



Please address all correspondence
 to the Chief Executive Officer

Quarterly Members Brief

Q2 2024

Mineral volumes down in H1



Power outages cripple economic activities



Zimbabwe economic growth revised downwards



Subdued mineral output performance in the first half

During the first half of 2024, Zimbabwe's mineral output performance was predominantly subdued compared to the same period last year. Declines were noted in the following key minerals: gold (-3%), PGMs, nickel (-23%), copper (-12%), and cobalt (-17%). Risks to the mining sector outlook remain on the downside, with mining companies expected to continue facing fragile power supply, subdued commodity prices, foreign currency shortfalls, high-cost structures, and capital constraints.

Mineral	H1 2023	H1 2024	% Change
Gold (kgs)	15,321	14,846	-3%
Platinum (kgs)	9,504	8,921	-6%
Palladium (kgs)	7,931	7,407	-7%
Rhodium (kgs)	830	774	-7%
Iridium (kgs)	458	344	-25%
Nickel (MT)	9,260	7,093	-23%
Copper (MT)	6,947	6,091	-12%
Cobalt (MT)	191	158	-17%

Source: Ministry of Mines

On a quarterly basis, most key minerals recorded declines in the second quarter of 2024 compared to the first quarter. Notable declines were recorded in PGMs, nickel (-25%), and copper (-35%). Meanwhile, gold recorded a 24% increase in the second quarter compared to the first quarter. In the outlook for the rest of the year, we expect output recovery in most key minerals, driven by expansion projects.

Mineral	Jan-Mar 2024	Apr-Jun 2024	Q-o-q change	%
Gold (kgs)	6,638	8,208	24%	
Platinum (kgs)	4,987	3,934	-21%	
Palladium (kgs)	4,136	3,271	-21%	
Rhodium (kgs)	437	337	-23%	
Iridium (kgs)	183	160	-12%	
Ruthenium (kgs)	403	331	-18%	
Nickel (MT)	4,046	3,047	-25%	
Copper (MT)	3,690	2,401	-35%	
Cobalt (MT)	85	73	-14%	

... commodity prices however show signs of recovery

Commodity prices were predominantly on a recovery path during the second quarter of 2024 with prices of key minerals including platinum, nickel, coal and lithium recording increases compared to the first quarter. The prices however remain lower than historical averages. For most key minerals recovered albeit below historical averages. Gold prices continued to surge, averaging around US\$ 2,336 due to safe haven demand amid global uncertainty. Meanwhile Platinum Group Metals (PGMs) experienced mixed performance. Platinum and Rhodium recovered on improved demand while palladium prices fell by due to reduced demand. Lithium prices, increased by around 2% during the quarter, fueled by increased demand for electric vehicles and growing investment in renewable energy. In the outlook for the rest of the year, we expect the current market conditions to persist and commodity prices to predominantly remain subdued.

Global prices for selected commodities

Commodities	Q2 2023	Q1 2024	Q2 2024	Q-o-q
Nickel(\$/mt)	22,336	16,750	18,416	10%
Gold (\$/troy oz)	1,978	2,104	2,336	11%
Platinum (\$/troy oz)	1,028	900	980	9%
Palladium (\$/troy oz)	1,452	978	944	-3%
Rhodium (\$/troy oz)	5,802	4,525	4,700	4%
Coal(\$/mt)	165	126	137	9%
Lithium (\$/ mt)	36,778	14,210	14,452	2%

Source: Pink-sheet, Kitco, Trading Economics

Zimbabwe economic growth revised downwards

The Government through a press statement released by the Reserve Bank on 26 June 2024 revised economic growth projections for 2024 downwards to 2%, from an initial projection of 3.2% on the backdrop of weak prospects in key productive sectors including agriculture and mining. Agriculture output is expected to further contract due to the worse-than-anticipated impact of El Nino-induced drought. Meanwhile, tobacco sales for the 2023/24 season have declined by approximately 6% to US\$4.5 million, primarily due to adverse weather conditions that resulted in low yields. Mining sector growth prospects are also weak due to unfavourable commodity market conditions. The energy and manufacturing industries have also been severely impacted by the drought, leading to significant operational challenges and reduced output. This revision came at a time the IMF has revised global output growth projections for 2024 to 3.2% up from the initial projection of 3.1%.

