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THE CHAMBER OF MINES OF ZIMBABWE

COMMODITY OUTLOOK 2022

'A look ahead into the volume and price trends of key minerals'

Special focus Zimbabwe,

February 2022

Executive Summary

Ukraine crisis, positive spinoffs on commodity markets

The geopolitical conflict between Russia and Ukraine is anticipated to somewhat pull down the world economic growth from the original forecasts. Against the backdrop of the contagion effect of the crisis which is significantly undermining the economic prospects of the Eurozone, we anticipate the global economic growth forecasts for 2022 to be weighed down by between 0.5 – 1 percent from the original forecasts. The ramifications of a potentially prolonged conflict will squeeze the global supply of commodities and spur the already high uncertainty, with potential consequences of price hikes in various commodities. The impact will invariably result in high energy and food prices. Notwithstanding the above, the crisis is having positive spinoffs on metal prices with gold, PGMs and some base metals such as nickel already surging above 2021 averages.

High uncertainty to propel precious metal prices

For the greater part of 2022, precious metals will find support as a safe haven on the back of the crisis in Europe. We anticipate gold prices to trend towards the all-time high reached in 2020. Palladium prices are expected to reach their previous peaks as deficits emerge from constriction of supply from Russia- the world's largest producer. Platinum prices will also trend up with the increasing fungibility with palladium.

Energy prices to rally as supply squeezes

In the first half of 2022, oil and gas prices are expected to rally in response to the curtailment of Russian supply, particularly in Europe. Brent oil prices are expected to exceed US$100 a barrel. Higher energy costs, particularly in Europe, will push the global cost structure. Coal prices are expected to slightly improve as Russia's supply to Europe is restricted.

Base metal prices to hit peaks on political risks, supply crunch

On the backdrop, low metal inventories and strong consistent demand in the economic recovery has been supporting prices. As Russia and Ukraine are global leaders in metal markets like nickel, copper, iron, the ongoing conflict has the potential to spur supply bottlenecks. This is expected to push up metal prices.

Prices forecast selected commodities

	3 year average*	2021	2022f
Gold/toz	1,664	1798	1,950
Platinum/toz	950	1,098	1,500
Palladium/toz	2,100	2,390	2,800
Nickel/mt	15,499	18,465	30,000

*Notes: *2019-21; f- Chamber forecast*

Zimbabwe mining sector set to benefit from global developments

In 2022, favourable commodity prices are expected to spur Zimbabwe's mining sector performance. The State of the Mining Industry Survey conducted by the Chamber of Mines last year indicates that mining companies are ramping up production in 2022, with mineral exports expected to benefit from favourable prices. The gold and PGMs sectors are the main growth pillars for the mining sector in 2022. The mining industry is expected to generate approximately US$5.5 billion in 2022, underpinned by strong performance in gold, US$2.1 billion, palladium, US$1 billion, diamond, US$0.8 billion and US$0.6 billion

Zimbabwe Mining Production forecast

	2021	2022f
Gold (kg)	31,477	35,000
Platinum(kg)	14,732	15,200
Diamonds (crt)	4,224	5,000
Palladium(kg)	12,619	13,200
Nickel (t)	15,760	16,500
Coal(t)	3,246	3,400

Notes: f- Chamber forecast

The downside risks to the above projections include an erratic power supply (resulting in production disruptions), capital shortages (with a funding gap exceeding US$10 billion for the next five years), exchange rate volatility and widening parallel exchange market premiums, and foreign exchange constraints.

Inside

Commodity Price Outlook

Conflict in Europe to destabilize commodities markets

The world economy which was expected to grow by 4.5% in 2022, is set to be affected by the geopolitical conflict between Russia and Ukraine which has already affected value chains across Europe. The conflict will have far-reaching global political and economic consequences, particularly in the first half of 2022. Russia- the second-largest oil producer- supplies over 45% of Europe's oil and natural gas. Russia also supplies 6% of the world's aluminium and is a major player in Platinum Group of Metals (PGM) markets producing 38% and 10% of global palladium and platinum, respectively.

Thus, sanctions that have since been imposed on Russia by the US, British, and some European countries, which include removal of Russian banks from Society for Worldwide Interbank Financial Telecommunication (Swift) and a suspension of the Nord Stream 2 natural gas pipeline, will destabilise commodity markets. Although there are no direct sanctions on commodity producers, the removal of some Russian banks from the SWIFT payment system will massively complicate international trade finance.

