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Quarterly Members Brief

Q4 2023

Global economic uncertainties weigh down on commodity markets.



Commodity prices soften.



Mineral output surge in 2023



Commodity markets weaken amid global uncertainty

During the quarter under review, prices for most commodities softened compared to the same quarter in 2022 on the back of weak global economic recovery and tight financial conditions. Base metal prices like nickel continued on a downward trend, dropping by 15% in the fourth quarter on the back of weak demand due to slow global economic recovery. Similarly, critical minerals such as lithium experienced weak prices, declining by 30% in the last quarter on subdued demand and excess supply. Notwithstanding the headwinds, prices for gold remained bullish reaching a record high of US\$ 2,026 per ounce in December 2023 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.

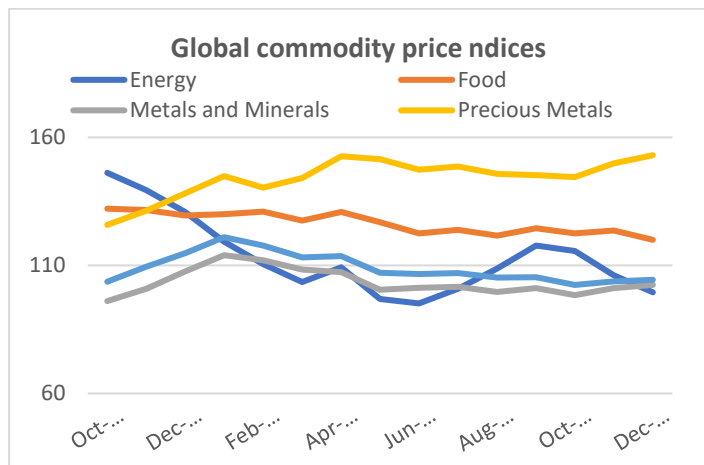
Global prices for selected commodities					
Commodities	2022	2023	Q3 2023	Q4 2023	Q-o-q
Nickel(\$/mt)	25,835	21,521	20,392	17,256	-15%
Gold (\$/troy oz)	1,800	1,950	1,929	1976	2%
Platinum (\$/troy oz)	960	966	932	910	-2%
Palladium	2,108	1,395	1,250	1,085	-13%
Rhodium	14,310	5,711	3,378	3,580	6%
Coal(\$/mt)	345	173	152	137	-10%

Source: Pink-sheet, Kitco, Trading Economics

Mineral output surge in 2023 despite weak commodity prices

Despite a gloomy commodity market outlook, mineral output surged in 2023 as mining companies ramped up production to compensate for revenue losses arising from softening prices. Production increases were across most key minerals including lithium (224%), chrome (44%), nickel (33%), palladium (9%), and other sectors. Risks to the mining sector outlook are on the downside, with mining companies expected to continue facing fragile power supply, foreign currency shortfalls, high-cost structure, and capital constraints.

Mineral	2022	2023*	Change (%)
Gold(kg)	37,265	33,000	-11%
Platinum (Kg)	16,460	17,000	3%
Palladium (Kg)	13,935	15,300	9%
Coal(tons)	4,185,417	5,800,000	39%
Chrome(tons)	1,109,795	1,596,000	44%



Source: World Bank

Diamonds(cts)	4,844,019	5,000,000	3%
Nickel(tons)	14,260	19,000	33%
Lithium (MT)	86,330	280,000	224%

Notes: * CoMZ estimates

Gold deliveries down in 2023

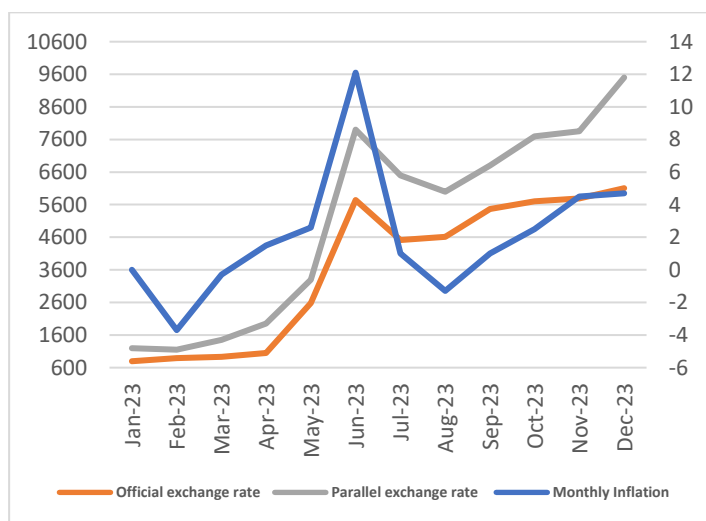
Gold deliveries to Fidelity Gold Refineries declined by 15%, to 30.1 tonnes in 2023 from 35.6 tonnes in 2022, due to rising costs and power shortages. The drop was notable among small-scale producers, who delivered 18.6 tonnes in 2023 compared to 24.1 tonnes in 2022. This reduction follows a decision by Government in the last quarter of 2023 to pay all miners, including small-scale miners, 75% of their deliveries in US dollars.

