

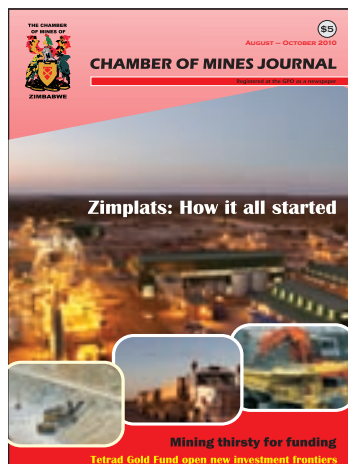
EDITORIAL

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cover picture courtesy of Mike Flaxman

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FROM THE PRESIDENT'S DESK

I am happy that one of our most important communication tools, the Chamber of Mines Journal (CMJ), which had gone into hibernation due to the difficulties that the mining industry encountered between 2005 and 2009, is now back! The return of the CMJ in a way signifies the revival of the mining industry in Zimbabwe. This issue of the CMJ comes after the successful staging of the Chamber of Mines' 71st Annual General Meeting in May 2010 and the Mine Extra Mining Conference in July 2010. The debates held at these events have been significant in highlighting the potential of the mining sector as the engine of Zimbabwe's economic recovery, growth, and transformation, as well as the challenges that must be addressed if the industry is to fulfill its anticipated role.

In spite of the difficulties being experienced, players in the industry are generally pleased with the positive developments that have taken place on the political front since the signing of the Global Political Agreement (GPA) in 2008. The GPA saw the introduction of economic policies that have resulted in the current, relatively, stable macroeconomic environment. Subsequently, the mining sector began to recover in late 2009 and there are indications of growth in the short term. Starting from a low base in 2009, the mining sector is expected to grow by an estimated 30% in 2010, but sustained growth in the medium-to-long term will have to be supported by new investment in the sector.

Through his address at the 71st AGM, His Excellency the President of the Republic of Zimbabwe, President Robert Mugabe stated that the mining sector is expected to lead the recovery of Zimbabwe's economy. There was conviction among stakeholders that truly, the mining sector has immense potential and will grow provided the appropriate impetus is provided.

Amidst the expectation that the mining industry should contribute to the recovery of the economy, has arisen a cloud of concern that the mining industry's level



Victor Gapare

of contribution to the fiscus is lower than expected. While the concern may be justified, it appears that the government has forgotten that the mining sector was in recent years a highly taxed sector, but in a non-transparent manner. Various foreign exchange regulations in the past saw mining companies granted limited access to their export revenue, much of which was being redeemed in local currency at overvalued exchange rates in a hyperinflationary environment. The era of foreign exchange surrender requirements resulted in huge losses for the sector, ultimately bringing companies down to their knees when world commodity prices fell in 2008. To date, the gold bonds, forcibly drawn in 2008, have not been redeemed and in fact, were unilaterally rolled over up to February 2011.

The global mining industry is back to good fortunes as mineral prices continue to improve. This would be an opportune time for Zimbabwe to attract investment in the mining sector in order to benefit from the improved mineral prices. It is our submission that the government's role should be to facilitate the growth and development of all sectors of the economy by implementing policies and regulations that are supportive of growth and development of those industries. These policies must in-

evitably take into consideration the special attributes of each sector. Mining is traditionally a capital intensive industry and a recent survey by the Chamber of Mines of Zimbabwe estimates that the mining sector requires between \$3-5 billion to recapitalize in the next 3-5 years if the industry is to stay on an upward growth trend in the long term. Attracting such a magnitude of capital requires that investors be guaranteed certain basic certainties, including a predictable fiscal and socio-political environment in which the tax system is stable, security of tenure, stability of exploration terms and conditions, and consistency of mineral policies and legislation.

Clearly, the above has not characterized Zimbabwe in the last decade and a reversal in the right direction is required. I encourage the Government of Zimbabwe to take heed from other mining jurisdictions that have been able to ride on mining as an engine of economic growth and transformation and have graduated to the status of developed economies. The development of the Western Australian and Canadian mining industries bear testimony to what a well structured investment environment can do to a country.

The announcement by the Minister of Finance in the last mid-term Budget Statement, is especially worrisome. At a time when the industry needs recapitalization, the Ministry of Finance has proposed scrapping the 100% Special Initial Allowance (SIA) on capital expenditure. This is surprising as most other mining jurisdictions have retained SIA in recognition of the capital intensity of the industry. If SIA is scrapped, the rate of recapitalization will be much slower and it is unlikely that the mining industry will attract the US\$3-5 billion required over the next five years.

Benefits from a faster investment rate far outweigh the short term benefits to be gained by raising taxes. Once an investor starts spending capital on a project, suppliers to the project immediately get revenues at a time when the mine will not be earning any revenues at all. These suppliers and employees will inevitably

pay corporate and employment tax immediately while the mine will only start earning profits well down the line.

In the current circumstances variation to SIA and raising royalties is tantamount to raising production costs for the industry, ultimately impacting on the industry's capacity to recapitalize for increased production. This has substantial negative effects on the mining efficiency of the ore body and production will be adversely impacted. Reduced production invariably implies lower tax flows to Government.

In addition, the proposals to limit indefinite carryover of tax losses is detrimental for the development of a large scale mining industry in Zimbabwe. It is not uncommon that a mining project takes anything from five to ten years from exploration to commercial production. A limit on the time in which a mine can carryover losses has an implication on the decision to carry out risky exploration and mine development. If Zimbabwean mines are not allowed to recover the early capital in any project, Zimbabwe will not be a competitive investment destination for mining capital, and the country will not realize the full potential of its mineral endowment.

Of even greater concern to the industry are some comparisons between the Zim-

babwe tax and other countries like Australia. In our view, the comparisons are not taking into consideration the true state of affairs in Zimbabwe and those countries. In the case of Australia, the new resource tax applies only to the biggest and most profitable commodities namely oil, gas, iron ore and coal and not any other mineral. Some of the features of the new resource tax are as follows:

- Tax payers with small amounts of Mineral Resource Rent Tax (MRRT) assessable profits of less than A\$50m per annum are excluded from the MRRT.
- The MRRT will apply an internationally competitive rate of 30%.
- New investment will be given generous treatment in the form of immediate write off, rather than depreciation over a number of years.
- The MRRT will carry forward unutilised tax losses at the long term government bond rate plus 7%

The Chamber of Mines of Zimbabwe will continue to engage government constructively on matters of policy and legislation that impact on the mining sector and other related industries so that the nation can truly benefit from its mineral endowment. The Chamber of Mines of Zimbabwe continues to challenge government

to play its role of creating a conducive political, legislative, fiscal, and regulatory environment for the development of the national economy. It is government's role to see to it that Zimbabwe's international competitiveness is improved through the reduction of political and sovereign risk. It is my view that a demonstration of will to re-orient the nation onto a positive trend has been achieved through the GPA and the improvements that remain, require lesser effort!

