCL has been facing production challenges and as such has not been able to produce to its maximum capacity. The challenges are related to inadequate capital to finance ongoing operations which include payment of workers’ salaries and purchase of new modern equipment. The company had to resort to reducing the working month from the normal four weeks to just two weeks so as to prevent the wages arrears from rising beyond unsustainable levels.

HCCL has also been failing to service some of its debts which has also reduced its capacity to access new lines of financing. The company undertook a scheme of arrangement with its creditors in May 2017 such that it could more effectively focus on reviving the business to profitability and cash flow generation.

### 6.5.2 Production statistics

The figure below shows coal production statistics from 2013 through to 2017:

Figure 11: Coal production



Source: Zimstat

Cumulative production from January to June 2018 was 1 921 520 tonnes. The coal producers are therefore on target to meet production for 2018 pegged at 4 500 000 tonnes. Overall coal production has not maintained a consistent trend over the five year period owing to production challenges at some of the larger producers. Coal production was at its lowest in 2016 because of production challenges at HCCL which can be attributable to machinery breakdowns and inability to purchase the latest technology to use in production. A very high and unsustainable debt burden has also affected the company’s ability to service all of its loan facilities and to attract new funding. Government has regularly

<sup>20</sup> <https://senzile.com/tuli-coal-mine/>

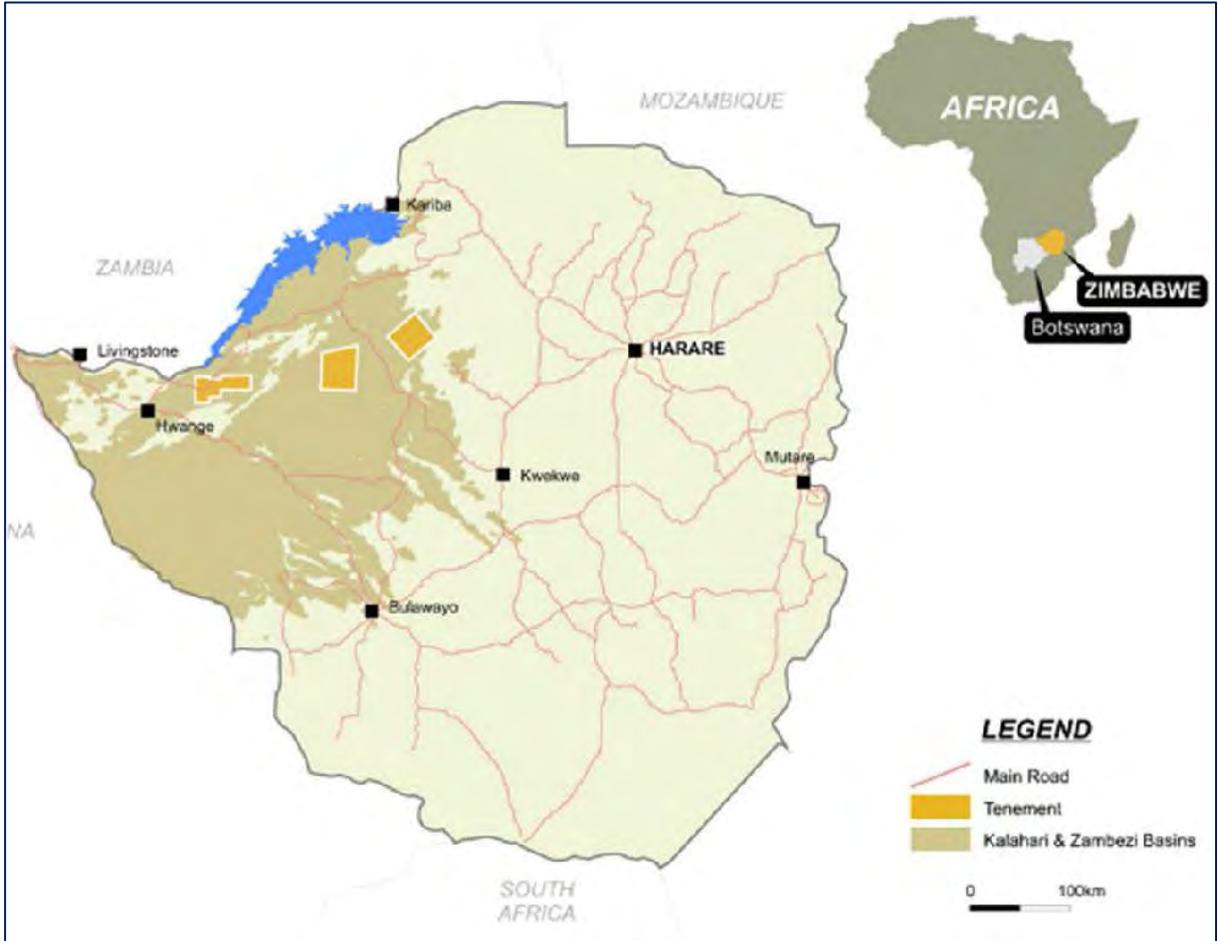
<sup>21</sup> RioZim 2017 Annual Report

capitalised HCCL so that production is not cut of completely as coal is regarded as a critical resource used in power generation in the country. The entrance of new producers like Makomo has helped ease the production gaps although they had capacity constraints.