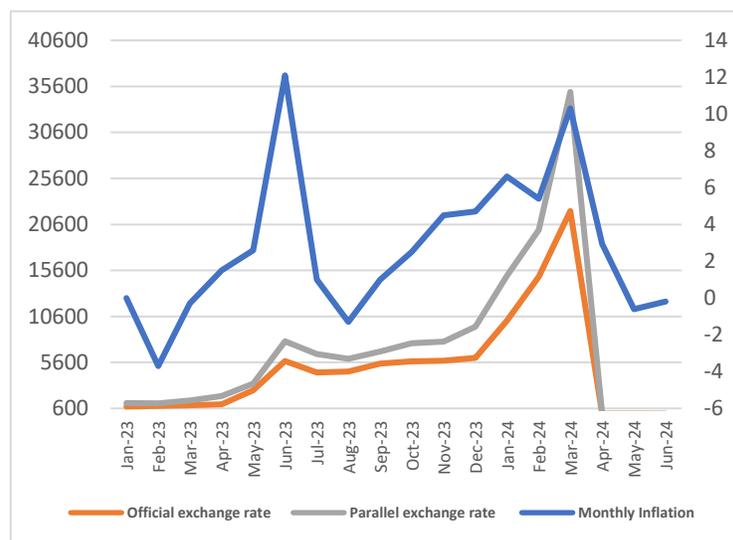
Power outages cripple economic activities.

During the period under review, the power supply situation remained fragile, marked by widespread outages across the economy. Challenges stemmed from scheduled maintenance at Hwange Thermal Power Station and reduced water levels at Kariba Hydro Power Station, coinciding with heightened national power consumption and demands for winter crops. The nation's largest power stations, Hwange and Kariba stations are currently producing 1,335 MW, against a combined installed capacity of 2,570 MW. Meanwhile, power supply to the mining industry has remained relatively stable despite isolated outages caused by transmission infrastructure challenges, technical faults, and poor power quality characterized by instances of very high and very low voltage.

Inflation and exchange rate stabilize on tight monetary measures

During the quarter under review, inflation pressures subsided due to tight monetary policy measures that were introduced through the 2024 Monetary Policy Statement on 25 April 2024. The blended month-on-month inflation for June 2024 was at -0.2%, from -0.6% in May 2024. ZWG inflation was 0.0%, from -2.4% in May 2024. The new monetary policy measures have also stabilized the exchange rate, with parallel market premiums shrinking significantly to below 5%. Risks to the outlook include high money supply growth driven by government spending, particularly payments to contractors, leading to exchange rate volatility and high ZWG inflation. Additionally, inadequate foreign

currency reserves could create a gridlock, potentially resulting in the use of pseudo-USD not backed by real USD balances.



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. Fiscal matters

VAT on gold sales

Effective January 2024, Government, through SI 15 of 2024 had removed gold from the list of zero-rated goods implying that gold producers would pay 15% VAT on all gold deliveries to FGR. Following Chamber engagements with the Government and FGR, Government through SI 105 of 2024 zero rated gold sales to FGR, thus gold producers are no longer required to pay the 15% VAT.

Beneficiation Tax on Lithium

Reports received by the Chamber show that ZIMRA directed lithium producers to pay a 5% beneficiation tax despite its exclusion from the 2024 Finance Act. Following Chamber engagements with ZIMRA and ministry of Finance, the collection of the 5% beneficiation tax was suspended and aligned to the law. Meanwhile, the Ministry of Mines reported that most lithium producers submitted their beneficiation plans by 31 March 2024 as directed by Government through the 2024 National Budget Statement. The Chamber will continue engaging Government for an optimal beneficiation roadmap for the lithium sector.

Special Capital Gains Tax

This matter was submitted to the Ministry of Finance and the Ministry of Mines for appeal. Information gathered by the Chamber show that the Government is finalizing review of the Capital Gains tax and a Statutory Instrument to regularize the review is expected to be published during the third quarter of

2024. This follows the commitment by the Deputy Minister of Finance in his presentation at the Annual Mining Conference wherein he informed that Government was revisiting the Special Capital Gains tax framework in line with submissions by the Chamber of Mines. The Chamber will continue engaging the Ministry of Finance to resolve this matter.