Inflation a major risk

Global Inflation is anticipated to remain high in 2022, partly due to fiscal and monetary policies put in place to alleviate the effects of Covid-19 and the rallying commodity prices. Additional inflationary pressures are expected to emanate from elevated food and oil prices as well as associated lagged pass-through effects, particularly in developing economies.

Threats from resurgent Covid-19 still expected

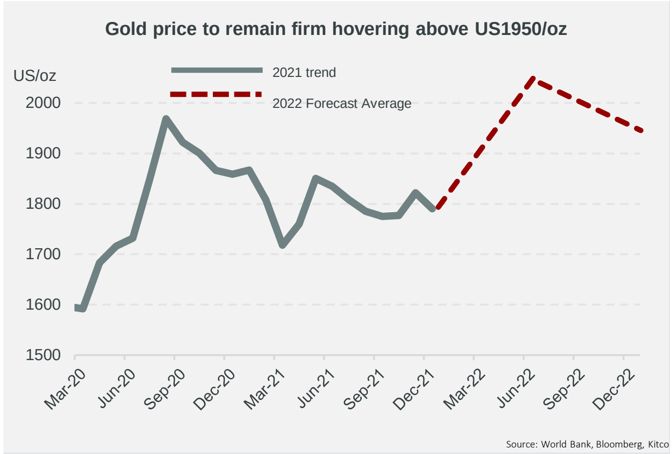
On the base-case, positive economic growth outturns will highly reflect continued acclimatization to the pandemic and sustained broad-based policy support. Global economies still face significant threats of resurgent new Covid-19 variants. Reduced vaccine efficacy against new highly transmissible variants implies that the evolution of the pandemic remains uncertain. With potential intermittent outbreaks, supply-chain bottlenecks across different sectors will likely persist in 2022, weighing down the prospects of developing economies, most of which are heavily dependent on commodity exports.

Gold price driven by high uncertainty from geopolitical conflict and inflation

Gold Forecast Snapshot		USD/oz
2021	Annual Average	1,799
2022	Annual Average*	1,950
	Baseline*	1,700

*CoMZ forecasts

In 2022 gold price is expected to remain elevated above US$1,900/oz throughout the year. With the geopolitical tension, gold still will be a main safe haven asset. Meanwhile, the gold price has already responded to the unfolding crisis in Europe, surging above the US$2,000/ounce mark during the period of conflict, from an average of US$1,750/ounce in December 2021. Gold will also have support from high demand from central banks and jewellery sectors. In the second half of 2022, we anticipate the gold market to revert to macro drivers such as real rates, U.S. Federal Reserve policy as well as the growth outlook. We, therefore, expect the gold price to taper off at prices above the 2021 average.

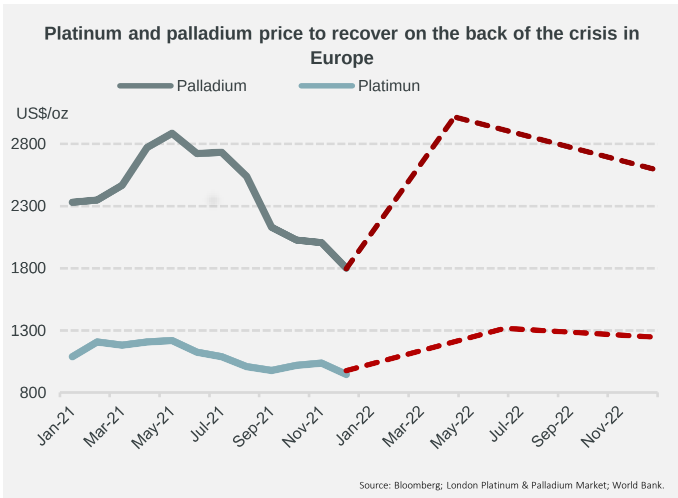


Platinum & Palladium prices to rally, Russian supply curtailed

Forecast Snapshot		Platinum USD/oz	Palladium USD/oz
2021	Annual Average	1090	2,390
2022	Annual Average*	1,500	2,800
	Baseline*	1,100	2,200

*CoMZ forecasts

In the short run, the platinum group metals prices are expected to be largely influenced by the unfolding Russia-Ukraine crisis. Amid growing geopolitical tensions, palladium price increased by over 55% to US$2,440 by end of February 2022. The imposition of sanctions on Russia is expected to result in the shrinking of PGMs supply to the rest of the world, propping up PGMs prices. Russia accounts for approximately 38% and 10% of global palladium and platinum, respectively. While we expect China to absorb some PGMs from Russia, the demand will not be sufficient to offset the crisis-induced rally in PGMs prices. We expect palladium prices to exceed record highs seen in 2021, spiking beyond the US$3,000/ounce mark in the first half of 2022 and an average of US$2,800/ounce for the full year supported by investment demand. We also anticipate platinum to average between US$1,400 - US$1,600 an ounce.