The specific issues that must be addressed for the mining sector include energy, funding, finalizing the amendments to the Mines and Minerals Act, and finalizing the structure for implementation of indigenization and empowerment in the mining sector. Addressing the legislative and regulatory aspects of these issues is entirely a domestic responsibility.

I would like to encourage readers and members of the public to participate in various debates affecting the mining sector through submission of articles on topics relevant to the development of the sector that this nation holds dear.

Thank you.
Victor R Gapare
PRESIDENT





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About the Chamber of Mines of Zimbabwe

Introduction

The Chamber of Mines of Zimbabwe (COMZ) is a private sector voluntary organization established in 1939. The members include mining companies, suppliers of machinery, spare parts, and chemicals, service providers including banks, insurance companies, consulting engineers, and various mining related professional bodies and individuals. The mining company members of the COMZ produce about 90 percent of Zimbabwe's total mineral output.

The activities of the COMZ are guided by its constitution and strategic plan. The primary objectives are to advocate and lobby in order to promote, encourage and protect the interests of the mining industry in Zimbabwe. In so doing, activities of the COMZ are concentrated in the fields of economic policy, mining sector policy, investment promotion, labour and industrial relations management, research on legal matters related to mining, representation of the views of the industry to Government and other stakeholders, and the provision of a variety of services aimed at promoting health and safety, manpower training, environmental protection, and the support of mining associations.

Many advisory and service functions that are best handled on a collaborative basis are undertaken under the COMZ banner on behalf of the mining industry.

Governance

In line with its Constitution, the policy making body of the COMZ is the Council which must meet at least once a year, immediately before the Annual General Meeting. Policy and the general running of the affairs of the COMZ are the responsibility of the Executive Committee which is appointed by the Council. The Executive Committee is headed by Office Bearers consisting of the President, two Vice-Presidents, and the immediate past President. The implementation organ is the COMZ Secretariat headed by a Chief Executive Officer.

Membership and Funding

Membership of the COMZ is open to every company or individual, interested in the mining or processing of minerals or in the exploration for minerals, or anyone who shares an interest related to mining. The COMZ is funded entirely by subscriptions from its members, the amount of the subscription being based on the class of membership in which a member is placed. The COMZ may, from time to time, solicit for donations from well wishers or its members in order to run specific programs that are of importance to stakeholders to fulfill its service obligations.

Value Of Joining The COMZ

The degree to which a member derives benefits from COMZ membership depends on the extent to which the member interacts with the Secretariat and other organs of the COMZ.

The COMZ creates opportunities for members to network with each other. These networking platforms include:

- **Policy Deliberation Committees** — The COMZ policy dialogue is driven by the secretariat through committees, which provide the platform for members to contribute ideas that influence policy on mining and the economy in general. The COMZ being a membership based organization is as strong as its ability to present the issues raised by its members. Thus the greatest asset for a member is to be able to influence the development of position papers and policy proposals generated by the COMZ. These documents are targeted at improving the operating environment of members. Through the various forums such as committees, workshops, seminars, visits, and surveys, members have the opportunity to exchange ideas and help to formulate positions. There is also the opportunity for members to actually make the presentations and interact with policy makers. Currently the active committees include the Indigenization Committee, Economic Development & Taxation Committee, Mines and Minerals Act Committee, SHE Committee, Legal Committee, Labour Committee, Gold Producers committee and the Joint Suppliers and Purchasing Committee. Members have the privilege of contributing directly in the formulation of important policies affecting the development of the industry and the economy at large.

- **The Joint Suppliers and Purchasing Committee** — A forum that brings together suppliers of goods and services and minerals producers to discuss issues of mutual interest, that range from how to improve procurement of mining supplies; how to lobby government for the application of appropriate tariffs; pricing issues; projects being implemented in the industry; constraints to business on both sides and initiatives to promote business.

- **District Mining Association Meetings** — These are meetings held between the COMZ staff and members in the various mining regions of the country. The most active associations are currently located in Bulawayo and Gwanda. Again suppliers, producers, and government officials interact providing reports on developments and issues affecting the mining industry. This is a source of valuable information as opportunities to talk directly to producers, suppliers and other stakeholders are presented.

- **Chamber of Mines Athletics and Cycling Championship** — Teams of athletes from mines affiliated to the COMZ gather to compete in the Annual Chamber of Mines Athletics and Cycling Championships in a two day event. The opportunity exists where suppliers of goods and services can exhibit their wares and interact with both managers and individual mine employees.

- **The Chamber of Mines Annual General Meeting** — This is a forum where industry policy makers, government ministers and officials, and other local and international players interact and discuss key issues relevant for driving the industry forward.

- **First Aid Competitions and Mine Rescue Competitions** — Mine Rescue is critical in saving lives, and rescuing those who are trapped underground in accidents associated with mining such as falls of ground, falling down excavations and fires. These competitions, just like the Athletics and Cycling Competition, brings together managers and employees in an effort to promote safety and occupational health best practices.

- **Professional Bodies** — Mining industry players as individuals or corporate members can join professional bodies that are affiliated to the COMZ. The purpose of these bodies is to enhance the professional development of employees to be able to perform more effectively in the discharge of their duties. A number of networking activities are run under these bodies which include technical visits, training courses, and development of research papers. Currently the affiliated professional bodies include, The Association of Mines Managers, The Association of Mine Engineers, and The Association of Mine Surveyors.

- **The COMZ Jumbo Golf Tournament** — The Jumbo Golf Tournament is the prime golfing tournament targeting the mining industry. It is an event that provides the opportunity for networking and building relations. Of course there are other golf tournaments held by individual mine's such as Mimosa, Zimplats, AA Mines, Hwange Colliery, MMCZ, etc, at various times during the year. Information dissemination — The COMZ disseminates information to its members regularly. In this regard there is the Chamber of Mines Journal (CMJ) that has been revived, monthly reports and weekly reports. These provide members with information on the state of the industry, feedback on activities the COMZ is working on, and other developments. Advertisement opportunities are available in the CMJ. Members may also use the secretariat to disseminate information to the general membership.



Annual tree planting is an integral part of Zimbabwe's mining sector environment protection initiatives.

The frequency of severity competition

By David Matyanga

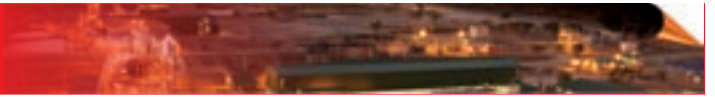
The Chamber of Mines of Zimbabwe will be posting results of the frequency severity competition in the Chamber of Mines Journal going forward. This competition is one of many attempts by the Chamber of Mines of Zimbabwe to improve the safety record of the mining industry. This competition measures the safety performance of the mining industry based on standards that are recognised internationally. The competition is open to members of the Chamber of Mines with a total labour complement of 50 and above. Although not all members provide data and information for this purpose, the majority of them do. The competition is conducted on an annual basis from 1 January to 31 December of each year.