### 6.6 Coal bed methane

Coal bed methane (“CBM”) is a gas intrinsically associated with coal. Coal is both a source and reservoir for methane gas occurrence in Zimbabwe. It mainly occurs in the middle Zambezi Basin for example in the Lupine concession. It is also found in the Save Limpopo basin for example in the Save Runde district. Coal bed Methane is used for Electricity generation, Ammonia production for fertilizer and in Iron production. Conservative estimates for the Lupane area indicates gas resources far in excess of 100 000 million m<sup>3</sup>. The figure below shows the main occurrences of CBM which is associated with coal occurrences in Zimbabwe.

Figure 12: The Kalahari and Zambezi coal basins of Zimbabwe



Source: Project 263

Shangani Energy Exploration (Private) Limited completed Africa’s first coal bed methane production well in 1994 at a site near the Shangani River, about halfway between Bulawayo and Victoria Falls. Three companies have been involved in exploration for CBM in Zimbabwe i.e. Shangani Energy Exploration, Afpenn Lupane Developments and Terra Firma. The coals and carbonaceous shales in this area contain 2 to 5 cubic metres per ton in-situ gas of a high purity of 95% methane.

At the present moment CBM has not been commercially extracted as most of the initial explorations were not completed. There are however vast opportunities to venture into CBM extraction given the wide range of uses it can fulfil chief among them being power generation and fertilizer production. The

government has put in place a framework to assist and incentivize potential investors who may want to start CBM extraction in Zimbabwe.

At the present moment there are currently no companies operating in the CBM industry hence no active exploration.

## 6.7 Chrome

Zimbabwe hosts approximately 80% of the world’s metallurgical chromite which occurs in two distinct geological environments, namely the Great Dyke and greenstone belts. With more than 4 000 registered chromite claims around Zimbabwe, the resource grade ranges between 42% and 48%. Significant resources are found in some Greenstone belts namely in Shurugwi, Belingwe, Mashava and greenstone remnants in the Great Dyke.

### 6.7.1 Key players and mines profiles

Chrome mining companies are stretched along the Great Dyke through ownership of mining rights on various locations. The chrome mining industry is divided into two main categories namely small scale miners and large scale miners.

The table belows shows some of the large scale chrome miners in Zimbabwe:

Table 16: Chrome mining companies

Chrome miners	Description of the company
Zimbabwe Mining and Smelting Company (“Zimasco”)	Zimasco is an integrated ferrochrome producer in Zimbabwe and has an installed capacity capable of producing 210 000 tonnes of high carbon ferrochrome annually. Sinosteel Corporation of China is the majority shareholder <sup>22</sup> .
Zimbabwe Alloys Limited (“ZimAlloys”)	ZimAlloys manufactures high-carbon ferrochrome and ferrosilicon chrome, used primarily in the manufacture of specialty steels. The company is under Judicial Management as it seeks to restructure its operations and return the company to profitability.
Africa Chrome Fields (Private Limited) (“Africa Chrome Fields”)	African Chrome Fields currently holds hundreds of alluvial chrome mining concessions over an area of 20 km <sup>2</sup> in the Great Dyke region of Mashonaland and Midlands provinces of Central Zimbabwe. The company’s extraction facilities, consisting of seven wash plants, are located near Chinyika Ranch in Zimbabwe’s Midlands Province. Moti Group of South Africa is the major shareholder with local partnerships including the GoZ. <sup>23</sup>

The large scale miners are well established companies with the necessary equipment and other technical capacities. They also hold a significant amount of the mining claims to resources in most districts along the Great Dyke. The large scale miners also use tributary or contractual miners who extract chrome on their claims and bring it to the owner of the claims for a fee.

The government in 2009 opened up the window to small scale miners to export raw chrome which resulted in a significant increase in the number small scale producers. Small scale producers currently contribute a large amount of chrome both for export as unprocessed ore or for further processing into

<sup>22</sup> <http://en.sinosteel.com/col/col356/index.html>

<sup>23</sup> <https://www.africanchrome.net/>

high carbon ferrochrome. Small scale miners produce more than 50% of the country’s chrome as the large scale miners have not been able to maintain consistent production over the years.

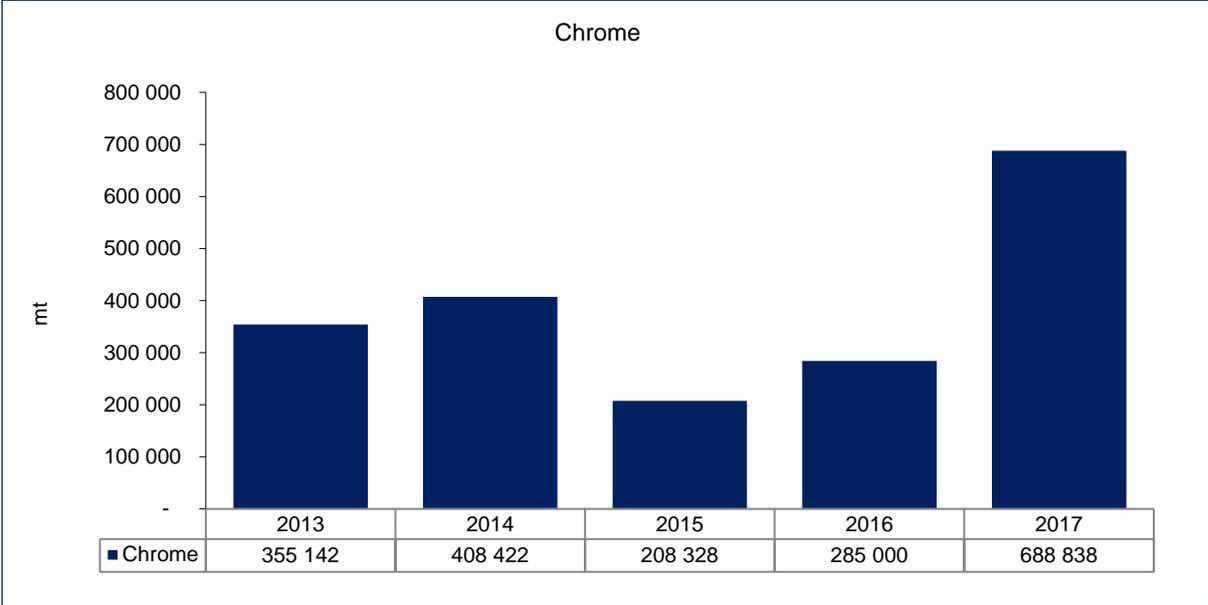
The two largest chrome miners, ZimAlloys and Zimasco jointly control a significantly large number of the chrome deposits in the country. ZimAlloys is currently under judicial management and seeking investors or partners to help revive the business and turn it around. A scheme of arrangement had been entered into with Balasore Alloys Limited however the current status of the transaction is uncertain. ZimAlloys used to be part of Anglo American Plc, but the group disposed of it in 2005 to the current shareholders. The company also ceased operating its smelter in 2005 to concentrate on processing dumps.

