



ZIMBABWE - STATE OF THE MINING INDUSTRY

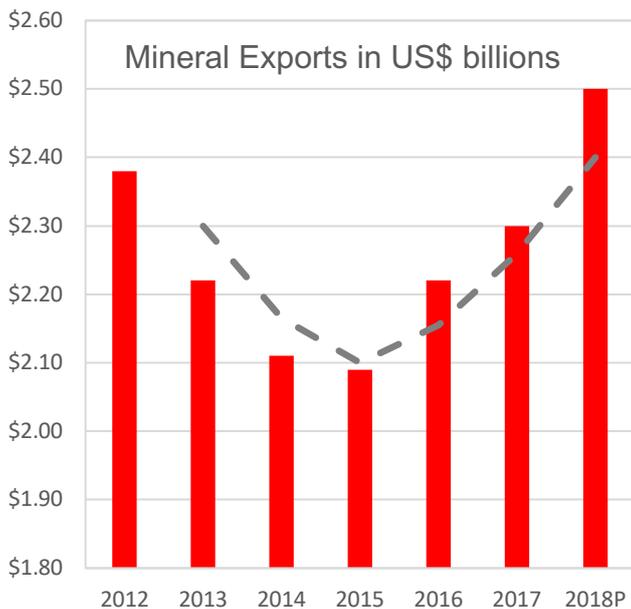
November 2018



SUMMARY

According to the World Bank, Zimbabwe has enormous potential given its generous endowment of natural resources, an existing stock of public infrastructure, and comparatively well skilled labour force. However, realising this will require prompt action to correct fiscal policies, re-stabilize the monetary system, and resolve arrears to international lenders that would allow for a resumption of development financing. It will also require the renewal of capacity in the public sector, and investment reforms.

At this time, Zimbabwe is open for business and is set on rapidly growing its economy with mining investors being key players. Zimbabwe offers truly a once in a lifetime opportunity. The country's 800 mines have capacity to earn US\$18 billion per annum, but were only turning out about US\$2 billion annually since 2009. This represents about a tenth of the sector's full potential and translates to an incredible opportunity for investors, and the government is fully committed to create an enabling environment for investors.



Source: RBZ, Chamber of Mines (2018)

LOCATION and GEOGRAPHY

Area: 390,757 km². The area of Zimbabwe is about three times the size of England and nearly as big as California or Japan. Almost whole of the country lies more than 300m above the sea level.

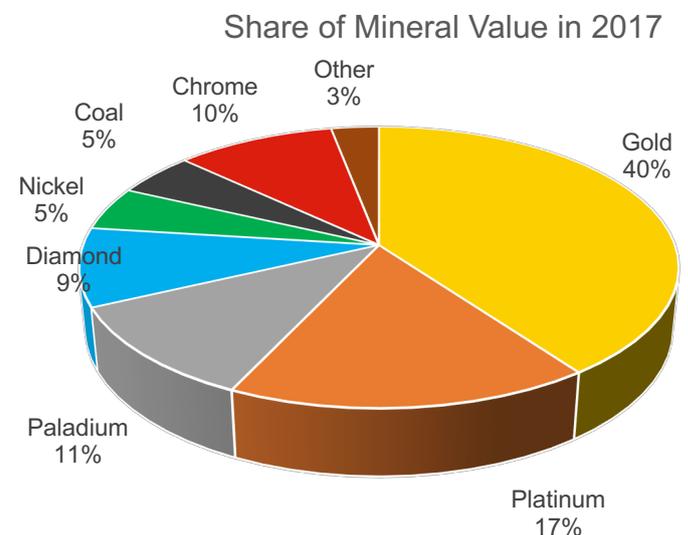
Language: English (official), Shona, Ndebele

Religions: Christians (75%, mainly Anglicans), no religion (15%) and balance other

