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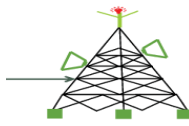
# Members Brief

April 2024

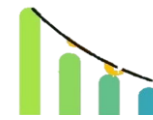
Global uncertainty sustains weak commodity markets



Power supply depressed on El Nino-induced drought



Inflation pressures dissipate on Government stabilization measures



## Global uncertainty sustains weak commodity markets

During the period under review, the World Bank commodity price index fell by a further 4%, following a decline of nearly 24% in 2023. This marks the sharpest drop since the Covid-19 pandemic. Base metal prices, such as nickel, continued on a downward trend, dropping by almost 33% in the period under review compared to the same period in 2023 due to weak demand amid a slow global economic recovery. Similarly, critical minerals such as lithium experienced weak prices, sharply dropping by 67% in the period under review compared to the same period last year on subdued demand and excess supply. PGMs prices have weakened on weak global demand largely influenced by the reduced demand for catalytic converters, a transition in the global automobile industry drifting towards electric vehicles.

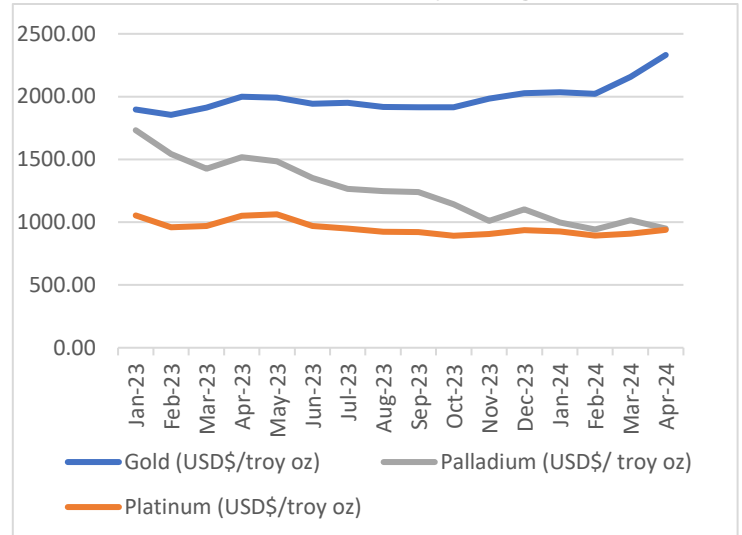
Meanwhile, despite the headwinds, prices for gold remained bullish reaching a record high in 2024 on safe-haven demand. In the outlook for 2024, we expect commodity markets to remain subdued on the back of anticipated sluggish global economic outlook worsened by tight financial conditions.

## Global prices for selected commodities

Commodities	Jan-Apr 2023	Sept- Dec 2023	Jan-Apr 2024
Gold (\$/troy oz)	1,915	1,961	2,137
Platinum (\$/troy oz)	1,008	914	917
Palladium (\$/troy oz)	1,555	1,123	975
Rhodium (\$/troy oz)	8,877	4,092	4,572
Nickel(\$/mt)	25,526	17,854	17,011
Coal(\$/mt)	227	143	129
Lithium (\$/ mt)	43,820	19,105	14,525

Source: Pink-sheet, Kitco, Trading Economics

## Gold, platinum and palladium monthly average prices



Source: Pink-sheet, Kitco, Trading Economics

## Weak prices impact on viability of mining projects

The softening prices for key minerals has impacted negatively on viability of mining projects. The PGMs, lithium, ferrochrome and diamond industry have been the most affected. To minimise the impact of weak metal prices on viability, most mining companies are taking initiatives to manage the cost of production, including improving efficiencies and deferring capital projects. Mining houses are also ramping up production to compensate for revenue losses arising from softening commodity prices. While these measures have been easing off pressure on mineral revenues, the initiatives have remained insufficient to restore viability of their operations and some affected mining companies

are now cutting back on their head count to supplement the cost cutting initiatives.

### Mixed mineral output performance in first quarter

During the first quarter of 2024, mineral output performance was mixed. Production increases were noted in PGMS, lithium and ferrochrome, while gold, diamond, lithium and coal recorded declines compared to same period last year. In the outlook for the rest of the year, we expect output recovery in most key minerals to achieve the 2024 production targets. Risks to the mining sector outlook, however, remain on the downside, with mining companies expected to continue facing fragile power supply, foreign currency shortfalls, high-cost structure, and capital constraints.