Sluggish economic growth prospects amidst drought and weak commodity markets

Government, through the 2024 National Budget Statement, is projecting economic growth to slow down to 3.5% in 2024, compared to 5.5% in 2023 on the back of anticipated drought and softening mineral prices. Agriculture output is expected to decline by -4.9% due to below-average rainfall arising from El Niño weather patterns, with maize production expected to drop by approximately 50% to 1.1 million tons in 2024. While mineral output is projected to increase by around 8%, softening commodity prices are expected to weigh down on the performance of the mining sector, among other constraints that include high cost of production and a misaligned foreign exchange framework.

Parallel market premium widens

During the quarter under review, the economy continued to experience inflation pressures largely driven by widening parallel market exchange rate premiums. In the outlook we expect exchange rate disparities to persist as more liquidity may be injected in light of low USD revenue collections (as export earnings are coming down).



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 situation worsened during the quarter under review with power outages experienced in most parts of the country. Ferrochrome producers were the most affected by the power outages in the mining industry. The Chamber of Mines engaged ZESA and Ministry of Energy for the mining industry to be prioritized on the available power supply. A meeting between the Chamber and Minister of Energy to discuss the energy situation in the mining industry was held on 7 December 2023. The minister underscored the need for ZESA, Chamber and the Ministry of Energy to meet and agree on a lasting solution with regards to power supply for the mining industry. The Chamber is engaging ZESA and the Ministry to secure the meeting.

Alternative power supply

The Chamber continued to explore alternative power solutions for the mining industry during the quarter under review. To this end, a meeting was held with Solarcentury Africa, a company based in the UK that offers solar electricity supply solutions. The company has projects in the region that will supply 1.9GW of electricity. They will have available 60MW that they are offering to Zimbabwe from March 2024 and are looking for potential customers. They are also seeking for interested parties to engage for development of solar plants. They are already developing an 8MW plant at a gold mine in Mashonaland Central. The company is eager to engage Chamber members individually or collectively.

Electricity tariff

ZERA approved a USc2/kWh tariff increase in October 2023. At a meeting held between ZERA, ZESA and the Chamber on 16 October 2023, the Chamber appealed for a competitive tariff that guarantees viability of mining projects particularly during the current period of softening commodity prices. Meanwhile, at a meeting held between the Chamber Office Bearers and the RBZ Governor, the Chamber was informed that Government had agreed on a special tariff for ferrochrome producers to provide relief as the ferrochrome industry is an intensive user of electricity. Meanwhile, at the State of the Mining Industry Survey Seminar held on 3 November 2023, the Minister informed that Government was considering a commodity linked tariff to provide a reprieve to mining companies and restore viability of mining projects. The Chamber will continue engaging ZESA and Government on the matter.

2. Monetary and foreign exchange matters

Foreign exchange retention review

The available foreign currency to mining companies is estimated to have declined by an average of 30% over the past 12 months on the back of falling mineral earnings with the mandatory 75% now being applied on a shrinking foreign exchange base. At a meeting held between the Chamber Leadership and the RBZ

Governor, the Chamber was informed that the Governor had submitted recommendations to the Ministry of Finance for increased payments of taxes and statutory obligations in local currency to create demand for ZWL. Meanwhile, in the 2024 National Budget, the Minister announced that Government will introduce measures to increase payments of public services and taxes in local currency. The Chamber continues to engage the Governor on the matter in light of the Budget pronouncement.

Loss of value on the surrender portion of export earnings

Parallel market premiums have been widening in the past 3 months and have since exceeded 100% with mining companies now losing more than half of the surrender portion. At a meeting held with the RBZ Governor on 20 November 2023, the Governor emphasized that Government was exploring options to create home for ZWL balances through payment of taxes in local currency. The Chamber will continue engaging RBZ and Government for fair compensation for the surrender portion of export earnings as well as finding home for ZWL balances at the rate of the prevailing official rate.

