P. O. Box 712
20 Mt Pleasant Drive
Mt Pleasant
Harare
Telephone: (263 242) 336318, 334517, 334507
E-mail: info@chamines.co.zw

Please address all correspondence to the Chief Executive Officer

THE CHAMBER OF MINES OF ZIMBABWE

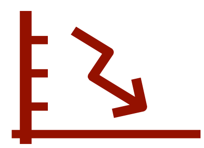
Quarterly Members Brief

Q3 2024

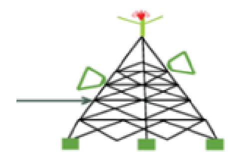
Global economic growth stable but stagnant

Commodity prices further retreat

Government devalues ZiG



Power supply situation worsens



Global economic growth stable but stagnant

During the quarter under review, the global economy maintained stable but stagnant growth. Inflation remained moderate, while employment and consumption showed sustained steady levels. Meanwhile, interest rates have remained high constraining manufacturing and production. Global real GDP growth is projected to remain at 3.1% in 2024 and 3.2% in 2025. The global outlook, however, is subject to downside risks amid weakening economic activity in advanced economies, notably China, subdued consumer demand, ongoing geopolitical tensions, and rising political and policy uncertainty surrounding the upcoming U.S. elections.

Commodity prices further retreat

During the quarter under review, prices for most key minerals retreated further compared to the second quarter due to weak global demand. Base metal prices, such as nickel, continued on a downward trend, decreasing by an average of 12% in the third quarter, driven by weak demand amid slowing economic activity in advanced economies. Similarly, PGM prices, such as platinum and rhodium, continued on a negative trajectory, declining by 2% and 0.2%, respectively. Lithium experienced a sharp drop, declining by around 25% during the third quarter, amid concerns over excess supply. In the outlook, commodity prices are expected to remain predominantly subdued for the rest of the year, with slight signs of recovery anticipated in 2025. Meanwhile, gold prices remained bullish, increasing by 6% during the quarter under review to reach a high of US$2,480 per ounce on safe-haven demand. Gold prices are expected to continue rallying and are anticipated to surpass a record high of US$ 2,700 per ounce in the fourth quarter.

Global prices for selected commodities

Commodities	Q3 2023	Q2 2024	Q3 2024	Q-o-q
Nickel($/mt)	20,392	18,416	16,235	-12%
Gold ($/troy oz)	1,929	2,336	2,480	6%
Platinum ($/troy oz)	932	980	964	-2%
Palladium ($/troy oz)	1,251	943	955	1 %
Rhodium ($/troy oz)	3,378	4,700	4,692	-0.2%
Coal($/mt)	152	135	141	4%
Lithium($/mt)	29,728	14,452	10,904	-25%

Source: Pink-sheet, Kitco, Trading economics

Gold deliveries surge on bullish prices

During the quarter under review, gold deliveries to Fidelity Gold Refinery surged by 24% to 10,310 kg, compared to 8,285 kg recorded in the same period last year. The increase was particularly notable among small-scale producers, who delivered 7,121 kg (70% of total deliveries) in the third quarter of 2024, up from 5,175 kg during the same period last year. This surge can be attributed to attractive gold prices, which prompted producers to ramp up production coupled with government's gold mobilization initiatives which have resulted in enhanced gold deliveries to FGR.

On a quarter-on-quarter basis, deliveries for the third quarter of 2024 increased by 33% compared to the second quarter of 2024. This rise in gold prices is anticipated to offset the loss in mineral revenue as prices for key minerals such as PGMs, lithium, and nickel continue to decline. In the outlook, we expect gold production to reach 33 tons in 2024.