The SPAC 1 form is the tool used for the collection of data for this competition. The form is in four parts which are:

- a) **Lost Time Injuries sustained during the month.** A Lost Time Injury (LTI) is defined as an incident in which a person is incapacitated and is unable to work at their normal occupation by the next shift. An LTI may result in the injured being away from his normal occupation for a day or for many months. As long as the person affected is still employed the competition will collect the number of lost shifts until the person returns to his normal occupation or is transferred permanently to another occupation. The information collected under this part include the date of the accident, where the accident occurred (surface or underground), the number of LIT sustained during the month

and the number of Lost Shifts for each LTI. Lost shifts are all normal working shifts that the person(s) for which a LTI has been recorded, is unable to return to the same work they did when incapacitated. This includes light duty and retraining shifts immediately following the accident or until transferred. The transfer shall not be valid for this competition unless:

- a permanent disability has been incurred, as detailed in the 5th Schedule of S.I. 68 of 1990, or
 - the employee has lost more than 14 shifts and is liable to lose more.
- In both cases, this shall only be done if there is useful work that can be performed on a permanent basis until fully recovered. The details shall be recorded in the SPAC1 return to the Chamber of Mines.
- b) **Lost Shifts during the month arising from injuries sustained in previous months:**
This part of the form collects information on the number of lost shifts arising from LTIs recorded in previous months.
 - c) **Number of Shifts worked during the month:** The form has a section where the number of shifts worked is to be provided separating surface shifts, underground shifts and smelter, coking or refinery shifts. For each of the categories, shifts worked by mine/operation employees, casual workers and contract workers are collected separately.



- d) **Number of days worked in the month:** This is a record of the days in a month that the workforce was on duty.

A Fatality, when mentioned in connection with the competition means, the death in the year of the competition, of an employee (including casual employees and employees of contractors) or any person on a mine or mining location which is the result of an underground or surface accident which did not occur more than twelve months prior to the death and which;

- a) is ruled by the Chief Government Mining Engineer as being due to a mining accident; and
- b) is included in the Mines Department Statistics.

The death of an employee within the work environment when he/she was proceeding to or from his/her place work, or in the course of duty whilst being conveyed in authorized company transport, shall also be classified as a fatality

Gassing: When a person or persons have been hospitalized for 24 hours under observation due to suspected gassing, the shift lost will not be recorded as being due to a LTI unless the person or persons concerned required medical treatment, e.g. oxygen was administered or they received injections.

The competitors are grouped into seven classes as follows;

- Class 1 Mines: 1000+ employees
- Class 2 Mines: 600-999 employees
- Class 3 Mines: 300-599 employees
- Class 4 Mines: 151-299 employees
- Surface Mines: No underground, but more than 151 employees.
- Smelters, Refineries and Coke Oven: more than 151 employees.
- Small Mines and Works: 50-50 employees

This classification allows for competitors of the same size to have their safety records compared for the purpose of providing rewards for those that do well during the year. The primary motive for the competition is the improvement in the safety record of the industry.

Based on the information collected the various indicators of safety performance are calculated, which include:

The Average Number of Employees will be the total number of shifts worked during the month by employees, including contractors and casual labour, divided by the number of working days in the month. The competition thus allows for the determination of the total number of workers in the industry. These numbers can be divided into underground workers, surface employees permanent employees, casual and contract employees

The Injury Frequency Rate for this competition will be expressed as the number of Lost Time Injuries occurring per million man hours worked. This is a measure of how often injuries occur in the industry. The Injury Frequency Rate for the mining industry is 2.01 for 2009. This means that 2.01 injuries occurred per million man-hours worked is large for the size of the industry we have today.

Based on the number of lost shifts reported the Injury Severity Rate for this competition will be expressed as the number of shifts lost through injury per million man hours worked. This provides a measure of how severe the injuries were based on the amount of lost time the injuries resulted in. At 255.64 lost

shifts per million man hours worked in 2009 the figure is again considered high for an industry of our size.

Time Lost Factor (TLF) will be derived using the formula

$$\text{Time Lost Factor} = \text{Shifts Lost} + (\text{Percentage Permanent Disability (P.D.)} \times 60)$$

This defines 1% P.D. as being equal to an additional 60 shifts lost and 100% P.D. e.g. a fatal accident, as an additional 6 000 shifts lost. The Percentage Permanent Disability (P.D.) is taken from the 5th Schedule of S.I. 68 of 1990. For purposes of the competition the total of permanent disability awards in respect of claims by a competitor submitted to Workers Compensation and which were finalized in the month being reviewed will be used, but lost shifts previously charged in respect of each accident shall be deducted. Most mines are not submitting permanent disability information making the final results less than optimal.

Where the victim of an accident dies immediately as a result of the accident the Permanent Disability for purposes of the competition is 100% i.e. the Shifts lost are 6 000. Where the victim of an accident is hospitalized the competitor will make a return monthly of the number of shifts lost by the victim, and these will be used in a normal manner in the calculations for the competition. If the victim subsequently dies, then in the month that he dies, no shifts lost will be recorded, but the competitor will advise of his/her death on return of accidents.

In the competition calculations for that month 100% disability will be recorded against the competitor and the number of shifts lost shall be 6 000 less the number of shifts lost previously recorded. This calculation will be done by the Chamber of Mines of Zimbabwe. If a competitor survives an accident for more than one year and then subsequently dies as a result of the accident it will not be classified as a fatal accident for purposes of the competition.

The other part of the competition is the recording of the length of time between fatalities under the Millionaires competition. For every million man hours worked without recording a fatal accident the members are given recognition. These fatality free shifts are recorded separately for the surface and the underground sections. This is meant to encourage members to run robust safety systems that minimize accidents in the process of producing minerals. The logical development is to establish a reward system for those who achieve a million man hours of work without recording lost time injuries.

The Competition also collects details of each Lost Time Injury in order to assess the pattern of accidents that are recorded within the mining industry. The Return of Casualty Due to Accidents Arising out of Employment form, otherwise known as "Return of Casualty form" is used to gather the details of each accident which include name of employee, aggregate length of service, date and time of the accident, place of work, whether the injured was experienced or under training, nature of injuries, description of how the accident occurred and other details. From this form frequently occurring accidents are picked up and used to design intervention measures through other initiatives under the Chamber of Mines SHE Committee.

In the event of a tie for participants in the same class these will be ranked based on the total number of shifts worked. It is expected that the more shifts worked the greater the chances of experiencing an accident. If no accident has been recorded the one with a higher number of shifts worked is considered to have performed better.

Diamonds are Forever

The Government of Zimbabwe, through the Ministry of Mines and Mining Development, recently introduced measures to curb illegal diamond mining in Chiadzwa. At the recent Mining Engineering and Transport Expo, 2010, the Minister of Mines and Mining Development, Hon. Obert Mpofu outlined some of those measures. The following are excerpts from this presentation:



HON Obert Mpofu (MP)

LADIES and Gentlemen it is my singular honour to be part of this noble gathering. It is in line with the mandate of my Ministry and in my capacity as the Minister responsible for Mines, that I am making this presentation on the developments of diamond mining in Chiadzwa.