### Quarterly Output for Selected Minerals

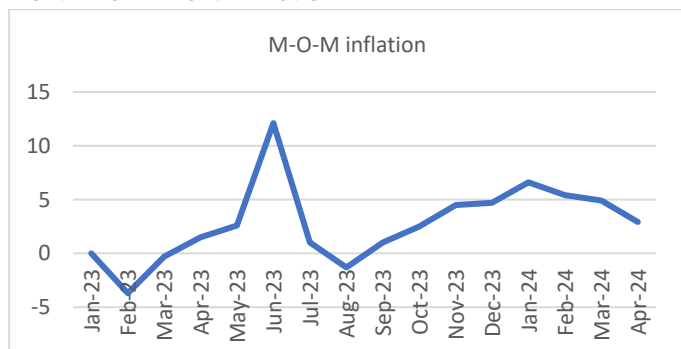
Mineral	Q1 2023	Q1 2024	2024 Proj
Gold(kg)	6,757	6,638	39,000
Platinum (Kg)	4,753	4,987	15,800
Palladium (Kg)	3,957	4,316	14,500
Coal(tons)	1,585,335	1,047,279	7,000,000
Chrome(tons)	206,354	438,463	1,500,000
Diamonds(cts)	1,637,553	1,417,150	6,500,000
Nickel(tons)	4,947	4,046	14,600
Lithium (MT)	809,035	940,138	2,000,000

Source: Ministry of Finance

### Inflation pressures subside as Government adopts stabilisation measures

Government, through the 2024 Monetary Policy Statement announced in April 2024, introduced measures aimed at stabilizing the exchange rate and inflation. These measures included the introduction of a structured currency, Zimbabwe Gold (ZiG), that is backed by foreign exchange assets, primarily gold and the adoption of a market-based exchange rate system to eliminate distortions on the foreign exchange market. These measures have already seen the shrinking of foreign exchange premiums and slowdown in monthly inflation. In the outlook for the rest of 2024, we expect inflation and exchange rate to remain generally stable as Government intensifies implementation of the stabilisation measures.

### Month – on – Month Inflation



Source: RBZ

### Update on Chamber engagement initiatives

During the period under review, the Chamber continued to engage Government and authorities on all legislative and policy matters including the following: electricity and energy; monetary and foreign exchange; fiscal and tax matters; labour matters, Mines and Minerals Act; and Indigenisation and Economic Empowerment.

#### 1. Electricity and energy matters

##### Power supply situation

The power supply outlook remains fragile. At the quarterly stakeholder meeting held on 4 April ZPC and ZETDC indicated that the low water inflow into Kariba would be a major constraint to hydro power generation in the second half of the year. Notwithstanding, the power supply situation in the mining industry has remained stable in the past six months. The Chamber continues engaging ZESA and Government for prioritization of mining companies for available power.

##### Electricity tariff

The electricity tariff for mining companies remained high and unaffordable during the period under review. This is notwithstanding Chamber engagements with ZESA, ZERA and Government for reduction in electricity tariff in line with regional averages of around USc8/ KWh. The Chamber will continue engaging the Authorities on this matter.

##### Alternative power supply

The Chamber continued to explore alternative power solutions for the mining industry during the quarter under review. Following a presentation by Solar Century Africa to the Executive Committee on 6 December 2023, the project promoters visited Zimbabwe in January to engage with mineral producers on their solar power proposal. Another solar system provider Eversolar approached the Chamber with a proposal on solar electricity for the mining industry. Meanwhile, some mining companies are also investing in solar power at their mining locations. The Chamber continues to explore alternative power sources to supplement the available power.

#### 2. Monetary and foreign exchange matters

##### Foreign exchange retention review

Government, in the 2024 Monetary Policy Statement, maintained the foreign exchange retentions for exporters (except small scale miners) at 75%. Meanwhile, it is yet to be seen if pressure on the retentions would ease off on the back of Government's commitment to create demand for ZiG balances by directing companies to settle at least 50% of tax obligations of Quarterly Payments Dates (QPDs) in ZiG. The Chamber will continue to engage RBZ and Government for adequate retentions that meet operational requirements for mining companies.

##### Loss of value on the surrender portion of export earnings

As indicated at a meeting held between the new Governor and the Chamber of Mines in February 2024, the Government, through the 2024 Monetary Policy Statement, adopted a Market

Determined Exchange Rate System anchored on a refined interbank foreign exchange market under a willing-buyer-willing-seller (WBWS) trading arrangement. This is expected to reduce distortions on the foreign exchange market and squeeze parallel market premiums, resulting in somewhat restoration of value of the surrender portion of export proceeds. The Chamber will continue monitoring the situation and engage RBZ and Government for fair compensation of the surrender portion of export proceeds.