Zimasco was also under judicial management which concluded in February 2018 after the company successfully returned to profitability. The government in 2017 directed Zimasco to cede all unutilised claims to the Ministry of Mines and Mining Development so that they could be distributed to small scale miners. Zimasco complied with the directive which resulted in them releasing over 21 000 hectares of land to the government.

6.7.2 Production statistics

Historical production statistics are shown on the figure below:

Figure 13: Chrome production



Source: Zimstat

The country produced cumulative chrome of 915 325 tonnes between January and June 2018. The production target for the full year 2018 is set at 2 000 000 tonnes.

To boost chrome production and exports, the Government removed a ban that was set on the export of raw chrome ore in 2011 which was instituted as a means of encouraging local beneficiation and value addition of chrome ore. The removal of the ban together with more allocation of claims to small scale miners resulted in more production and exports of chrome from 2011 up to 2014. However, depressed metal prices have affected the viability of some of the major players like Zimasco hence lower production from 2015 onwards. Small scale miners have capitalized on the inability of the larger scale miners to meet the production targets and have significantly grown their output resulting in them contributing more chrome when compared to the large scale miners.

The Government set up a Special Purpose Vehicle (“SPV”), Apple Bridge Investments (Private) Limited, to facilitate the purchase of chrome ore from small scale chrome producers and enhance the national output. The SPV is comprised of the Ministry of Mines and Mining Development, Reserve Bank of Zimbabwe (RBZ) and MMCZ is expected to enhance transparency in the small scale chrome mining and to also provide financial assistance.

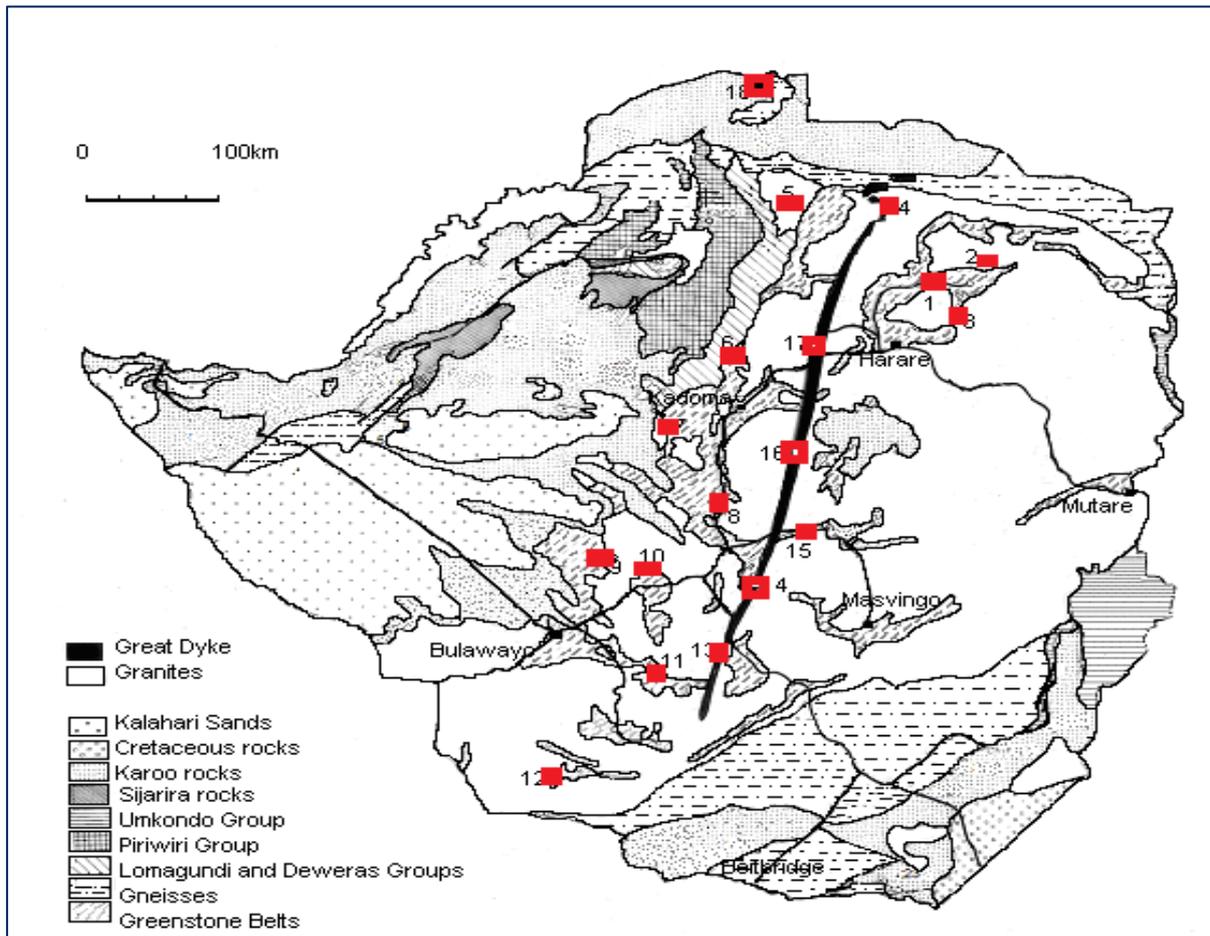
During the year 2018, MMCZ also formed a chrome ore pricing Committee, which comprises representatives from lumpy chrome producers, chrome concentrate producers, Zimbabwe Miners Federation (ZMF) and MMCZ. The purpose of the Committee would be to set minimum floor prices below which export sales could not take place.