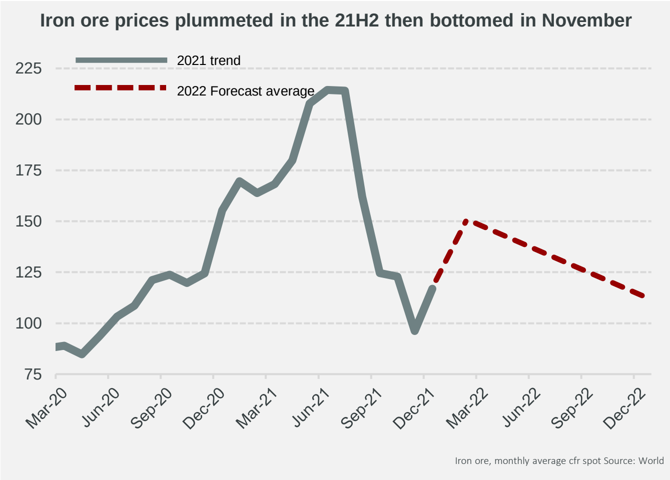
Disruptions to Chinese production in 22H1 to squeeze world steel supply

Forecast Snapshot		Iron, USD/t
2021	Annual Average	103
2022	Annual Average*	96
	Baseline*	90

*CoMZ forecasts

We forecast iron prices in 2022 to be bound at $100 a tonne and average about $96 a tonne. China, which consumes about 70% of global iron ore production, imposed restrictions on some economic activities in the first quarter of 2022 to cut down smog levels in preparation for Beijing Winter Olympics. The Fitch Ratings projects that Chinese steel production will be cut by approximately 30MMT in the first quarter of 2022.

For the full year - 2022, high backlog orders combined with a rebuilding of inventories is expected to boost steel demand. On the supply side, increased production from Brazil and Australia will continue to loosen tight supplies on the seaborne market. High-grade iron ore is expected to benefit from the decarbonization push, due to the lower impurities and correspondingly higher productivity that it offers. Negligible surpluses/deficits will emanate from price-triggered cuts in production in high-cost miners. We don't expect the crisis in Europe to have a significant impact on iron ore prices in the outlook. Ukraine and Russia contribute only 3% of the global supply which is relatively small to disrupt the market.

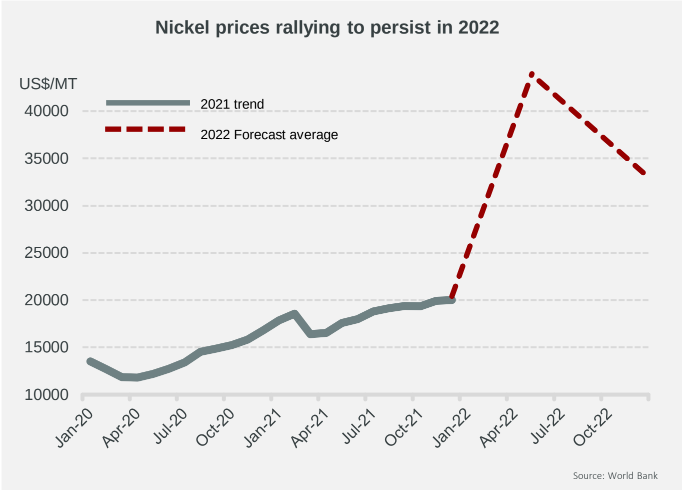


Nickel Prices to firm with increasing market tightness

	Forecast Snapshot	USD/t
2021	Annual Average	18,400
2022	Annual Average*	30,000
	Baseline*	25,000

*CoMZ forecasts

The ongoing crisis in Europe is expected to support higher nickel prices in 2022. The imposition of sanctions on Russia, one of the biggest producers of nickel, will result in supply constraints and high prices in 2022. Production disruptions in Ukraine (another big player in the nickel industry) due to the current war will hurt the supply of nickel. Meanwhile, nickel prices rallied by 30% since mid-December 2021, when Russia first presented security demands to the West with regard to Ukraine. We expect nickel prices to remain firm on the back of supply constraints and low inventories in China. Shanghai Metals Market reported that nickel ore inventory at Chinese ports dropped by 65,000 wet metric tons (wmt) to 8.59 million wmt in December 2021. A deficit of over 20,000 tonnes is expected in 2022. Nickel demand will also be driven by strong demand for batteries, compounded by accelerated EV sales on the back of easing semiconductor shortages and, in the medium to long-term, on increasing emphasis on replacing combustion engines to cut greenhouse emissions.