The presentation seeks to outline what Government has done to combat the illegal recovery of diamonds from the Chiadzwa area, possible side-marketing of these diamonds and plans for the production and marketing of these diamonds.

First and foremost it is imperative to highlight that Zimbabwe is committed to the success of the Kimberley Process Certification Scheme (KPCS). My Ministry's commitment is to ensure transparency in the issuance of mining titles and accountability of all the country's mineral resources.

Discovery of Marange diamonds

Ladies and gentlemen: the story of Chiadzwa has its roots in the exploration rights that were granted to De Beers in March 2002. In 2006 when a villager brought diamonds allegedly from the Marange area to our attention, the Ministry of Mines and Mining Development investigated the matter with the titleholder, De Beers, who alleged to have discovered a very low-grade and uneconomic secondary deposit.

Concerned by the increasing number of reports of illegal diggers and side marketing of the diamonds Government asked De Beers to secure the area to which they responded by applying for abandonment of the area. It is also at this time that African Consolidated Resources (ACR) came out claiming that they had valid diamond mining claims covering the area.

On 11 August 2006 the Ministry reserved the area against prospecting and pegging. The idea was to close up the area and take control as by then the area was inundated by illegal diamond diggers. By the later half of October of 2006, the number of illegal diggers had increased drastically such that Government had to intervene in the national interest and the integrity of the Kimberley Process. An inter-ministerial Cabinet Committee on Marange was then established to deal with the issue.

At the peak of the diamond rush more than 35 000 people had descended in Marange undertaking illegal digging and trading of diamonds. Many illegal dealers, both local and foreign were also involved. Because Zimbabwe's diamond sector is small and in very early stages of development the diggers and dealers fed into regional and international syndicates contrary to the KPCS agenda.

Illegal diggings tremendously came to a decline as police, on 16 November 2006, cordoned off the area and beefed up security personnel on the ground; both on-site and surrounding areas. This also facilitated screening of people and vehicles entering into the area.

Mop up exercise

Minerals Marketing Corporation of Zimbabwe (MMCZ) embarked on a mop up exercise of diamonds from 4 October 2006 to 30 November 2006. Mobile mop up teams were set up and operated in areas surrounding the Marange Diamond Find. The mop up exercise was instituted to try to bring all diamonds into the formal channel.

The mop up exercise was then stopped to discourage renewed invasion of the area by diggers who could have been incited by the prolonged ready availability of the mop up market.

Removal of illegal traders and temporary suspension of acquiring mining titles

All illegal traders of goods and services in the area surrounding the Marange Diamond fields were also removed to avoid inciting people into entering the cordoned area, illegal recovery of diamonds and possible barter trade of goods for diamonds.

The Government also instituted a temporary suspension of all mining title registration in Manicaland Province to obviate the smuggling of diamonds under cover of mining titles. This went a long way in controlling movement of people into the Marange Diamond field and its vicinity on the pretext of exploring for diamonds and any other minerals.

In trying to bring the situation under control and the diamonds into the formal channel, Government ceded mining rights to Zimbabwe Mining Development Corporation (ZMDC). Two investors were also identified to partner with ZMDC soon after the KP Review Mission of June to July 2009.

Following the establishment of the two joint ventures, ZMDC finally decommissioned its rudimentary processing plant at the end of November 2009, giving way for the more technically advanced operations under the Joint Ventures. ZMDC is now focussing on exploration activities in new areas within its Special Grants.

Swakopmund Plenary meeting

The KPCS Swakopmund Plenary meeting held in November 2009 adopted an administrative decision and came up with a Joint Work Plan. The Joint Work Plan provides for a series of commitments by Zimbabwe to bring diamond mining in the Marange area in compliance with the minimum requirements of the KPCS.

The Joint Work Plan also provides for a supervised export mechanism, under which all diamond exports from Marange are subject to prior KPCS verification and certification by a KP Monitor mutually agreed between the KP and the Government of Zimbabwe.

Appointment of a KP Monitor

On 11 February 2010 the KP Monitor for Marange diamonds, Mr. Abbey Chikane of South Africa, was designated by the KP Working Group on Monitoring (WGM) with immediate endorsement from the Ministry of Mines and Mining Development.



MR Abbey Chikane

Mr. Abbey Chikane visited Zimbabwe from 1-3 March 2010 and on 24-28 May 2010 on fact-finding missions.

In his First Fact Finding Mission report the KP Monitor outlined weaknesses in our systems, which had to do with compliance requirements of the KPCS. The Government of Zimbabwe accepted the report and committed itself to addressing the issues that had been raised.

With assistance from Namibian diamond experts, and in terms of the Joint Work Plan, Zimbabwe was able to rectify the areas of concern and subsequently invited the KP Monitor to visit the country to perform his mandate.

The KP Monitor's second report concluded that the Government of Zimbabwe had demonstrated its commitment to meet the minimum requirements of the KP.

He also confirmed that security at Mbadia Diamonds and Canadile Miners is far better than most similar operations in Sierra Leone, the Democratic Republic of Congo, and even South Africa.

The KP Monitor further reported that based on the evidence provided by the Government of Zimbabwe and private investors, and on his firsthand assessment of the situation, "Zimbabwe satisfied minimum requirements of the KPCS

for the trade in rough diamonds".

He also stated that in terms of the Administrative Decision adopted by the Swakopmund Plenary of the KPCS, the KP Monitor was ready to supervise export arrangements, in close collaboration with the relevant Zimbabwean authorities and other relevant parties.

The KP Monitor concluded highlighting that he was available to visit Zimbabwe to conduct certification under the supervised export mechanism at the invitation of Zimbabwe to which an invitation has been forwarded.

KPCS Intercessional Meeting, 21-24 June in Tel Aviv, Israel.

From 21-24 June 2010 the KPCS held its Intercessional meeting in Tel Aviv, Israel. At the Intercessional meeting the Zimbabwe situation was a topical issue.

It is important to note that at Intercessional meetings, KP participants can make recommendations for adoption by the next Plenary but cannot whatsoever, effect amendments to decisions passed at the Plenary. In the case of Zimbabwe, the Joint Work Plan which was promulgated and adopted at the Swakopmund Plenary could not be amended at the Intercessional meeting.

Intercessional meetings can only de-

liberate on the progress registered and proceed with the implementation of the recommendations.

At the meeting, the KP Monitor presented his second report to the KP participants and reiterated that his report was a true reflection of the situation in Zimbabwe, and that Zimbabwe had exceeded the minimum requirements of the KP.

The report was well received and supported by an overwhelming majority of the participants. Only four participants comprising of the United States of America, Canada, Australia and the Civil Society represented by Global Witness, out of the 75 participants had reservations not entirely emanating from the Monitor's report.

These four participants acknowledged the progress made by Zimbabwe, but suggested pre-conditions prior to the sale of diamonds. These conditions included the setting aside of 1% of revenue realised from the sale of diamonds to be allocated to the civil society.