	Q3 2023	Q2 2024	Q3 2024	y-o-y % Change
Large Scale Producers (Kg)	3,110	3,224	3,188	3%
Small Scale Producers (Kg	5,175	4,515	7,121	38%
Total (Kg)	**8,285**	**7,739**	**10,310**	24%

Source: Ministry of Mines

Mining industry upbeat about prospects for 2025

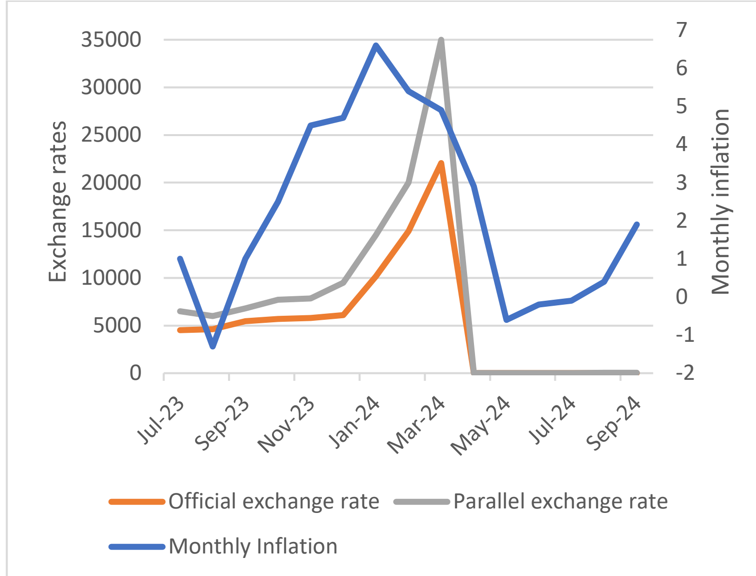
The State of the Mining industry survey indicated that mining executives are generally confident about their businesses' prospects in 2025. The mining sector remains a major driver of Zimbabwe's economic growth, having constituted 76% of total exports in the first half of 2024 with gold accounting for 30% of total exports in June 2024. Notwithstanding, the ongoing retreat in key commodity prices particularly for PGMs, nickel and lithium, the mining sector's output is expected to grow by a weighted average of around 7% on the back of ongoing expansion activities as well as new projects in the sector. Key minerals expected to record output growth include gold (9%), diamonds (7%), lithium (32%0 and chrome (10%). While global metal price declines present challenges, the sector has sustained its installed capacity at 84% in 2024, and expected to reach 90% in 2025. Output forecasts across various mineral subsectors indicate increases for all most minerals.

Power supply situation worsens

During the quarter under review, the power supply situation worsened due to the asynchronization of Hwange Units 7 and 8 with the national grid for maintenance, as well as reduced water levels at the Kariba Hydro Station. This has contributed to reduced production in the mining and manufacturing sectors, resulting in lower output thus threatening economic growth prospects. The power supply outlook is expected to remain fragile for the rest of the year.

Inflation pressures resurge

During the quarter under review, inflation pressures resurged in both USD and ZiG, The ZWD inflation rate increased to 5.8% in September, up from 0% in June 2024. Similarly, USD inflation increased to 0.7% in September from -0.3% in June 2024. The weighted month-on-month inflation rate increased for the third consecutive month, from -0.2% in June to 1.9% in September 2024. This surge was due to the depreciation of the local currency on both official and parallel markets, where premiums, which were below 5% at the introduction of ZiG in May 2024, have persistently widened over the past three months to over 100%. Risks to the inflation outlook are on the downside, as parallel market premiums are expected to continue widening for the rest of the year



Source: RBZ

Government devalues the local currency

Meanwhile, on the 19th of September 2024, the Reserve Bank of Zimbabwe, through a press statement, announced a devaluation of the local currency from ZIG 13.99 to 24.39, marking its sharpest decline on the official market since its introduction in May 2024. This decision followed mounting pressure on the exchange rate as premiums in the parallel market exceeded 100%. The devaluation is intended to address concerns about the overvaluation of the exchange rate, which has been driving arbitrage opportunities, particularly with the widening gap in the parallel market. The following are some of the highlights and measures announced by the RBZ:

- Devaluation of ZIG to 24.39 per USD, down from ZIG 13.99 USD
- Foreign currency limit: Reduced to $2,000 from $10,000.
- Bank policy rate increased to 35% from 25%.
- Statutory reserves standardized to 30% for demand and call deposits.
- Statutory reserve requirements increased to 15% from 5% for savings and time deposits.