Lithium price bullish on high Electronic Vehicle demand

Forecast Snapshot		USD/DMT
2021	Average	2300
2022	Average*	2400

Spodumene prices *CoMZ forecasts

As demand for lithium continues to increase, we anticipate that output will remain outpaced by the growing demand in the EV industry. There will be likely a burst of newer EV models in 2022 spurring more choices for consumers responding to the increased demand. We anticipate burgeoning battery-grade demand from all regions although demand will likely grow fastest in China, which still dominates the cathode and cell production landscape. Other tailwinds will emanate from the easing of semiconductor shortages. We also expect incremental supply expansion from production ramp-up in response to the high prices which will alleviate some of the tightness in the market. However, there will likely be another supply deficit: lithium supply is forecast to jump to 636,000 tonnes of lithium carbonate equivalent in 2022, up from an estimated 497,000 in 2021. But demand will jump even higher to 641,000 tonnes, from an estimated 504,000 tonnes. Supply increase will be slow and gradual causing prices to somewhat plateau before slightly pulling back.

Coal to remain high on increasing as energy prices rally

	Forecast Snapshot	USD/oz
2021	Annual Average	120
2022	Annual Average*	130
	Baseline*	100

*CoMZ forecasts

In 2022, we anticipate coal prices to average US$130 per metric tonne. Coal production is forecast to rebound at an all-time high as energy commodity supply contracts with a subsequent increase in coal demand. Russian coal accounts for roughly 30 per cent of European metallurgical [coking] coal imports and over 60 per cent of European thermal coal imports. Europe relied on coal for about 14 per cent of its power. With the heavy reliance on Russian coal, European countries may find it hard to replace Russian coal quality which may send price shock to global coal markets. Coal prices will plateau as power demand growth flattens and clean energy supply increases particularly in the United States and the E.U.

The near term production forecasts of coal (the single largest source of global carbon emissions) do not seem to reflect the pledges to reach net-zero emissions made by many countries. However, new commitments during COP26, such as the Global Coal to Clean Power Transition Statement to accelerate the transition from unabated coal power generation will have very strong implications on investment decisions.

Copper price to remain high, modest surplus expected

Forecast Snapshot		USD
2021	Annual Average	8,313
2022	Annual Average*	10,220
	Baseline*	9,020

*CoMZ forecasts

Copper prices are forecast to remain somewhat bullish. We forecast a year average of $10,220 per tonne in 2022. Support to the copper market will be from falling inventories and higher input costs coming from rising energy costs. With extremely low inventories, Covid-19 related disruption in logistics could lead to localized shortages; this has the potential to create an explosive rally in copper prices. Slower economic growth in China will likely weigh down on global copper demand; Chinese demand growth will be much more subdued with real risks to the Chinese property sector posing downside risks. On the supply side, output growth from powerhouses — Chile and Peru — is forecast to remain relatively flat in 2022. Continued supply growth is expected from other houses, including the Democratic Republic of Congo's Kamoa-Kakula project, Grasberg in Indonesia and Spence in Chile. Global mine production year-on-year growth will reach about 5% in 2022, up from around 3% in 2021. Scrap supplies which rose significantly in 2021 to plug the supply gap and in response to high prices are expected to recede.

Diamond prices to be sustained by rising incomes and stockpiling

Forecast Snapshot		USD
2021	Average	159
2022	Average*	162

*CoMZ forecasts

In 2022, prices of jewellery sales continue to recover as diamond demand improved. The diamond price index increased by about 3% between January and June 2022 before flatlining for the rest of the year. Diamond demand growth will be supported by the economic recovery in the United States and China. Prospects of growth in the production of synthetic diamonds from Diamond Foundry (5mncts) will also cut into the demand for rough diamonds. On the supply side, there are also positive sentiments from producers Alrosa and De Beers producing 27% and 21% of the global total respectively. Other smaller producers state-owned Zimbabwe Consolidated Diamond Mining Company in Zimbabwe and the Luaxe project in Angola also expect to ramp up output.