Zimbabwe and the majority of participants maintained their stance that Zimbabwe had complied with the minimum requirements and there was therefore no need to deliberate on other issues unrelated to the Joint Work Plan. In view of this, agreeing to such would be inconsistent with the rules and procedures governing the KPCS.

The participants noted that it is time the people of Zimbabwe benefited from their God given resources and that any attempts to stifle the sale of diamonds is itself a human rights violation.

After the four antagonists failed to garner support from other participants to discredit the KP Monitor's report, and to secure guarantees to their incoherent demands, the KP Chair then advised that based on the KP Monitor's report there was nothing stopping Zimbabwe from exporting its diamonds.

This was also pursuant to the clear position of the plenary session to the effect that immediate exports must resume.

In line with the Joint Work Plan an independent Forensic Auditor was identified to reconcile production and sales records of diamonds to account for what happened to stock piles and what is currently in the stock pile (including produc-



Diamond hunters at Chiadzwa

tion, sales, police recovered diamonds, mop-up and ACR diamonds). The Forensic Auditor has already started his work.

World Diamond Council Meeting in St Petersburg

It is pleasing to report that at the just ended Seventh Annual General Meeting of the World Diamond Council, Zimbabwe prevailed once again as people regained their senses awarding the green light to Zimbabwe to proceed with the sale of its diamonds.

The KP Monitor was expected to visit Zimbabwe in August and September where he is expected to certify our diamonds.

A follow-up Review Mission by the KPCS Participation Committee had been scheduled for early August. The country is committed to the success of the Kimberley Process and therefore committed to upholding the relevant minimum requirements of this important technical process.

Regional Cooperation in Combating Smuggling:

During 22-24 November 2006 South Africa through the South African Diamond Board (SADB) visited Zimbabwe in the context of Regional Cooperation in Diamond Trade. This was a follow up to initial concerns regarding possible illegal movement of diamonds across borders

with particular reference to the then Marange diamond rush.

Zimbabwe continues to lobby for regional technical assistance in the following areas:

- Technical assistance on small scale diamond mining;
- Assistance to footprint the Marange diamonds;
- Need for training of diamond inspectors to carry out monitoring of the diamond industry in Zimbabwe.

South Africa and Namibia remain committed to providing technical assistance. Working visits to Zimbabwe by regional experts are yet to be undertaken.

Despite the ongoing cooperation at border control level between Zimbabwe and Mozambique, Mozambique has expressed willingness to meet with Zimbabwe at national level anytime soon to develop a cooperation strategy to restrict smuggling.

Ghana and Brazil offered to assist Zimbabwe in formalisation of the small scale mining sector. My Ministry is still working on modalities, in implementing the KP Monitor's recommendation of a study visit to Ghana on a model for registration and monitoring of artisanal diamond miners. This will assist Zimbabwe in formulating appropriate policies for administering diamond mining in the country.

Curbing leakages and smuggling

Illegal mining and smuggling prejudices the state of both revenue and social integrity. While the ongoing allegations in the local and international media keep us alert to the need of continuous checking and reviewing of our internal control systems, we are equally concerned that in most cases the reports are void of intelligence information and therefore could be viewed as malicious.

All investors into Marange are required to install modern hands-free processing equipment, effective diamond security and accounting systems throughout the chain of custody.

Companies are expected to take full responsibility of security measures and are accountable to Government for areas under their jurisdiction. Operation of effective physical security systems and private security departments and personnel are a minimum requirement in the security plans of all commercial mining sites at Marange.

Conclusion

Ladies and gentlemen, mining is anticipated to be the major driver for economic recovery and growth. It is in this line of thinking that the country should do all possible to benefit from its mineral resources.

There is therefore need not to politicise the diamonds and to ensure their exploitation for the benefit of the country. De-politicisation of Marange diamonds and responsible media




IN vogue — rough diamonds from Marange

practices is critical in facilitating the successful implementation of the Joint Work Plan and ensuring focus on developmental objectives.

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MINING THIRSTY FOR FUNDING



Finding requisite financial resources to sustain mining operations in Zimbabwe has remained a major challenge for investors in this industry. President of the Chamber of Mines of Zimbabwe, Victor Gapare stressed this point in his presentation at the recent Mine Entra 2010 expo on Bulawayo recently. The following are excerpts from his address:

We gather here again as the mining and related industries, in the City of Kings, to discuss an issue that is central to the development of the mining industry, mining finance. We are all aware of the difficulties all businesses in Zimbabwe are experiencing in raising capital to resuscitate their businesses. Indeed, the global economic crisis has added to the shortage of capital worldwide.

Over the last ten years, virtually no mine, other than Zimplats, Mimosa and murowa Diamonds have invested in capital. Es-

entially, all mines were surviving on consuming capital. This is like consuming your seeds instead of planting them and then expecting to harvest something.

The Chamber has carried out a survey of its members on the funding requirements of the industry over the next five years. Indications are that the industry will require US\$3 – 5 billion over the next five years to recapitalize. This is a significant amount of money in any man's language and our economy just does not have this kind of money at this stage. It is important therefore that as a nation, we create

the best possible environment to be able to attract foreign direct investment into the country as we compete for resources with other nations.

As most of you will know, over 50% of all mineral rights are held by local Zimbabweans and companies in whom the Government has a controlling shareholding like ZMDC, Hwange, and ZISCO among others. The reason why these mineral rights have not been developed is because all these people and companies have failed to raise capital on the market. As a country, we have not put an



Mining equipment on display at Mine Entra 2010.

investment environment which gives such holders of mining rights the best possible chance to raise capital for their projects.

As with other sectors of the economy, the mining sector is steadily recovering from a decade long sustained contraction in activity, capped by the hyperinflation of 2007/2008. By end 2008, nearly all mines, except 3 were under care and maintenance, significantly undercapitalized and bereft of capital.

In as much as substantial capital is required to entrench recovery, this means that the pace of mining recovery will be modest and flows to the fiscus will therefore not rise exponentially, but steadily in tandem with growth in the sector. The mining sector is currently operating at about a third of its medium term potential, across most subsectors.

As you are no doubt aware, the mining industry is a capital intensive industry with long gestation periods and its not unusual to see periods in excess of ten years between initial exploration, through mine construction and initial production.

A typical mining project goes through the following stages in its life cycle:

- Exploration — extremely high risk with success rates of less than 5% worldwide and may last between three and seven years
- Mine construction — very high risk and may take two to three years
- Ramp up — high risk and maybe over two to five years
- Steady State Operation — moderate risk and can be over ten to twenty years
- Wind down — moderate risk and may take up to five years
- Closure — moderate risk and can take up to three years doing mine rehabilitation.

Given the above mine project life cycle, its important to understand the policy implications.