3. Fiscal matters

2024 National Budget Outcomes

The Minister of Finance presented the 2024 National Budget on 30 November 2023, with no major supportive measures for the mining industry. Of concern to the mining industry were the following announcements:

- Increase in beneficiation tax for lithium and dimensional stones increased from 5% to 6%.
- Government requested lithium producers to submit beneficiation plans that will see them producing lithium carbonate. The deadline for submission is 31 March 2024.
- Introduction of a Special Capital Gains Tax on transfer of mining rights payable in retrospect backdated for 10 years and for it to apply even on titles had been forfeited or abandoned.
- Extraction of a section on strategic minerals from the Mines and Minerals Act into the 2024 Finance Act as well as the minimum capital requirement of US\$ 100 million for extraction of strategic minerals.

The Chamber, together with CZI and EY hosted a Post Budget Tax Seminar on 6 December 2023 to discuss the outcomes of the National Budget where the Minister of Finance and the Permanent secretary agreed to address some of the outstanding matters for the mining industry. The Chamber also held a meeting with the Minister of Mines to discuss the outcomes of the 2024 National Budget. Following these engagements, the increase in beneficiation tax on lithium and dimensional stones was held in abeyance while Government committed to review the requirement for lithium producers to submit their beneficiation plans by 30 April 2024. The Chamber also held a meeting with the Chairman of the Parliamentary Committee on Mines and Mine Development to discuss the outcomes of the budget and other matters that affect the industry. The Parly committee chair have committed to work closely with the Chamber to resolve these matters. Meanwhile,

the committee chair requested the Chamber to participate and support the committee induction training were all these matters will be discussed. The induction workshop is expected to be held before the end of February.

4. Indigenisation and Economic Empowerment

Government published a Draft Economic Empowerment Bill in November 2023, which when finalised will replace the Indigenisation and Economic Empowerment Act. The Chamber attended the consultative meeting on the Bill that was arranged by the Ministry of Industry on 7 November 2023. Meanwhile, the Chamber compiled a position paper on the Bill for consideration by the Ministry of Industry.

5. Mines and Minerals Act

Finalization of amendments to the Mines and Minerals Act remained outstanding in the quarter under review. At the State on the Mining Industry Seminar held on 3 November 2023, the Minister of Mines and Mining Development informed the Chamber that amendments to the Mines and Minerals Act and other outstanding legislative matters will be reprioritized during the current session of Parliament. The Chamber will continue engaging the Minister and Parliament on the matter.

6. Labor Matters

Government gazetted the new Labor Act in September 2023. The Chamber has since identified key areas of concern that include:

- Absence of minimum package on retrenchments
- Termination of employment
- Maternity leave.

The Chamber is engaging Government and the Union on these matters.

7. Safety Health and Environment

Accidents

The mining industry reported 212 fatal accidents during the period January to December 2023. The 212 fatal accidents resulted in 237 fatalities. The fatal accidents recorded in 2023 were 18% more than those recorded in 2022. Most of the accidents (about 90%) were recorded at small scale and illegal mining operations.

Meanwhile, the Ministry of Mines and Mining Development has embarked on a training programme that will run from February to April aimed at improving the safety records of the small scale and artisanal mining sector. The Chamber will be supporting this initiative through the SHE Committee.

SHE Audits

The pre-audit workshop to plan the 2024 SHE -Audits is scheduled for February 2024. Chamber members were requested to support this initiative by seconding SHE-Auditors and participating in the initiative. The SHE Audits are aimed at supporting continuous improvement of mines SHE performance and allowing for mines to benchmark themselves with their peers in the industry.

Occupational Health

The first Technical Working Group on TB in Mines was held during the fourth quarter of 2024. The Ministry of Health Public Private Partnership framework was developed and will be circulated to members to ensure that mine health centres receive the same support as public health institutions in the management of TB.

Mine rescue

The Mine Rescue competition was held on 27 October at Mimosa Mining Company. A total of 9 teams participated at the event aimed at strengthening the capacity of rescue teams in Zimbabwe to respond to emergency situations at mines across the mining industry.

The results of the competition are as follows:

Proto section

Position 3	How Mine
Position 2	Blanket Mine
Position 1	Mimosa Mining Company

Fresh Air Section

Position 3	Jena Mine
Position 2	Shamva Mine
Position 1	Blanket Mine

Update on Mining Industry Projects

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

1. Sabi Star concentrator

Sabi star commissioned its concentrator plant during the period under review and has since commenced export of lithium concentrates in line with project plan.

2. Bikita Minerals concentrator

Bikita Minerals also commissioned its concentrate plants and are expected to reach full design capacity in 2024.

Chamber of Mines Upcoming Events

Upcoming events scheduled include the following.

1. Chamber of Mines Annual General Meeting and Annual Mining Conference

The Chamber of Mines annual general meeting and mining conference will be held on 29 May to 1 June in Victoria Falls at Elephant hills hotel. Preparations for the conference are currently ongoing.

End.