Buoyant Zimbabwe mining sector outlook

Mining Sector to anchor economic recovery in 2022

Zimbabwe's economy is projected to grow by 5.5% underpinned by an anticipated strong recovery in mining (8%), manufacturing (5.5%) and construction (17.4%). Risks to the macroeconomic outlook include power shortages, foreign exchange constraints, exchange rate volatility, high inflation and new covid-19 variants.

The prospects for firm mineral prices in 2022 are expected to provide an impetus for increased activities in the mining sector. We anticipate the mining sector to grow and reach the Government target of 8%, with attendant benefits including improved foreign currency receipts, and other contributions to the economy.

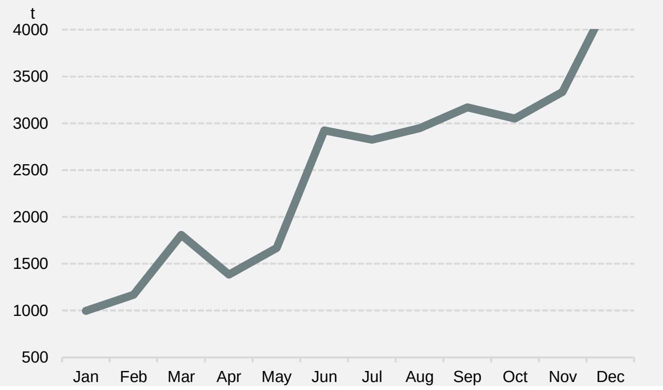
Notwithstanding the buoyant outlook and inherent potential of the mining industry, the mining sector is not immune from the systematic challenges that continue to affect the economy, with other specific challenges impacting negatively on mineral performance including inadequate foreign currency allocations and loss of value on the surrender portion.

Gold Output to reach 35t and capacity utilization to reach 87%

Zimbabwe's gold production increased to 31.4 tons in 2021, compared to 20.8 tons in 2020 largely benefitting from incentives and favourable gold prices. Gold contributed about US$1.8 billion to the total export revenues in 2021. In the outlook for 2022, gold production is expected at 35 tons with the market conditions that prevailed in 2021 expected to persist in 2022. Gold revenues are expected to reach US$2 billion in 2022.

Meanwhile, gold producers are upbeat about their prospects for 2022 with more than 80% of gold producers planning to increase production both in 2022. Average capacity utilization for the gold industry is expected at 87% in 2022, up from 80% in 2021.

In 2021 gold deliveries increased 75% in May when incentives were intoduced



Projects Expected to boost gold output in the outlook

Caledonia (Blanket Mine) invested approximately US$67 million in its central shaft at Blanket Mine which was commissioned in March 2021. Production target of 80,000 ounces of gold is expected from 2022 and beyond with costs expected to fall on the back of economies of scale. Improved access to deeper areas of the mine also allows deep-level exploration to re-start and, thereby extending its life of mine beyond 2034. Completion of the Central Shaft is also expected to give Caledonia the financial and capacity to evaluate and implement new growth projects.

Freda Rebecca is ramping up production (both open pit and underground resource) with an expected increase in production of up to 8,000 ounces in 2022.

Shamva Gold resumption and production ramp-up, with a capital injection of around US$180 million, is expected to result in a significant increase in gold output in 2022. Exploration was completed in 2021 with the project expected to produce 250 kg of gold per month in addition to the current 75 kg of gold per month.

How Mine injected US$5 million on shaft sinking project which opened up new mining areas. Production ramp-up and exploration activities around the mine with an anticipated production increase of around 13% in 2022.

RioZim finalising its USD17 Million BIOX Plant Project before the end of 2021 and output from the plant will materialise in 2022. The project will be commissioned in Q1 2022. The gold production is anticipated at 140 kilograms per month during the first phase of the project and 200 kilograms per month after completion of Phase 2.

Pan African Mining/ Bilboes is expanding the dump retractor. On completion (tentatively in April 2023) 64kg/month will be expected in the proceeding 4 years. Plant expansion and shaft deepening at Ayshire Mine to bring additional monthly gold production of between 33kg – 45kg. Damp reprocessing at Muriel Mine is expected to add another 30kg per month.

Eureka Gold Mine is resuming operations. Its plant is expected to boost gold production with a monthly average production of 115 kg per month.