Safety Health and Environment matters in the mining industry

Fatal and Serious Accidents Report

The mining sector recorded 44 accidents during the third quarter, 31 fatal, and 13 injury-related incidents. The accidents resulted in 36 fatalities and 20 injuries. Most of the accidents (31) were recorded at small scale mines while 13 occurred at Chamber operations. During the same period last year, 29 accidents all of which were fatal (31 Fatalities), and one serious injury was recorded.

Province	Accidents	Fatalities	Injuries
Mashonaland Central	7	10	1
Mashonaland West	7	4	3
Mashonaland East	7	1	7
Midlands	6	4	2
Manicaland	4	4	2
Matabeleland South	10	10	4
Masvingo	3	3	1
Total	**44**	**36**	**20**

Matabeleland South recorded the highest accidents with Mashonaland recording the second highest number of accidents.

Reportable accidents analysis by cause

Fall of Ground (FoG) is the leading hazard, accounting for 41% of accidents. Falling Down Excavation (FDE) is the second-most prevalent cause, responsible for 20% of accidents. Residual causes comprise 39% of incidents, with specific causes detailed in the table below (refer to the table).

Cause	Number of Accidents
Fall of ground	18
Machinery	7
Falling down excavation	9
Sundry	3
Gassing	3
Conveyor belt accident	1
Explosives	1
Illegal mining	1
Shaft accidents	1
Total	**44**

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 Local Content and Economic Empowerment.

1. Foreign exchange matters

Foreign exchange retention

Government through the Mid Term Monetary Policy Review announced on 30 August 2024, maintained foreign exchange retentions at 75%. This followed the Chamber's lobbying with RBZ Governor after the Central bank's intentions to reduce the retentions to 70% in line with the perceived increase in usage of ZWG. Following a meeting held on 20 August between the Chamber Leadership and the Governor, and the subsequent engagement with RBZ and Government, the Chamber successfully lobbied for the retentions to be maintained at the current levels of 75%. The Chamber will continue monitoring the situation and engage for adequate retentions to meet operational requirements for mining companies.

Outstanding payments on the surrender portion

Government, through the Mid Term Monetary Policy Review announced that outstanding local currency payments on surrender portions of export proceeds will be converted into ZWG Negotiable Certificates of Deposits (NCD). Information gathered from Members show that Government and RBZ have been engaging individual mining companies offering ZWG NCD with tenor of 3 years and coupon rate of 4%. Of major concern to mining companies is the long tenure of the NCD, currency of issue and no coupon rate, thus making its tradeability difficult.

Application to draw down the 25% surrendered portion

Meanwhile, information gathered by the Chamber shows that RBZ is working on a framework that will require mining companies to seek approval from RBZ for usage of their local currency balances. At a Platinum Producers Committee Meeting held on 10 September 2024, the meeting resolved to compile a Position Paper outlining the implications of the proposals and arrange a meeting with the Ministry of Finance to discuss the Paper and resolve the matter. The Chamber is engaging the Ministry of Finance to agree on a date for the meeting.

Loss of value on surrender portion of export proceeds

The value of the surrender portion of export proceeds has been declining on the backdrop of widening parallel market premiums due to rapid depreciation of the parallel market rate. In some instances, the premiums are as high as 100%. The Chamber is engaging Government to regularize into Law taxes to be payable in ZWG to provide home for the surrender portion while also advocating for fair compensation for the same.

2. Electricity and energy matters

Power supply situation

During the period under review, some mining companies were reporting prolonged power outages averaging an upwards of 14 hours per day. The situation has deteriorated for gold and other small mining houses who are not on dedicated power lines. Meanwhile, ferrochrome producers were directed to reduce their power consumption by an average of 10 MW per day. At, a meeting held between ZPC and the Chamber leadership on 12 September 2024, an update on the state of electricity generation indicates a dire power supply outlook on the back of low water levels at Kariba and the units 1 to 5 thermal power stations that require to go through maintenance. The Chamber will continue to advocate for prioritization of mining companies for available power.