## 6.8 Nickel

Production of nickel takes place at various mines located on the greenstone belt and there are more than 30 known deposits of nickel in Zimbabwe. Zimbabwe's nickel sulphide endowment includes a variety of komatiite and mafic rock.

The map below shows the various locations from which nickel can be found in Zimbabwe:

Figure 14: Zimbabwe nickel locations



Source: Zimbabwe Geological Survey

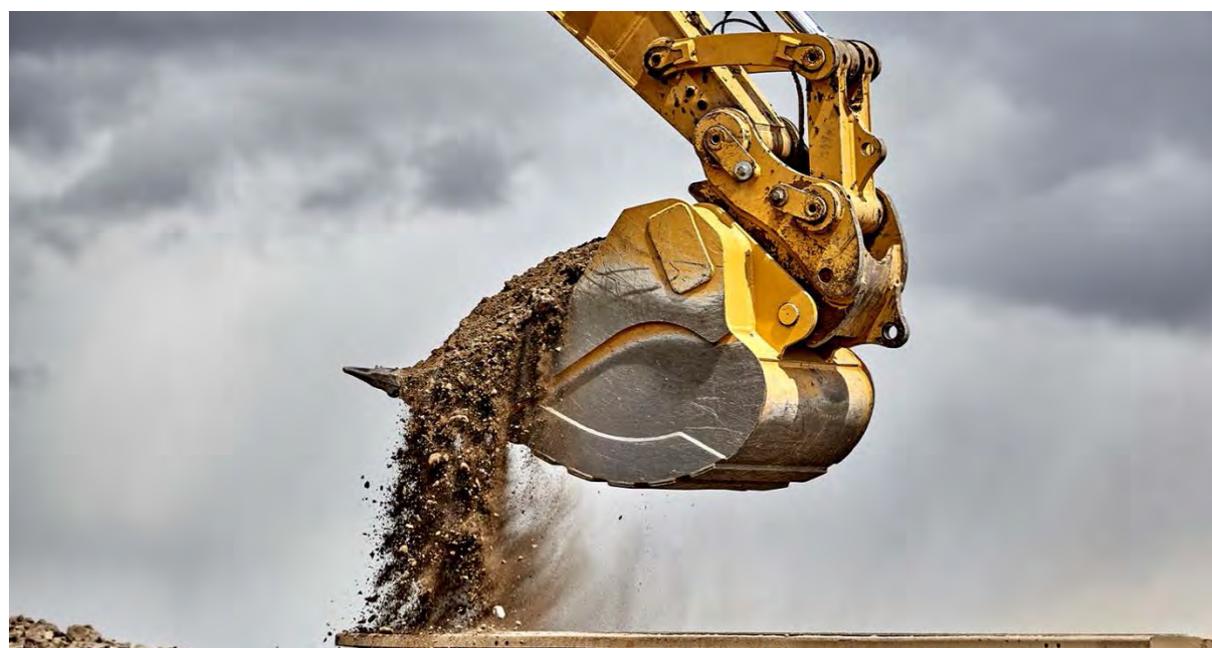
### 6.8.1 Key players and mines profiles

Some of the nickel producers in Zimbabwe are shown in the table below:

Table 17: Nickel producers

Nickel miners	Description of the company
Bindura Nickel Corporation Limited ("BNC")	BNC is the largest nickel producer in the country with the main operation being at Trojan Mine in Bindura, Mashonaland Central Province. Other operations are at Hunter's Road which is still under pre-development and Shangani which is under care and maintenance. The Majority shareholder in BNC is ASA Resources. <sup>24</sup>
Empress Nickel Refinery	The company initially started as a nickel and copper refinery and grew steadily with the purchase of the Cam and Motor mine in 1959, and the Sandawana Emerald mine in 1961. The company is wholly owned by RioZim. <sup>25</sup>
Zimplats Holdings Limited ("Zimplats")	Zimplats also extracts nickel as part of its operations as it is found in areas where there is also platinum. Peak base metal and PGM values are offset vertically with palladium peaking at the base, platinum in the centre and nickel towards the top. <sup>26</sup>

BNC is the largest nickel producer in the country with the main operation being at Trojan Mine in Bindura, Mashonaland Central Province. Other nickel deposits are also available along the Great Dyke where companies such as Zimplats are also engaged in nickel mining at their Bimha Mine. RioZim is also engaged in nickel production through its Empress Nickel Refinery in Kwekwe.