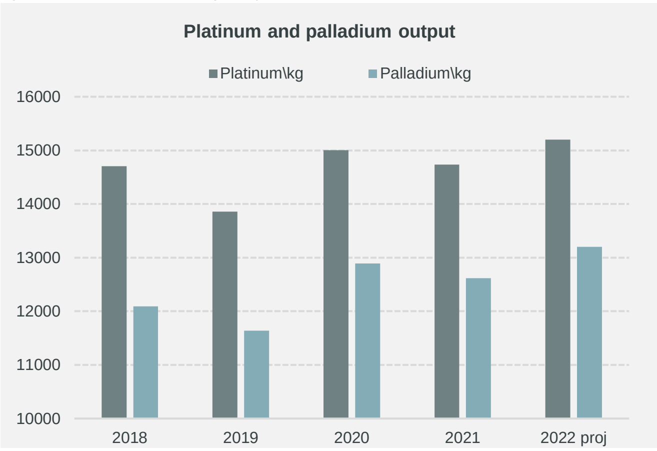
Golden Reef Mining is ramping up production at all their mines to result in an increase in monthly gold output of 60 kg/ month, from about 20 kg/ month.

Turk Mine main shaft is upgrading its main shaft to increase annual gold production by 140 kg and planning to implement a heap leach project to tap into some surface resources and add to gold output in 2022.

Golden Quarry Mine reopening and production ramp-up is underway with an expected output of 12kg per month by 2022. Dewatering of the mine is underway.

Platinum output expected at 15.2 tons and Palladium output at 13.2 tons

Platinum output is expected at 15.2 tons in 2022, up from 14.7 tons in 2021. Palladium output is expected at 13.2 tons, compared to 12.6 tons for the comparable periods. Capacity utilisation is anticipated to remain at around 100% with all three operating mines (Zimplats, Mimosa and Unki) planning to operate at almost full capacity as was the case in 2021.



Projects Expected to boost PGMs output in the outlook

Zimplats approved an overall capital investment strategy with a budget of US$1.8 billion to be implemented over 10 years beginning in 2021, with US$1.2 billion already approved for implementation. These projects include;

- Maintaining current production levels through mine replacements and upgrades (US$516 million)
- Expanding production levels through growth projects, including the development of a new mine (Mupani Mine, the replacement production source for Rukodzi and Ngwarati mines which will deplete in 2022 and 2025 respectively) and Bimha Mine redevelopment.
- Zimplats will be undertaking concentrator expansion, which will increase production capacity by 0.9Mtpa.
- Refurbishing the mothballed base metal refinery, to further beneficiate converter matte (US$100 million).
- Zimplats has earmarked a US$201million- 185MW Solar power plant project and has since been allowed by Zimbabwe Energy Regulation Authority to construct, own and operate a 105MW photovoltaic power plant.

Unki Mine completed the concentrator expansion project which has resulted in a steady production ramp-up. The project will result in increased concentrator capacity to 210000 tons per month, from 179000 tons per month currently being processed. Unki is also planning to expand its current 8.5 MW smelter which has a capacity of smelting 62-kilo tonne per annum (ktpa) will be upgraded to 12.5 MW during 2022 and 2023.

Mimosa Mining is carrying out an expansion project at North Hill to increase the life of mine as well as contribute towards the attainment of critical mass for local beneficiation. Mimosa is also carrying out various projects to optimise its operations including a concentrate handling facility and reported a US40million expenditure. The company also reported that it invested US$40 million into the capital projects in the six months to December 31, 2021.

Great dyke Investments completed the first Boxcut and excavation work. Once completed, GDI is expected to produce 3.45 million tonnes of PGM ore per year at full throttle.

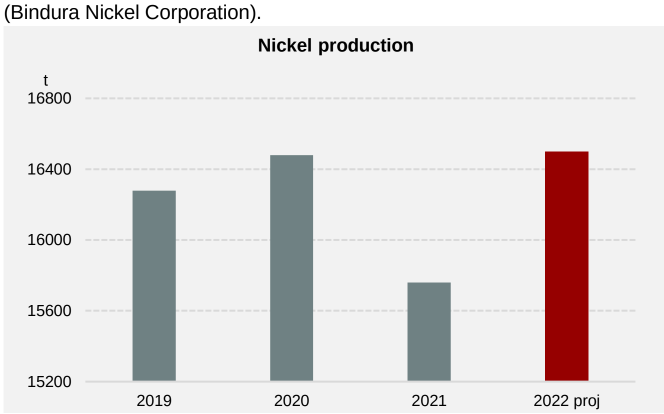
Karo has completed an exploration and resource delineation and the project is now at the implementation stage. The project is expected to mine approximately 14.4 Mtpa of the run of mine ore.