Over the last eighteen months, assertions have been made that the mining industry is not contributing enough to the fiscus. Our view has always been that the mining industry's contribution has to be taken in the context of the economic performance

of the country as a whole. Virtually all businesses are stressed and seriously undercapitalized and in most cases are operating between 20% and 40% capacity utilisation. Under those circumstances, its unlikely that the businesses will generate a lot of corporate taxes.

In the case of the mining industry, the gold sector has traditionally accounted for at least 50% of all mining revenues. In 1999, Zimbabwe produced 27 tonnes of gold and yet in 2008 we produced 3.5 tonnes while the figure went to just under 5 tonnes in 2009. In 2010, we expect gold production to be around 7 to 8 tonnes which we estimate to be around 40% of medium term capacity.

Other major mining entities (outside of gold) which formed the backbone of the mining industry in yesteryears include Bindura Nickel Corporation (BNC), Zim-alloys, Shabanie Mashaba (SMM), Mhangura among others. All these mining companies fell victim to the vicious economic conditions of the last ten years in Zimbabwe and have virtually closed shop.

As you are aware, Zim-alloys has raised over US\$40m in the last year to recap-



talise their operations and this money will be spent over time and will not yield benefits overnight. BNC is in the middle of a capital raising exercise to reopen some of their operations while the fate of SMM is very precarious at this stage. These major mining companies which contributed significantly to the fiscus and the general development of the country have all been closed and therefore are not contributing much.

So I ask, if the industry has shrunk so much, what level of revenues are we expecting from the industry?

The clear message is that, although mining corporate taxes, royalties and other taxes will increase in 2010 and beyond, until the industry is properly recapitalised and starts operating at a reasonable capacity utilisation level, there won't be substantial increases in direct taxes to be expected from the industry. Government's choice is whether to speed up the recovery by creating an environment which encourages speedy recapitalisation of the industry or to constrain the growth of the industry by introducing new taxes or taking away tax concessions which are standard in the mining industry.

When looking at the overall contribution of mining to the fiscus and the development of the country, one should not look at corporate taxes only. In the case of Zimbabwe, there are other indirect taxes like royalties, MMCZ commission, rural district council levies, mining title fees to name a few.

The industry also provides housing, lights and water, health and education facilities in the communities in which it operates which is not typical of any other industry. We are therefore surprised when those who should know better choose to ignore such fundamental facts.

In order for Zimbabwe to benefit from its mineral wealth there is need to create an environment which will attract capital into the industry. It is widely recognised that Zimbabwe is well endowed with a broad range of mineral deposits. However, a long history of uncertainty in policies and economic outlook has undermined investment in modern exploration and mine development which have benefited other geologically comparable investment jurisdictions. As a result, deposits have been brought into production at minimum threshold levels soon after discovery and have

never been methodically and exhaustively explored or optimised leading to a proliferation of small mines that are generally undercapitalised. These small mines are unlikely to contribute significantly to the fiscus. What is needed going forward is to create an environment which will encourage exploration companies to spend their exploration dollars in Zimbabwe as this is the basis for the development of large scale mines which will benefit from scale economies.

Large scale mines bring considerable financial and non financial benefits which often exceed those yielded by small scale mines. These include maximisation of the commercial value of orebodies, technical expertise, increased employment, higher quality jobs, better and safer working conditions, medical and social benefits, enhanced government revenues, support for the formal sector through local procurement and the development of towns and cities. However, its also appreciated that there are some smaller orebodies which are more amenable to smaller scale mining and the development of these should also be encouraged.

The development of the Western Australian and Canadian mines bear testimony to what a well structured investment environment can do to a country. It would be well worth it for the industry together with Government to consider visiting Western Australia and learning from the Government and mining companies there on how they managed to cooperate for the benefit of all concerned.

At a time when the industry needs recapitalisation, the Ministry of Finance has proposed scrapping the 100% Special Initial Allowance (SIA) on capital expenditure. This is surprising as most other mining jurisdictions have retained SIA in recognition of the capital intensity of the industry. If SIA is scrapped, the rate of recapitalisation will be much slower and its unlikely that the mining industry will attract the US\$3-5 billion required over the next five years. On an economic model, it will show that the benefits from the faster investment rate far outweigh the short term benefits to be gained by the scrapping of the SIA.

Once an investor starts spending capital on a project, suppliers immediately get revenues from the mine at a time when the mine will not be earning any revenues at all. These suppliers and the employees will inevitably pay corporate

and employment tax immediately while the mine will only start earning profits well down the line. In the current circumstances variation to SIA and raising royalties is tantamount to raising production costs for the industry, ultimately

impacting on the industry's capacity to recapitalize for increased production in the mining industry. This has substantial negative effects on the mining efficiency of the ore body and production will be impacted.

In addition, the proposals to limit indefinite carryover of tax losses is detrimental for the development of a large scale mining industry in Zimbabwe. As already highlighted, it can take anything from five to ten years from exploration to commercial production for a mine. A limit on the time in which a mine can carryover losses has an implication on the decision to carry out risky exploration and mine development. If a mine is not allowed to recover the early capital in any project, its unlikely that we will attract the kind of capital we need to ensure that as a country we realise the full potential of our mineral endowment.

Of even greater concern to the industry are some comparisons between the Zimbabwe tax and other countries like Australia. In our view, the comparisons are not taking into consideration the true state of affairs in Zimbabwe and those countries. In the case of Australia, the new resource tax applies only to the biggest and most profitable commodities namely iron ore and coal and not any other mineral. Some of the features of the new resource tax are as follows:

- Tax payers with small amounts of Mineral Resource Rent Tax (MRRT) assessable profits of less than US\$50m per annum are excluded from the MRRT.
- The MRRT will apply an internationally competitive rate of 30%.
- New investment will be given generous treatment in the form of immediate write off, rather than depreciation over over a number of years.
- The MRRT will carry forward unutilised tax losses at the long term government bond rate plus 7%

What the Zimbabwe Government is trying to do is the opposite of what the Australian Government is actually doing.

We would urge the Government to take advice from industry and work with economic models that look at the long term interests of the country rather than short term political knee jerk reactions to the need to raise revenues for the fiscus. The industry is already struggling to raise capital due to the high risk accorded to the country. As a way of reducing this risk, politicians need to work together and implement economic policies that promote growth as growth will bring more revenues to the fiscus.

The Chamber of Mines suggests that a team made up of members from the Chamber, the Ministry of Mines and Mining Development, the Ministry of Finance and the Ministry of Economic Planning and Development be set up to look at the whole issue of mining taxation and come up with recommendations which will not only look at the short term requirements of the Government but also the long term interests of the industry and the country as a whole.

We would also recommend that even if we are not a member of the World Bank's Extractive Industry Transparency Initiative (EITI), we subscribe to the principles of EITI as this will encourage transparency

and eliminate any forms of mistrust between the Government and the industry.

Turning to the issue of indigenisation, I'm sure by now we are all clear that the mining industry supports indigenisation and economic empowerment.

We were very heartened by the policy position enunciated by President Mugabe at the Chamber of Mines AGM held in Victoria Falls in late May 2010 that credits will form part of the total empowerment score for mining companies.

