

Speech by the Chamber of mines president - E Nerwande at the Association Mine Managers Annual Conference – 26 Nov. 2020

Overview of the Mining sector

- The Min.of Mines and Mining Development – Hon. W Chitando
- The President of the Association of Mine Managers – Eng. C Katanda
- The CEO of the Chamber of Mines of Zimbabwe -Dr I Kwesu
- Mine executives / Invited guests
- Ladies and gentlemen

Thank you for this invitation to address this important conference on the Zimbabwean mining calendar.

As senior Mine Managers, you have your fingers on the pulse of the production activities of our mining industry. This makes the association very powerful in as far as understanding the state of the mining industry is concerned. Thank you for rendering technical support, collecting and providing data and information on the business of mining to the Chamber of Mines. It is for this reason that the deputy chair of the Safety Health and Environment committee is the responsibility of the AMMZ.

Let me start by saying 2020 has been very challenging for our industry and the Zimbabwean economy. The challenges experienced have mainly been on power disruptions, inadequate foreign exchange allocations and high cost structure and capital shortages. COVID 19 crisis has been yet another added challenge. This has totally changed our business and society in many ways. We have had to rearrange ourselves to remain in business and relevant to our operations.

- The electricity supply situation remains fragile. Most mines have reported moderate power outages which resulted in output losses not exceeding 10%.
- The current foreign exchange framework presents a significant challenge to doing business in the mining industry. While the retention levels were reviewed and standardised at **70%** of export proceeds, this level is considered inadequate for the sustenance and growth of mining businesses. The portion being surrendered is converted to ZWL at suboptimal rates. Furthermore, the compulsory liquidation period of unutilised export earnings at **60** days is significantly shorter than the procurement cycle of most inputs.
- In addition, there are emerging demands for forex which include payments for electricity bills, royalty, fuel, EMA fees and RDC charges. There is widespread preference for US dollars by suppliers following Government policy that allows charging in both forex and local currency.
- There are also challenges in receiving timely payments for deliveries made to Fidelity Printers and Refiners. These delays of up to two weeks is placing at risk the capacity of the gold industry to attain the envisioned 100 tons of gold by 2023 and to also expand business.
- Raising capital with low interest rates and long payback periods for mining projects in Zimbabwe is proving to be a major challenge. Capital is required for sustenance of operation and for growing production capacity across the industry.

With all indications suggesting COVID 19 may be with us for some time, we now must contend with a new normal, which demands that as we pursue our various economic agendas, we must also safeguard the health of our employees and surrounding communities. We have had to play delicate balancing act

considering COVID 19 on one hand, and to continue operating to protect national forex inflows needed to oil critical sectors and imports, whilst on the other hand ensuring employees and the general public are protected.

Mining operations were adversely affected by supply chain disruptions, increased cost of production, closure of markets for products, workplace infections and depressed mineral prices - on the contrary gold price surged during the covid-19 pandemic reaching US\$1900/oz. On the international scene subdued demand for commodities and closure of markets led to closures of some operations particularly in the ferrochrome sector. Most mining operations managed to retain the pre-COVID-19 employment levels, and should be commended for the job saving strategies.

Mining remains one of the largest contributors towards the Zimbabwean economy, accounting for around **60%** of national exports and contributes around **17%** towards Government revenue. Our mining industry thus remains key to the socio-economic development agenda of the country.

Zimbabwe has a huge mining potential based on its mineral endowment. The country is known to host world class resources in PGMs, Gold, Chrome ore, lithium and coal among others. A lot more work is however needed to assess and map the country fully, as this will greatly enhance the geological knowledge on the country and enhance the prospectivity of Zimbabwe.

Distinguished delegates, the Minister has clearly articulated the vision of a **US\$12 Billion mining industry by 2023**. We remain coordinated and organized to ensure we attain this shared vision. Such a goal can only be realized when all stakeholders address the perennial constraints on ease of doing business with a unity of purpose.

Current Performance and Outlook for the Mining Industry

From the recent 2020 mining survey, mining industry is expected to record decline in output growth with majority of respondents (80%) indicating that their output for 2020 will be less than that for 2019 by a range of between 10%, to 40% on the back of the above challenges.

Output performance for key minerals - 2020

Mineral	Anticipated Output change
Gold	-5%, to -30%
Platinum	-2%, to -5%
Diamond	-10%, to -30%
Chrome ore	-20%, to -50%
Nickel	-2%, to -7%
Coal	-10%, to -30%

Indications suggest that mineral output for 2021 may be higher than that for 2020 based on data supplied by the mines. Most producers plan to produce at levels greater than those achieved in 2020.

Projected growth in output for 2020 is as follows:

- Gold (10%, to 40%),
- Platinum (5%, to 10%),
- Ferrochrome (10%, to 50%),
- Diamond (10%, to 40%),
- Nickel (around 5%); and
- Coal (20% to 30%).

Based on the mentioned challenges, the Chamber of Mines of Zimbabwe has had an active advocacy and lobbying agenda for 2020. This agenda is aimed at improving the investment and operating environment for the mining industry.

The agenda contains the following elements.

Review of the Fiscal Framework for the mining industry

The multiplicity of taxes, fees and charges and the uncompetitive levels of the taxes and fees compromises the ease of doing business in the mining industry. While Government is commended for the ease of doing business reforms, the pace at which these reforms are being adopted has been slightly slow. The major success of the advocacy agenda on the fiscal front has been on the deductibility of royalties as an expense for tax computation. This reform brings Zimbabwe in line with treatment of royalties in most mining jurisdictions. The Ministry of Finance is still working on the comprehensive review of the mining fiscal regime and we look forward to its successful conclusion.

Foreign Currency Management

The Chamber has engaged the Reserve Bank of Zimbabwe to improve the retention level and the retention period for foreign currency earned from exports of mineral. Discussions are still underway.

Legislative reforms

- The chamber has been consulted in the process to produce a comprehensive Mineral Development Policy and complimentary mineral specific policies. The revised draft policy document is regionally competitive, and its full implementation will positively impact the mining environment.

- The amendment of the Mines and Minerals Act is expected by stakeholders to be completed soon. The Chamber provided comprehensive submissions and participated in many platforms on this matter. We are advised that once the Mines and Minerals Act amendments have been concluded, the attention of the legislative reform agenda will turn to the Gold Trade Act and the Precious Stones Trade Act. The Chamber submitted its position of the principles circulated by the Ministry in 2018. We look forward to receiving the latest document for our input.
- The AMMZ is spearheading the. This initiative has the support of the mining industry and we look forward to the successful review of the regulations.

In conclusion I would like to say industry and Government are in the mining business together, **we progress together or we sink together**. We need to continue working on how we can enable business to earn returns on investments and at the same time have the national benefits – this balance is critical.

I thank you