<sup>24</sup> <https://asaresourcegroup.com/commodities/asa-nickel/bindura-smelter-and-refinery>

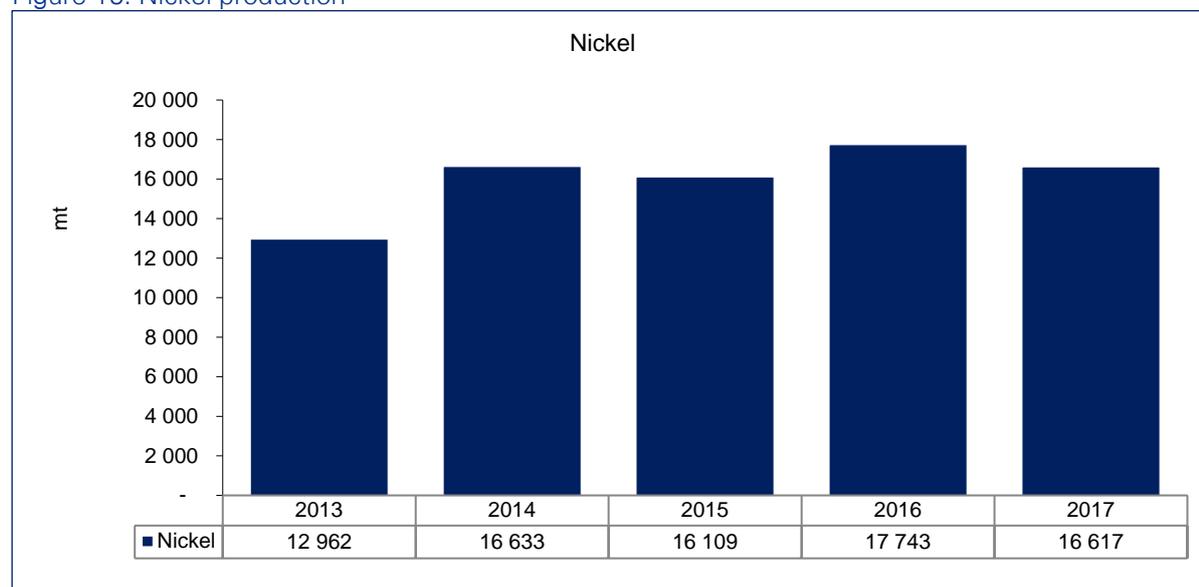
<sup>25</sup> [http://www.riozim.co.zw/?page\\_id=231](http://www.riozim.co.zw/?page_id=231)

<sup>26</sup> Zimplats 2017 Annual Report

## 6.8.2 Production statistics

The figure below shows historical nickel production statistics from 2013 to 2017:

Figure 15: Nickel production



Source: Zimstat

The country produced cumulative nickel of 8 765 tonnes from January to June 2018 against an annual target of 17 300 tonnes.

Nickel production has not maintained a consistent trend over the five year period owing to challenges ranging from capacity and closure of mines. The reopening of Bimha mine after it underwent a rehabilitation process is expected to augment nickel production in Zimbabwe. Bimha mine is owned by Zimplats, the country's largest platinum producer. Production was weighed down by challenges at the primary producer, BNC, mainly related to antiquated machinery and inability to service broken down.

BNC is currently working on a smelter restart project which was financed through a US\$20 million bond issued in 2015. The company had stopped operating its smelter in 2008 due to low nickel prices which hindered viability. According to the company, depressed nickel prices have slowed the completion of the project which has a main focus of value adding nickel produced in the country. The project is expected to be completed in 2018.

Empress Nickel Refinery of RioZim was placed under care and maintenance due to viability challenges at the group. RioZim plans to upgrade the Refinery so that it can process material other than base metals and feasibility studies are currently being done

According to the Ministry of Finance and Economic Development production as at 30 June 2018 was higher when compared to the same period in 2017 indicating signs of recovery in nickel production in the country. BNC also expects the delivery of new equipment during the second half of 2018 which will help increase production at the country's largest nickel miner.

## 6.9 Lithium

Zimbabwe is the fifth largest exporter of lithium which is used in the manufacture of automotive batteries. The country holds high quality deposits of the mineral, for example the Zulu Lithium Project near Fort Rixon, 80km from the City of Bulawayo, has an estimated 20.1 million tonnes resource base grading 1.06 percent lithium oxide. Zimbabwe is estimated to have lithium reserves of at least 23 million tonnes by the United States Geological Survey in January 2017 found in Goromonzi, Mudzi, Buhera, Bikita, Chegutu, Hwange, Harare, Insiza, Rushinga, Mutoko, Mutare and Hwange.

In total, about 46% of lithium produced goes toward battery production, but other industries also consume the metal. 27% is used in ceramics and glass, while 7% goes to lubricating greases, to name a few of the other end uses for lithium.<sup>27</sup>

6.9.1 Key players and mines profiles

According to data from the Ministry of Mines and Mining Development there is one major producer of lithium in Zimbabwe identified as Bikita Minerals (Private) Limited (Bikita Minerals) and holds rights to the country’s largest lithium deposits. Bikita Minerals is located in Masvingo province in the south-eastern part of the country where most of the lithium resources have been discovered.

Information on production statistics were not available at the time of writing this report.



<sup>27</sup> <https://investingnews.com/daily/resource-investing/energy-investing/lithium-investing/lithium-producing-countries/>

# 7 Opportunities

Mining is a key sector in Zimbabwe identified as one of the pillars to aid in the economic turnaround and recovery of the country. With a significant amount of minerals that can be commercially extracted, the mining sector presents vast opportunities to investors.