2. Monetary and foreign exchange matters

Value of the surrender portion of export earnings

The value of the surrender portion of export earnings has continued to strengthen on the back of the shrinking parallel market premiums as the exchange rate stabilized responding to the tight monetary and foreign exchange management measures being implemented by Government. The Chamber will continue to monitor the situation and engage RBZ for fair compensation of the surrender portion.

Foreign exchange retentions and payment of taxes in local currency

Government through a press release of 19 June of 2024 announced that CIT for the second quarter ending June 2024 will be paid in both local and foreign currency on a 50/50 basis. Government further provided for payment of Government fees and charges and custom duty in local currency except for designated foreign currency dutiable non-essential or luxury products. These measures are expected to provide home for ZWD balances liquidated as the mandatory surrender portion of export earnings and reduce pressure on the 75% foreign exchange retentions.

3. Electricity and energy matters

Power supply situation

During the period under review, the power supply situation for the mining industry was generally stable. This is despite the country experiencing widespread power outages. The power supply outlook remains fragile and the Chamber will continue to advocate for prioritization of mining companies for available power.

Electricity tariff

The electricity tariff for mining companies remained high despite the Chamber engaging for the review of the tariff structure. The Chamber will continue to advocate for a competitive tariff in line with regional averages and best practice.

Alternative power supply

Information gathered by the Chamber show that a number of mining houses are investing in alternative solar power projects. Meanwhile, the Chamber of Mines engaged various investors interested in partnering the mining industry with regards alternative power solutions. These investors include TD Holdings, Solar Century Africa, Renergy Solar ApS, SOLAR Group of Zimbabwe (SOLARGZII). Meanwhile, IEUG has been facilitating importation of power for the mining industry. Information gathered by the Chamber show that recently they facilitated importation of around 100-150 MW which was availed to Bindura Nickel Corporation.

4. Local Content and Local Empowerment

The Government is advocating for a minimum local content threshold in the mining industry encompassing local procurement, local employment and skills development. The Chamber has since submitted proposals to the Ministry of Mines to influence the outcome of the new local content framework. The Chamber will continue engaging the Government for an optimal local Empowerment framework for the mining industry.

5. Labor Matters

Wage negotiations for 2024 were successfully concluded in June as follows: wage freeze for the first quarter of 2024; for the second quarter, a 4% increase on the 2023 minimum wage; for the rest of the year, a 5% increase on the 2023 minimum wage. The payment structure was reviewed to 68/32 from 65/35. Companies unable to afford the increases are encouraged to apply for exemptions through the National Employment Council (NEC). Those receiving payments in local currency are permitted to pay in local currency.

6. Mines and Minerals Act

The Mines and Minerals Act Amendment Bill has been finalized and is awaiting gazetting, although specific details of the contents have not been disclosed. The Ministry was engaged in discussions regarding revisions to environmental management provisions, and the gazetting of the Bill is expected soon.

Safety Health and Environmental

Environmental Rehabilitation Levy

The Government is proposing a 2% Environmental Rehabilitation levy on mining revenue. The Chamber of Mines has been engaging the Ministry of Mines and Ministry of Finance on the matter and has since submitted a proposed insurance-based Environmental Rehabilitation Framework. The Chamber will continue engaging for an optimal environmental management framework for the mining industry.

Fatal accidents

12 fatal accidents were reported during the month of June, bringing the total accidents for the year to 67. The 67 accidents resulted in 77 fatalities. The accident reported in 2024 were 37% lower compared to those reported during the same period of 2024.

Most of the accidents (86%) were recorded at small scale mining operations, with the Midlands province recording the highest.

The leading causes of fatal accidents during the year were Fall of Ground (35%) and shaft accidents (18%).

First Aid

The north and south zone competitions were successfully held on 12 July and 28 June respectively. A total of 35 teams competed in the two events. Efforts are underway to encourage mines to participate in these events that support emergency preparedness systems at mines.

End.

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