Electricity tariff
The electricity tariff for mining companies remained high and unsustainable for the mining industry. This matter was submitted to ZERA at a ZERA Strategy Consultative review held on 27 August 2024. At the same meeting, the IEUG demonstrated that the current electricity tariff was too high and that they will be able to supply power to mining companies at regionally competitive tariffs. IEUG appealed to ZERA to direct ZESA to release mining companies and allow them to access power from alternative cheap sources including IEUG.

Special tariff for ferrochrome producers
At a meeting held on 23 September, the Minister of Mines announced that ferrochrome producers will be removed from the special tariff of USc 8/KWh and pay the general mining sector tariff of USc 14.21/KWh. It appears that this was a reaction by Government following the high court ruling of 2 September 2024 against ZIMRA declaring that ferrochrome is not a mineral and therefore should not be attracting royalty. The ferrochrome producers were given up to 30 September 2024 to submit their proposal on royalty for the ferrochrome sector for consideration and possible review of this position on electricity tariff. The Chamber continues to engage ZESA and Government for the review of the tariff structure in line with regional and international averages.

Alternative power supply
The Chamber received an enquiry from Matobo Energy Solutions for expressions of interest of imported power they are negotiating with EDM of Mozambique. Preliminary discussions indicate that they may have available 200MW for off takers in Zimbabwe. A request for their term sheet was made which will be circulated to members for their information. The Chamber of Mines continues to engage other investors interested in partnering the mining industry with regards alternative power solutions.

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. Following these engagements, the Ministry of Finance has committed to review the SCGT framework through the 2025 National Budget. Issues that were raised by the Chamber include:

- Application of the tax in retrospect, backdated 10 years and for it to apply even if the titles had been forfeited or abandoned,
- The rate of tax of 20% which is too high compared to regional averages,
- The principle of levying the tax on gross proceeds as well on the buyer, contrary to best practice where capital gains tax is chargeable on the transaction gain and is levied on the seller who would have realized a profit on disposal.

The Chamber will continue engaging the Government on this matter.

Beneficiation Tax on Lithium
A meeting was held between the Chamber Lithium Producers Association and the Minister of Mines. The meeting resolved that as submitted by lithium producers, the minimum beneficiation level will be lithium sulphate, not lithium carbonate. Lithium producers are currently working closely with the Ministry of Mines to develop a lithium beneficiation roadmap that will result in the production of lithium sulphate within reasonable timelines

Beneficiation tax on PGMs
Through a letter written to affected platinum producers, Government deferred the beneficiation tax on PGMs concentrates in line with signed agreements for in country processing of concentrates with producers with excess processing capacity. The Chamber will continue engaging Government for an optimal beneficiation roadmap for the PGMs industry.

Mining Fees and Charges
Some mining fees and charges have remained high and unsustainable. The Chamber is engaging the Ministry of Mines to review the fees in line with regional averages.

4. Indigenization and Local Empowerment

The Chamber of Mines and the Ministry of Industry are working closely to develop an Economic Empowerment Implementation Framework for ethe mining industry. The Chamber has since submitted proposals into the draft bill for consideration by Government.

5. *Local Content in the Mining Industry*

The Chamber of Mines is engaging Government for a local content framework for the mining industry that encompasses ongoing local content and local empowerment initiatives being undertaken by mining companies including local enterprise development, local procurement, local employment and local skills development. Information gathered by the Chamber indicate that Government is already undertaking study tours on local content models in other mining jurisdictions to align with regional best practice. The Chamber submitted proposals to the Ministry of Mines to influence the outcome of the new Local Content and Economic Empowerment implementation framework in line with ongoing initiatives been undertaken by mining companies. The Chamber will continue engaging the Government for an optimal local Empowerment framework for the mining industry.

6. Mines and Minerals Act

The Chamber was informed by the Ministry of Mines that the Mines and Minerals Amendment Bill is now with parliament. The Chamber is engaging Parliament to receive a copy of the draft bill

7. Labor Matters

Some Workers Union have taken NEC to the Labor Court disputing the outcome of the NEC Technical Subcommittee that accredited some trade Unions for admission into the NEC as provided by the new Labor Act. The NEC has since engaged the Labour Court to resolve this matter.