Zimbabwe's mineral resources are believed to be grossly understated as there has not been any meaningful exploration to quantify these resources for decades. This presents an opportunity to start Greenfield investments in the mining sector with the potential of significantly high returns.

Lack of investment in new technology more efficient in production has also limited the mining sector's capacity over the years coupled with various economic challenges. The opening up of the economy to investment is expected to boost not only the mining sector but downstream industries which are also closely related to the sector.

There are also vast opportunities in mineral beneficiation which the government has been advocating for over the recent years so that miners value add their minerals to sell a higher value product.

Key minerals identified for local beneficiation include platinum, chrome and diamonds.

Significant developments have been made in setting up a refinery for platinum beneficiation by the platinum producers in the country but there is still scope for more given the country's production capacity.

## 7.1 Closed mines

A number of mines have closed in Zimbabwe over the past two decades owing to a number of challenges both at the company and national economic level. The table below shows a list of closed mines which are available for potential exploration by investors:

Table 18: Distressed and closed mines

Distressed and closed mines			
Mineral	Province	Name	Operational status
Gold	Mash West	Elvington Mine	Non Operational
		Cam & Motor	Operational
		Eureka	Operational
		Golden Kopje Mine	Non Operational
	Midlands	Sabi Gold	Non Operational
		Jena Mine	Operational
Emeralds	Midlands	Sandawana Mine	Non Operational
Platinum	Mash West	Rushcrome	Operational
		North Ridge Gps	Operational
		Global Platinum Resources	Operational
		Mafloax	Non Operational
	Midlands	Todal	Operational
Nickel	Midlands	Sandawana Mine	Non Operational
	Masvingo	Mint Minerals	Non Operational
	Mash Central	Mint Minerals	Non Operational
	Mat South	Mint Minerals	Non Operational

<b>Distressed and closed mines</b>			
<b>Mineral</b>	<b>Province</b>	<b>Name</b>	<b>Operational status</b>
Nickel	Mash West	Mint Minerals	Non Operational
	Midlands	Mint Minerals	Non Operational
Copper	Midlands	Sandawana Mine	Non Operational
	Mash West	Mhangura Copper Mines Ltd	Non Operational
	Midlands	Sanyati Copper Queen	Non Operational
	Midlands	Sanyati Copper Queen	Non Operational
	Mash West	Lomagundi, Smelting and Mining (Pvt) Ltd	Non Operational
Tantalite	Midlands	Sandawana Mine	Non Operational
Tin	Mat North	Kamativi	Non Operational
	Mat North	Kamativi	Non Operational
Lithium	Masvingo	Bikita	Non Operational
Chrome	Midlands	Todal	Operational
	Mash West	Star Mining	Non Operational
	Mash Central	Russzim	Non Operational
	Midlands	Mahamara S.G	Non Operational
	Midlands	Sandawana Mine	Non Operational
Mica	Midlands	Sandawana Mine	Non Operational
	Mashwest	Chinhoyi	Non Operational
Limestone	Mash Central	Mazowe	Non Operational
Uranium	Mash Central	Afro Sino Resources Kanyemba	Non Operational
CBM	Mat North	Gwayi - Lupane	Non Operational
	Mat North	Mbungu -Lupane	Non Operational
Coal	Mat North	Sinamatela	Non Operational
Asbestos	Midlands	Shabani-Mashava (Smm Holdings (Pvt) Ltd	Being resuscitated
Vermiculite	Manicaland	Wickberry Investment P/L (Dinhidza Mine)	Non Operational
Gold and copper	Mash West	Inyati Mine (Hongji Minerals Development (Pvt) Ltd	Non Operational

Source: Transitional Stabilisation Programme (October 2018 to December 2020)

## 7.2 Recent developments and investments into the sector

Many investors have shown interest in the country's mining sector with some new entrants while others have increased their investments in existing operations. The majority of potential new investors are from China and other Asian countries but there is revived interest from other European investors.

- Karo Resources signed a US\$4.2 billion deal with the GoZ for the establishment of a platinum mine and refinery. The company is also looking at establishing a 300MW solar photovoltaic farm to power its operations at the mine;
- Other investors have also shown interest in reviving Ziscosteel which is estimated to require at least US\$1 billion to restart operations. A deal with Essar Africa could not go through in 2011 and the government is still looking for investors in the company;
- In June 2018 the government signed a memorandum of understanding ("MOU") with a Chinese firm, Tsingshan Holdings, for the establishment of a US\$1 billion stainless steel production facility in the country. According to the Ministry of Mines and Mining Development, Tsingshan Holdings' subsidiary, Afrochine which is already active in chrome and ferrochrome production in Zimbabwe, will be spearheading the project together with the government. Tsingshan Holdings also intends to set up a 600 MW thermal power plant to cater for the electricity requirements of the stainless steel plant;
- Great Dyke Investments ("GDI") a joint venture between Russia's JSC Afromet and Zimbabwe's Pen East Limited completed a feasibility study for a US\$3 billion platinum group of metals ("PGM") project in Darwendale, a small town in the province of Mashonaland West, Zimbabwe located about 62 km west of Harare. At full scale, the project expects to produce up to 855 000 ounces of PGM and gold annually. GDI also expects to invest at least US\$400 million for the initial phases of the project which will be used in the purchase of machinery and related equipment for the mine development. The project is expected to be one of the largest PGM projects globally when it officially comes to full scale and all the necessary investments have been made; and
- Zimbabwe is also targeting the production of at least 3 million carats of diamonds in 2018 mainly through ZCDC after the company was recapitalized with at least US\$80 million for the acquisition of a new crushing and diamond recovery plant to be used in Marange. The plant will have the capacity to crush 450 tonnes of ore per hour which is expected to significantly boost the country's diamond output.