We are pleased that most of our recommendations were incorporated in the amendments to the regulations recently gazetted. We asked for the word cede to be changed and this was done. We asked for sector specific boards and this was incorporated in the amendments.

The sector specific boards will make recommendations on all matters relating to economic empowerment in the particular sector. We will work with the Ministry of Mines and Mining Development to ensure that the process of empowerment in the mining industry is done in a way which ensures growth and development of the sector.

It's important that this process be concluded as soon as possible as there is too much uncertainty about the process at the moment.

We also believe the finalisation of the amendments to the Mines and Minerals Act will result in more confidence in the sector as it will eliminate any uncertainties.

Ladies and Gentlemen, as we hold the Mine Entra 2010, let us reflect on whether whatever policies and activities we implement or do contribute to the wellbeing of our nation and help us recover from the economic collapse of the last decade. I thank the management of ZITF for organising this very important annual event. I'm told that registrations have increased this year reflecting the optimism in the long term prospects of the mining sector.

Finally, I want to thank my colleagues, Vice Presidents Winston Chitando and Ellah Muchemwa and the Chamber Secretariat for organising this workshop.

VICTOR R GAPARE
President
Chamber of Mines of Zimbabwe



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A GIANT RISING



Zimplats US\$500m expansion

**1200 new jobs
to be created**

By Daniel Masawi

The decision taken by The Chamber of Mines of Zimbabwe, the sole organisation that looks after the interests of the mining sector in Zimbabwe, to feature the country's largest platinum producer, Zimplats as the cover story in this edition of the journal was clearly motivated by a recognition of company's important and strategic position in the revival of the mining industry ravaged by years of economic decline.

It is also precisely for the same reason that in recent months the government has taken a keen interest in the operations of the company evidenced by visits to its main mining operation at Ngezi 150 kilometres south-west of the capital, Harare. This reflects an acknowledgement of the importance of this massive investment, amounting nearly US\$1 billion over the past 10 years, at a time when many foreign companies were shunning,

pulling out of Zimbabwe or relocating their businesses elsewhere in the region because of what is generally perceived as an unfavourable macro-economic environment.

For instance, during his address to the Chamber of Mines Annual General meeting in Victoria Falls in May, State President Robert Mugabe said of Zimplats: "More recently, Zimplats social investment of building roads, schools, clinics and the fibre optic link to Norton and Ngezi, has given examples of specific interventions that benefit communities.

"These examples of corporate responsibility give impetus to broad based empowerment and qualify for credits in their quantitative and qualitative basis," the President said indicating government's desire to provide appropriate incentives to companies engaged in extensive social responsibility initiatives.

More importantly, there is realisation in government of the key role mining companies in general can play, located as most of them are, in the less developed rural environs, as nuclei of social and economic development for the benefit of surrounding communities.

Zimplats has adopted a holistic approach where it is expanding its mining operations in tandem with its social responsibility programmes. The company says it is finalising project funding as



well as regulatory approvals for its Phase 2 expansion project estimated to cost in the region of USS500 million. It is envisaged this will increase annual platinum production from 4.2 mtpa to 6 mtpa or 180 000 ounces to 270 000 ounces per annum. Current production is 180 000 ounces per annum.

It is estimated the new development will result in the creation 1200 new direct-employment jobs while indirect employment will account for thousands others. There are currently 2 344 permanent employees and 2 107 contract workers. Spin-off benefits for the employees and surrounding communities will be enormous, not least the creation of potential for tourism projects at the island dam on Munyati River as well as improved agricultural production through irrigation.

Significantly, the government will also benefit through Royalties, Income tax and employee taxation.

In a recent statement, Busi Chindove, Head of Corporate Affairs confirmed that the Zimplats board had given approval for

the Ngezi Phase 11 project to proceed. The scope of the project includes the development of a 2 million tonne platinum production per annum as well as a 2 million tonne per annum concentrator. A 9 kilometre over land ore conveyor belt will be constructed while a 35 megalitre island dam will be built on Munyati river.

Other planned infrastructure will include the construction of 2 700 staff houses at Turf Growth point, the main township housing mining employees, a hospital and two schools, a primary as well as secondary school.

Zimplats has just completed its Phase 1 growth phase which comprised two mines, a concentrator, employees houses and related infrastructure. However in an effort to ensure consistent electricity supplies, Zimplats has recently completed the construction of a 330Kv electricity sub station at Selous. This substation which was constructed at a cost of \$25m is due to be officially handed over to ZESA soon. The substation will ensure reliable electricity supplies not only for Zimplats but also for the surrounding community.



**Head of the team — Zimplats CEO
Mr Alex Mhembe**

In the meantime, Zimplats has submitted its proposals to Government and discussions on the likely implications of the Indigenisation and Empowerment Act which requires foreign companies to al-

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low 51 percent equity for locals and discussions on these submissions is on going." Financiers for the Phase 11 project require clarity on the impact of indigenisation on Zimplats," said a company statement.

And while long terms plans of the company include the establishment of refineries in Zimbabwe, Phase II Expansion is seen as the first step in building the critical mass necessary to make such an investment worthwhile. At the stage when the base metal refinery is set up, it is envisaged that it would refine base metals for other players in the platinum industry in Zimbabwe and not only for Zimplats.

Zimplats has also served as a catalyst for expansion of the local Turf Growth which has continued to grow as a thriving urban centre. An additional 534 houses were completed and occupied by Zimplats employees in the year. The company has also invested in the refurbishment of the local clinic at Turf for the benefit of not only Zimplats employees but the local community. The refurbishment included all the wards, offices and staff houses. The clinic now has access to running water and modern ablution facilities.

The refurbishment/upgrade of Turf Primary and Wanganui High School in Turf Village has been completed. The project scope included construction of new classroom blocks, teachers' housing and a library at the High School.

The two schools also benefited from a donation of books valued at US\$35,000. In an effort to ensure access to clean water, Zimplats has sunk and rehabilitated many boreholes for the benefit of the local community.

A second commercial bank recently opened a branch at Turf in the year improving the banking services for the Ngezi community and surrounding communal areas.

Looking ahead Zimplats has committed to rebuilding Nyangwene Primary School in Mhondoro after the school was destroyed in a violent storm in February 2010. The project which began in July 2010 will see the construction of 15 classrooms, a storeroom and replacement of damaged classroom furniture at a cost of US\$240,000.



Housing for workers is a priority at Zimplats.



Zimplats happy pupils at Turf Primary school.



Ngezi Mine Rescue Team



ZIMPLATS -

How it all began

Zimbabwe Platinum Mines Limited (Zimplats) was established by Delta Gold Limited (Delta) in 1998 to take over all the platinum interests of Delta, thereby facilitating the independent development of Delta's gold assets and Zimplats' platinum assets. To initiate the divergence of the two companies' operations, Delta distributed 49% of Zimplats' equity to its shareholders by way of a dividend in specie.