Bravura carried out exploration and feasibility studies in 2021 and are planning to go into mine construction in 2022 and production to start in 2023.

Todal is currently undertaking resource estimation, aeromagnetic survey and drilling. Metallurgical testworks on communition, variability and flotation are expected to be finished by 2022 and a pilot plant to be built by 2023.

Nickel output expected at 16,500 tons in 2022, from 15,760 tons in 2021

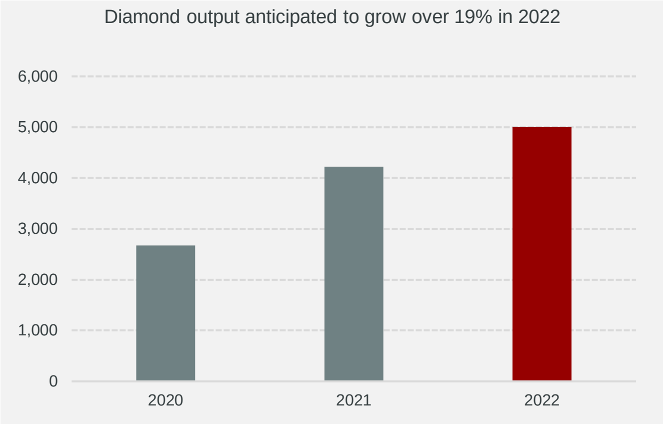
Nickel output to benefit from increased activities from secondary producers (Platinum producers) as well as expansion projects from the primary producer (Bindura Nickel Corporation).



Production in 2021 was weighed down by an 8-week long shutdown during BNC's Trojan Mine Shaft Re-deepening Project. The company is transitioning from a low volume, high grade to a high volume-low grade strategy. The following are the company's projects that are expected to boost production in the outlook.

- Completion of Phase 1 Expansion of Trojan Mine - Trojan Mine Shaft Re-deepening Project that caused an 8-week long shutdown from March to April of 2021, was completed and successfully commissioned
- Exploration works have been earmarked at Trojan Mine, Shangani Mine, the BSR facility, Hunters Road Project, Damba-Silwane as well as the Trojan Hill and Kingstone Hill Projects.

Diamond output expected at around 5 mil carats from 4,2 mil carats in 2021



ZCDC contributed 89% of the 4,2 million carats produced in 2021. Murowa's operator RZM Murowa, an associate of RioZim, which contributed about 10% of the total output associated its reduced output in 2021 with low-grade ores.

Projects expected to boost diamond output in the outlook

Zimbabwe Consolidated Diamond Mining Company (ZCDC) commissioned a 450tons per hour metallurgical process plant. The mining company is expanding operations from alluvial operations to conglomerate ore processing.

Rio Zim Murowa Diamonds expansion projects expansion is almost complete and is expected to be commissioned in Q2 2022. Murowa processing capacity will grow to 500 000 tonnes per month from 190 000 tonnes per month.

ZCDC/ALROSA joint venture agreement has begun the exploration and establishment of a diamond washing plant with a capacity of 1 tonne per hour of ore.

Anjin diamond reopening its diamond mine (in 2020) and is expected to produce up to 12 million carats by 2025.

Chrome output is expected at 1.5 million tons in 2022

Chrome output is expected at 1.5 million tons in 2022, from 1.2 million tons in 2021 while HCF is anticipated at 310,776 tons. The ban on the export of chrome concentrates is expected to capacitate current smelters and move the sector up the value chain to maximise the value of the country's abundant chrome ore resources.

Projects in the sector:

Zimasco is building six additional furnaces in Kwekwe and Mberengwa. The east plant will have 2 × 19.8 MVA new furnaces which will produce 70,000 tons per annum of ferrochrome alloy. Similar plant furnaces (4 × 16.5 MVA with a capacity of 160,000 tonnes) have been earmarked for 2023 for the west plant.

Afrochine Smelting (Pvt) Ltd Selous is operationalising its new 2 × 12.5 MVA additional Furnaces in addition to 3 Chrome smelters already operating to produce 600,000 tonnes per annum of ferrochrome.