# 8 Annexures

## 8.1 Details required when applying for a mining title

Table 19: Details required when applying for a mining title

Title (Part of Act)	Application details required	Approving authority	Processing period
<b>Ordinary / Special prospecting licence (IV)</b>	<ul style="list-style-type: none"> <li>— Full name and address</li> <li>— Payment of appropriate fees</li> <li>— For individuals               <ul style="list-style-type: none"> <li>▪ Applicant to be above 18 years</li> <li>▪ National ID Card required</li> </ul> </li> <li>— For companies               <ul style="list-style-type: none"> <li>▪ Certificate of registration</li> </ul> </li> </ul>	Legal Services	Instant (over the counter)
<b>Exclusive Prospecting Order (VI)</b>	<ul style="list-style-type: none"> <li>— Proposed works programme</li> <li>— Area description</li> <li>— Certificate of incorporation</li> <li>— Details of Directors</li> <li>— Company shareholding structure</li> </ul>	President	3 months
<b>Mining Lease (VIII)</b>	<ul style="list-style-type: none"> <li>— List of minerals to be mined</li> <li>— Sketch plan of area</li> <li>— Details of reef blocks in the area</li> <li>— List of mining locations contained</li> <li>— Name and address of land owner</li> </ul>	Mining Affairs Board	3 months
<b>Special Mining Lease (IX)</b>	<ul style="list-style-type: none"> <li>— List of minerals to be mined</li> <li>— Sketch plan of area</li> <li>— Details of reef blocks in the area</li> <li>— List of mining locations contained</li> <li>— Name and address of land owner</li> <li>— Development plan</li> <li>— Operation plan of proposed mine</li> </ul>	Mining Affairs Board	3 months
<b>Special Grant (IX)</b>	<ul style="list-style-type: none"> <li>— Sketch plan of area</li> <li>— Work programme</li> </ul>	Secretary for Mines and MD	2 months
<b>Special Grant under Part (XX)</b>	<ul style="list-style-type: none"> <li>— Full information of financial status</li> <li>— Full information of technical expertise</li> <li>— Particulars of guarantees</li> <li>— Mineral to be mined</li> <li>— Sketch plan of area</li> <li>— For a company, full names and nationality of directors</li> <li>— Work programme</li> </ul>	President	3 months

Source: Mineral Potential, Procedures and Requirements of Acquiring Licenses and Permits in Terms of the Mines and Minerals Act.

## 8.2 Summarised Mines and Minerals Act (Chapter 21:05)

Table 20: Summary Mine and Minerals Act (Chapter 21:05)

<p><b>Acquisition and registration of mining rights</b></p>	<p>The Act deals with prospecting, the rights and obligations of prospectors, the rights of farmers, the pegging and registering of mining locations and a few other miscellaneous items which are related to these.</p> <p>The right of searching and mining for and disposing of all minerals, mineral oils and natural gases is vested in the President.</p>
<p><b>Prospecting Licences (Section 20-25)</b></p>	<p>Any person who is of 18 years of age or older and is a permanent resident of Zimbabwe (or his/her agent) may make an application for a prospecting licence to any Mining Commissioner's office and provide identification and other documentation as required by the Commissioner.</p> <p>The licence would be valid for a maximum of 24 months from the date of issuance and provides the right to search for minerals and peg claims.</p>
<p><b>Rights of prospecting and pegging conferred by a Prospecting Licence (Section 25 to 29)</b></p>	<p><b>Land open to prospecting:</b></p> <ul style="list-style-type: none"> <li>— All State Land and Communal Land;</li> <li>— All private land to which there has been reserved to the Government of Zimbabwe, the right to all minerals or power to make grants of the right to prospecting of minerals; and</li> <li>— All land held by any person under enactment or agreement whereby such person is entitled to obtain from the State title thereto on the fulfilment by him the conditions prescribed by such enactment.</li> </ul> <p><b>Rights:</b></p> <ul style="list-style-type: none"> <li>— Right to prospect and search for any minerals on land open to prospecting and pegging but not of removing ore, disposing of any mineral discovered, save for the bona fide purposes of having it assayed.</li> <li>— The right to peg one block of precious metal, stones and/ or other base mineral claims.</li> <li>— No drilling or excavation work, whether at the surface or underground, should take place at this stage.</li> <li>— The right to take free of charge for primary purposes any public or private water from land not closed to prospecting and pegging only in so far as this does not interfere with the use of water for primary purposes by the farmer.</li> <li>— The right to use dead wood for domestic use from the interested area, arrangement must be made in advance with the farmer for the payment of the wood.</li> <li>— The right to erect temporary accommodation for the miner and workers in consultation with the farmer.</li> </ul>
<p><b>Obligations of the Prospecting Licence Holder</b></p>	<ul style="list-style-type: none"> <li>— Leave the area in the original state.</li> <li>— Carry out prospecting in a good and work man like manner.</li> <li>— On leaving the area fill in all trenches and excavations made.</li> <li>— Appoint a responsible person to be in charge of operations if owner is absent for more than 24 hours.</li> </ul>