Literacy: 84%

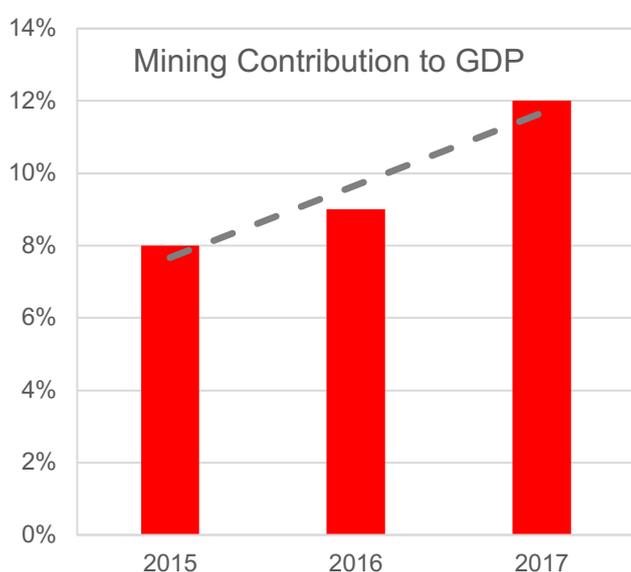
MINERAL WEALTH

Zimbabwe has vast mineral wealth consisting of over 60 minerals including platinum, chrome, gold, lithium, coal, tin, copper, limestone, coal-bed methane, natural gas, granite and more. Zimbabwe has the 2nd largest platinum and chrome deposits in the world and is the 5th largest producer of lithium in the world. For the third year in a row, Zimbabwe has maintained production of 5,000 tonnes of lithium carbonate equivalent (LCE) through privately owned Bikita Minerals. Production is poised to increase further with expansions plans by Bikita Lithium and with Prospect Resources presently finalising feasibility studies ahead of development and production. Additionally, Premier African Minerals is in the process of defining its lithium resource.



Source: RBZ, Chamber of Mines (2017)

Other mining companies operating in Zimbabwe include African Chrome Fields, Anglo American, Caledonia Mining Corporation, Hwange Colliery, Makomo Resources, Metallon Corporation, Mimosa Platinum, Premier African Minerals, Prospect Resources, Vast Resources, ZIMASCO, Zimplats, ZMDC.



Source: ZimStat, MOF and Chamber of Mines

Zimbabwe is poised to produce 900,000 oz of gold this year with production spurred by small scale miners. Zimbabwe is aiming to produce and export 500,000 tonnes of chrome. Metallon Corporation plans to increase gold output to 500,000 oz p.a. in the next five years. There are many emerging producers as well as exciting exploration, brownfield and operating projects starved of capital that represent an outstanding opportunity for investors to move in now to reap the rewards in the future.

MINERAL POTENTIAL

Zimbabwe's is on the path to being one of the leading mining investment destinations in the world. Zimbabwe's mining sector has great potential for growth with the potential to attract US\$12 billion direct investment over the next five years. The Government is committed to creating mutually beneficial policies and conditions for the sector's growth. Mineral export receipts of \$2.5 billion are projected for 2018, up from \$2.3 billion in 2017. The mining industry contributes around 12% of gross domestic product and 68% of Zimbabwe's total export receipts.

The mining industry remains key to the long-term, sustainable growth of the economy. In the future, the mining sector is envisaged to play an even greater role through mineral beneficiation/ value addition, procurement and other inter-sectorial linkages.

Zimbabwe's Minister of Mines and Mine Development, Hon. Winston Chitando, believes the country has "the potential to actually account for 20% of global demand when all known lithium resources are being exploited."

MINING BUSINESS CONFIDENCE INDEX

The 2018 MBCI was computed based on sentiments of mining executives and investors on prospects of the mining industry and the economy as it relates to new political developments. The overall 2018 MBCI was +21.9, compared to -6.6 recorded for 2017.

The new index shows that respondents are bullish about the prospects of the mining industry in 2018 given the new political dispensation, with the majority of respondents (90%) optimistic that the new Government will endeavour to resolve all legislative and policy bottlenecks affecting the mining industry.

Confidence Indicator	2018	2017	Change
Economic prospects	4	(50)	+54
Profitability prospects	18	11	+7
Mining growth prospects	78	50	+28
Market outlook	22	17	+5
Access to and cost of capital	(15)	(72)	+57
Employment	32	28	+4
Investment plans and commitments	50	39	+11
Mining title security (use it or lose it)	2	(11)	+13
Investment competitiveness	50	3	+47
Stability of mining fiscal regime *	30	(39)	+69
Consistence and predictability of mining policies	2	(11)	+13
Perception on political risk	(10)	(44)	+34
Average BCI	21.9	(6.6)	+29

* linked to the appointment of Honourable Winston Chitando as Minister of Mines and Mine Development in November 2017

RECENT DEVELOPMENTS and NEWS

Since the change in government foreign investment in the country has flourished, with a focus on Zimbabwe's infrastructure, mining and resources:

5 Nov 2018 - The Zimbabwe Investment Authority (ZIA) had by June this year received 165 business applications worth more than \$15.8 billion buoyed by a steady growth in the economy underpinned by various productive sectors, a Cabinet Minister has said.

4 Nov 2018 - Memorandum of Understanding between India and Zimbabwe signed to purchase diamonds. India to also deliver US\$350 million line of credit for three power and water projects, in addition to the \$100 million loan to the Zimbabwe Government.

11 Oct 2018 - US firm, Hondius Capital Management, signed a US\$1 billion partnership with the Infrastructure Development Bank of Zimbabwe (IDBZ), with the view to bankrolling Zimbabwe's mining and infrastructure development projects.

1 Oct 2018 - Zimbabwe's economy will grow by 6.3% this year driven mainly by agriculture and mining, the finance minister said Monday, as the government seeks to boost growth after the fall of Robert Mugabe.

11 Jun 2018 - Zimbabwe and China sign a US\$1 billion Memorandum of Understanding to establish a steel plant that can produce up to 2 million tonnes of steel per annum.