Jin An Corporation's low Carbon Ferrochrome Furnace is operational with a capacity of 1,200 tonnes/ month of Low Carbon Ferrochrome. JinAn is also producing High Carbon Ferrochrome and ferrosilicon Chrome. The electrode paste plant is operational with an annual capacity of 5,000 tonnes per annum.

Lithium production to benefit from global supply shortages

Zimbabwe, the 5th largest producer is expected to benefit from the high lithium demand and favourable prices. However, lithium production in 2021 was restricted to one major producer, Bikita Minerals. In the outlook, several greenfield and the brownfield projects are expected to boost production.

Prospect Resources, the Australia Stock Exchange-listed company, sold 87% stock of the Acadia Lithium project to China's Zhejiang Hauyong Cobact Limited at US$387 million. Prospect Resources broke ground at Acadia mine and was granted special economic zone status in 2019, which gives it a ten-year tax break. Mineral products expected from its operation include both industrial and chemical grade lithium namely spodumene and petalite.
Prospect finished the construction of a Pilot Plant which will initially produce bulk samples of 500t of Petalite and 120t of Spodumene concentrates for customer qualification. Prospect Resources signed agreements for the sale of an 87 percent stake in the Arcadia Lithium Mine to China's Zhejiang Huayou Cobalt Limited.

Bikita Minerals, the oldest miner of lithium-bearing minerals (started in the 1950s), announced a plan to expand operations by selling up a US$150 million spodumene lithium plant. The country's largest lithium producer expects to beneficiate its ore from 1,2%LiO2 to 4,2% LiO2 and thus benefit from the higher value of its produce. The company currently utilizes only 50% of its capacity.

Coal output projected to increase to 3,400 in 2022.

Coal production increased from 2,7 million tons in 2020 to 3.3 million tons in 2021 and is projected to increase to 3,400 in 2022. Zimbabwe has allowed coal producers to export excess power coal because of limited intake at its biggest coal-fired power plant, which is beset by frequent breakdowns. Zimbabwe's six coal miners have a standing arrangement to supply 300,000 tonnes of coal to Hwange Power Station every month, but constant breakdowns of ageing equipment mean the plant is taking in less coal.

Dinson Colliery has embarked on a massive expansion drive that will see it producing more than 200 000 tonnes of coke, becoming the biggest coke producer in Africa. The company located in Hwange District has since established a 26-oven coke battery producing 150 000 tonnes per annum under its three-phased project. The second phase which is underway will see the construction of another battery with 42 ovens capable of producing 200 000 tonnes. The production capacity will be increased by 200 000 tonnes on top of the 150 000 tonnes. Work on the third phase has already begun with civil works currently underway.

Some other companies ramping up Coal production include Zambezi Gas and Hwange Colliery Company.

Risks threatening the buoyant outlook

Key risks to the Zimbabwe mining sector outlook include Inadequate foreign exchange allocations (to fund operational requirements and expansion projects), loss of value on the surrender portion of export proceeds due to exchange rate disparities, capital shortages to fund ramp up and sustenance, fragile power supply and high-cost structure,

Inadequate foreign exchange allocations
Foreign exchange retentions for the mining sector remain inadequate to meet operational requirements for mining companies. The situation has been worsened by a disproportionate increase in pressure on the 60% of the foreign currency that is retained by mining companies on their export proceeds. The emerging demands have seen mining companies utilising between 15 and 30% of their export proceeds to meet local taxes, levies and electricity payments. The remaining foreign currency is insufficient to fund their operations including mining consumables and capital projects.

Loss of value on the surrendered portion of export proceeds
Mining houses are losing more than 50% of the value of the surrendered portion of export proceeds that is liquidated at the official auction market rate at a time they face local input costs priced at premiums more than the parallel market rate. This situation is resulting in loss to mining companies translating to at least 20% of gross revenue This is impacting negatively on the viability of mining companies.

Fragile electricity supply
Mining companies specifically those not connected to dedicated power lines, have been experiencing increased power outages in recent months, resulting in production disruptions. If the situation is not resolved, the production targets may not be realised.

Conclusion

The outlook for commodity prices is on the upside, with most minerals expected to remain elevated at levels above their long-run averages. The Zimbabwe mining industry is set to benefit from the commodity price boom. There is a need for Government to work closely with the private sector to address all structural bottlenecks, improve the operating environment and unlock the full potential for the mining sector. With adequate Government support, the mining sector will be able to take advantage of the favourable mineral prices and maximise contribution to the country's socio-economic development.