<p><b>Meaning of Land Under Cultivation and Permanent Improvements (Section 30)</b></p>	<p>For purposes of section 30 of the Act, "land under cultivation" means:</p> <ul style="list-style-type: none"> <li>— Land which has been cleared or ploughed or prepared for the express purpose of growing farm crops.</li> <li>— Ploughed land on which farm crops are growing.</li> <li>— Ploughed land from which farm crops have been reaped, for a period of three years from the date of completion of such reaping. In other words, if a crop is reaped in November 1993, the ground can lie fallow for 3 years and no one can prospect on it until November 1996.</li> <li>— Land which has been prepared for the purpose of planting permanent crops, such as orchards, tree plantations and land on which these are planted and are growing.</li> <li>— Ploughed land on which grass has been planted and maintained for harvesting, rotation of crops or stock feeding. This is for a period of 6 years from date of planting.</li> </ul>
<p><b>Ground not open to Prospecting and Pegging (Section 31)</b></p>	<p>As the landowner has his business to carry out, the prospecting operations are not allowed to interfere and thus this section states the areas that are closed to prospecting and pegging.</p> <ul style="list-style-type: none"> <li>— Within 450 metres of the Principal Homestead or the site of the intended homestead.</li> <li>— Within 90 metres of any area set aside on which housing constructed of brick or concrete has been erected for occupation by farm employees, if the total value of such housing is not less than US\$5 000.</li> <li>— Within 90 metres of any permanent cattle dip tank or spray race.</li> <li>— Upon any land under cultivation or within fifteen metres thereof.</li> <li>— Within 9 metres of any other permanent improvement bona fide farm building.</li> </ul>
<p><b>Special mining leases (Part IX)</b></p>	<p>The holder of one or more contiguous mining locations who intends to establish or develop a mine thereon and investment in the mine will be wholly or mainly in foreign currency and will exceed US\$100 million in value, and the mine's output is mainly intended primarily for export, may apply in writing to the mining commissioner for a special mining lease of a defined area within which his mining locations are situated.</p> <p>The board may permit a person to make an application notwithstanding that either or both the criteria mentioned above will not be met, if the Board considers that it is desirable in the interest of the development of Zimbabwe's mineral resources.</p> <p>Having received the application the Board shall forward it to the Minister together with their recommendations.</p> <p>The Minister shall submit them to the President together with his own recommendation for the President's approval.</p>
<p><b>Rights of Claim Holders and Landowners (Part X)</b></p>	<p>A holder of a prospecting licence may peg claims and register the claims for the purpose of mining.</p> <p>The maximum size of the each precious metal block of claims is 500m X 200m. This constitutes a block of 10 claims.</p> <p>Base metal claims pegged by a holder of an ordinary prospecting licence may not be more than 25 claims and each claim shall not exceed one hectare in extent. The length of any straight line between any two points may not exceed 250m.</p> <p>Base metals pegged by a holder of a special prospecting licence may not exceed 150 claims and each claim may not exceed one hectare in extent. The length of any straight line between any two points may not exceed 2000m.</p>

**Registration Of  
Transfers, and  
Tribute  
Agreements  
(Part XVII)**

**Transfers:**

A mining location which has been registered on reserved ground under an order may not as long as the ground remains reserved be transferred except to a person approved of by the Board, after consultation with the owner and the occupier, if any, of such reserved ground.

Notification of the transaction should be made to the commissioner within 60 days of the date of transaction.

No transfer is possible if:

- The mining location is liable for forfeiture or under attachment;
- Duties, fees, royalties, rentals and other payments in respect of the mining location are outstanding with the Mining Commissioner's office; and
- There are outstanding payments due to the Rural District Council.

Transfers can only be made to permanent residents of Zimbabwe. In the case where transfer is to be made to non-residents the Mining Commissioner has to receive assurance from Reserve Bank of Zimbabwe that all exchange Control requirements have been fully complied with.

On receipt of the fee the Mining Commissioner will then issue the new owner with a new certificate of registration.

**Tribute agreements:**

If any holder of a registered mining location has agreed in writing to grant a tribute to any other person, the tributor may apply to the mining commissioner for the registration of a notarial deed embodying the terms of such agreement.

The holder of the mining location is to provide the following to the mining Commissioner:

- Names of parties to the agreement;
- Name and registration number of the mining location; and
- Date upon which the rights conferred by the agreement will commence and expires.

If the agreement confers the tributor the option to exercise the right to purchase the location at a future date then the agreement will be registered as an option agreement.

**Special Grants  
(Part XIX - XX)**

Provides the holder with the right to prospect for minerals in an area reserved against prospecting and pegging of claims.

The title provides the duration of validity of the right to prospect and peg and the terms and conditions under which title will operate.

The Secretary for Mines issues to any person a special grant to carry out mining of coal, minerals oils or natural gas.

Source: Summary of Mines and Minerals Act (Chapter 21:05)

# 9 Acknowledgements

This Guide has been prepared on information that is publically available and has been sourced and collated by KPMG Zimbabwe. KPMG Zimbabwe has not independently verified this information. Information sources include the following:

- Transition Stabilisation Programme (October 2018 – December 2020)
- Mineral Potential, Procedures and Requirements of Acquiring Licenses and Permits in Terms of the Mines and Minerals Act
- Monetary Policy Statement 1 October 2018
- Mines and Minerals Act (Chapter 21:05)
- Reserve Bank of Zimbabwe
- Zimbabwe Geological Survey
- RBZ Exchange Control Directive RT120 / 2018
- Forbes Mugumbate – Overview of mineral potential
- Zimstat 2<sup>nd</sup> Quarter Digest of Statistics 2018

## Disclaimer

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