### 3. Fiscal matters

#### *Special Capital Gains Tax*

The Chamber has been engaging the Ministry of Finance and the Ministry of Mines on the Special Capital Gains Tax on transfer of mineral rights. This matter, however, has remained outstanding during the period under review. The Chamber will continue engaging the Ministry of Finance on this matter and has since escalated the matter to the Office of President and Cabinet.

#### *Beneficiation Tax on Lithium*

As directed by the Ministry of Finance, most lithium producers complied by submitting their Beneficiation Plans ahead of the deadline of 31 March 2024. The Chamber is engaging the Ministry of Mines and or an optimal beneficiation roadmap for lithium producers towards attaining the minimum mandatory threshold of lithium carbonate.

#### *Beneficiation Tax on PGMs*

The Chamber has been engaging the Ministry of Finance on this matter and beneficiation tax on PGMs concentrates has been held in abeyance pending finalization of the engagements.

#### *Mining Fees and Charges*

Some mining fees and charges have remained high and the Chamber is engaging the Ministry of mines for optimal fees and charges for the mining industry.

#### *Strategic Minerals*

This matter remained outstanding during the period under review. The Chamber continues to engage Government on this matter.

### 4. Indigenisation and Economic Empowerment

The Chamber is working closely with the Ministry of Industry in reviewing the Draft Economic Empowerment Bill to influence the outcome of the Bill as it relates to the mining industry.

### 5. Mines and Minerals Act

The Mines and Minerals Act Amendment Bill is being finalized and is expected to be gazetted in the first half of the year. Thereafter Parliament will lead stakeholder consultations before tabling it in Parliament for debate. The Chamber will continue engaging the Ministry of Mines and Parliament to influence the outcomes of the amendments.

### 6. Labor Matters

The NEC Council hired Advocate Mawire as the new Independent Chairman following the resignation of Mr. Kare. Meanwhile,

negotiations for minimum wages for 2024 are ongoing. The negotiations are expected to be finalized by end of May 2024

### 7. Safety Health and Environment

#### *Occupational Safety*

For the period January to April 2024, the mining industry recorded a 33% reduction in fatal accidents compared to the same period last year. During this period the Ministry of Mines conducted safety and compliance awareness campaigns targeting small scale mines. The continued conduct of these campaigns is expected to have positive impacts on accidents reported in the industry.

#### Accidents – Cumulative January – April (2023 – 2024)

2023		2024	
Total Accidents	Fatalities	Total Accidents	Fatalities
75	75	50	50

#### *SHE Audits*

Safety Health and Environment Audits started in April and will be concluded in May. A total of 18 operations will be audited during this process. The results of the audits will be available at the end of May 2024.

#### *First Aid Competition*

Pan African Mining will be hosting Zone Competitions on 12 July while the Zimbabwe School of Mines will host the south zone on 28 July. The final competition will be held on 20 September 2024.

### 8. Update on Mining Industry Projects

During the period under review, there were some notable projects that were commissioned including the following:

#### *Mutoko Lithium Processing Plant*

The lithium processing plant, Rwizi Rukuru, is expected to produce 300 tonnes of spodumene and lepidolite concentrate per day. Production is anticipated to commence in the second half of this year.

#### *Kamativi Mining Company*

Kamativi Mining Company has reopened the mine and is expected to inject approximately US\$249 million into the lithium sector. Phase one of the mine is already operational, producing 300,000 tonnes of raw ore and 50,000 tonnes of raw spodumene concentrate per annum. Phase two, scheduled for completion during the first half, is expected to further ramp up production in the outlook.

*Shengxiang lithium processing plant*

Shengxiang has completed the construction and installation of a

<b>Total Mineral Revenue</b>	
<b>Procurement of goods and services</b>	
<b>Salaries and wages</b>	
<b>Government taxes and levies</b>	
<b>Shareholders and other</b>	

lithium processing plant at their site in Goromonzi district. The plant is expected to process up to 1000 tonnes of lithium per day.

## **9. Chamber of Mines Upcoming Events**

*Chamber of Mines Annual General Meeting and Annual Mining Conference*

The Chamber of Mines Annual General Meeting and Annual Mining Conference will be held on 28 – 31 May 2024, in Victoria Falls. The AGM and Council Meetings will be held on 28 May 2024 at Victoria Falls Hotel. The Programme for the Annual Mining Conference will consist of a Critical Minerals Symposium, a PGMs Indaba and the Main Annual Mining Conference. The Symposium and the PGMs Indaba will be held on 29 May 2024 and the Main Conference will be held on 30 May 2024 at Elephant Hills Hotel. The Main Conference will be Officially Opened by the Guest of Honour, HE President Dr. E. D. Mnangagwa.

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