In June 1998 BHP decided to suspend operations at the Hartley Platinum Mine because it could not obtain the required quantities of ore from the mine and was not achieving the anticipated grades.

In May 1999, Zimplats entered into an agreement to purchase BHP's 67% interest in the Hartley Platinum Joint Venture and its 61.3% interest in the Mhondoro Platinum Joint Venture. Zimplats' total direct investment in platinum development in Zimbabwe amounts to in excess of US\$70 million, whilst BHP invested in excess of US\$620 million on behalf of Zimplats and itself in the Hartley Platinum Mine.

Whilst BHP was developing the Hartley Platinum Mine, Zimplats completed feasibility studies for standalone underground and opencast mines at Ngezi. Both studies proved to be commercially viable. The acquisition of the Hartley Platinum Mine from BHP relieved Zimplats of the need to build a Concentrator and Smelter at Ngezi. Instead, it used the processing facilities at the

Hartley Platinum Mine thereby reducing the cost and start up time for the Ngezi/SMC Project from 36 months to 8 months. The combination of the opencast mine at Ngezi, the processing plant at the Hartley Platinum Mine and the 77 kilometre highway connecting the two are collectively known as the Ngezi/SMC Project.

2.2 million tonnes of ore per annum are to be mined at the Ngezi Platinum Mine by opencast mining and hauled 77km to the Selous Metallurgical Complex (SMC) which is the surface processing facility of the Hartley Platinum Mine.

The Zimbabwe Government released BHP from its obligations on the Hartley Platinum Mine in December 2000. In January 2001 Zimplats acquired the BHP Zimbabwe platinum assets for a nominal amount.

In May 2001 the decision to proceed with the Ngezi/SMC Project was made and the first concentrate produced in November 2001, followed by smelter matte in January 2002. The first converter matte was exported in April 2002.

Formerly known as Zimbabwe Platinum Mines Limited, Zimplats Holdings Limited (Zimplats) is 86.9%-owned by South Africa based Impala Platinum Holdings Limited (Implats) and is located on the Hartley Geological Complex on the Zimbabwean



Zimplats underground mining operations

Great Dyke south-west of Harare

The company currently operates both an opencast and an underground mine at Ngezi. The Selous Metallurgical Complex (SMC) where the ore is concentrated and smelted is located some 77 km north of the mine. The company also owns the Hartley Platinum Mine situated at the SMC which is currently under care and maintenance.

Implats' holding in Zimplats gives it access to rights over 161 million ounces of platinum resources on the Great Dyke, which is the second largest known near-surface PGM-resource in the world. Implats has both the technical and financial resources and the proven track record to effectively exploit this opportunity.

Zimplats currently mines just over 2 million tonnes annually to produce 86,800 ounces of platinum-in-matte. They expect annual production to be increased to 160,000 ounces by FY2010.

Background

Zimplats was established by Delta Gold Limited (Delta) in 1998 to take over its platinum interests. In May 1999 the company purchased BHP's interests in the Hartley Platinum and the Mhondoro Platinum Joint Ventures which included a concentrator and smelter. Zimplats initiated the Ngezi/SMC project in 2001 and

the first converter matte was exported in April 2002.

In 2001 Implats acquired a 30% stake in Zimplats from Delta in a joint venture with ABSA Bank Limited of South Africa (ABSA). Implats held pre-emptive rights over ABSA's 15% stake as well as a 30% direct stake in the then Makwiro Platinum (Pvt) Limited. The remaining 70% was held by Zimplats. In August 2002, the Group acquired a further 21% stake in Zimplats from Aurion Gold and in June 2003 purchased ABSA's 15% stake. Implats subsequently made an unconditional cash offer to minority shareholders in Zimplats.

Currently the group holds 86.9% as a result of the buyout of minority holders and the receipt of 14.9 million ordinary Zimplats shares issued in 2006 on the sale of its 30% stake in Zimbabwe Platinum Mines (Pvt) Limited (formerly Makwiro Platinum (Pvt) Limited) to Zimplats.

In May 2006 Implats reached a landmark agreement with the Government of Zimbabwe which ensures that the ground required for a steady state 1 million ounce per annum platinum mine with a fifty year life is secured under two mining licence regimes. In terms of the agreement Zimplats released 36% of the company's resource base amounting to 51 million ounces of platinum in return for empow-

erment credits and/or cash.

Geology

The geologist and explorer Dr. Carl Mauch first recorded the Great Dyke in 1867, but it was not until around 1918 that the presence of platinum, along with nickel and copper, was noted in the rocks of the Great Dyke. The 2.6 billion-year-old Great Dyke is a sinuous, layered, mafic-ultramafic intrusion, which is 550km long with a width ranging between 4km and 11km.

The Great Dyke consists of four geological complexes (from north to south) — M'sengezi, Hartley, Selukwe, and Wedza. The Hartley Complex is by far the largest and contains approximately 80% of Zimbabwe's total PGM resources. The Hartley Complex is some 90km in length and is comparable in size to the western lobe of the Bushveld Igneous Complex in South Africa, the source of most of the world's PGM production.

Although platinum was first discovered in the Great Dyke in 1918, its exploration was overshadowed by that of the Bushveld Complex in South Africa. Focus has returned to the Great Dyke in recent years, following the increase in demand for platinum and given that much of the shallow resources in the Bushveld Complex are spoken for.

The Great Dyke is a layered complex similar to that of the Bushveld Complex. It extends for 550km and has a maximum width of 11km. Within the Great Dyke four geological complexes are known to contain PGM and base metal deposits. These are the Wedza Complex (Mimosa – Aquarius and Implats), the Selukwe Complex (Unki – Anglo Platinum), the Hartley Geological Complex (Hartley and Ngezi Platinum Mines – Zimplats) and the Musengezi Complex. The Hartley Geological complex is the largest of the PGM bearing complexes containing 85% of the known PGM resources in Zimbabwe.

The stratigraphy is broadly divided between a lower ultramafic and an overlying mafic sequence. The ultramafic sequence hosts the P1 pyroxenite, directly below the mafic-ultramafic contact, which in turn hosts the economic PGM-bearing Main Sulphide Zone (MSZ). The MSZ is generally 2 to 3 metres thick. Optimal mineralisation varies and, in contrast to the Bushveld Complex, is often difficult to follow visually. Peak values for the PGM and base metals are commonly offset, while the proportions between platinum and palladium also vary vertically.

Zimplats MSZ Metals Splits 3PGE+Au

Mineral resources as at 30 June 2007

Orebody	Category	Tonnes (millions)	Grade (g/t) 3PGE+Au	Ni %	Cu %	Pt oz (millions)
Ngezi portals - advanced to reserve						
MSZ	Measured	69.1	3.47	0.09	0.09	3.8
	Indicated	205.6	3.54	0.11	0.09	11.7
Total		275	3.52	0.10	0.09	15.6
Ngezi portals - not advanced to reserve						
MSZ	Measured	21.7	3.43	0.11	0.12	1.1
	Indicated	188.2	3.51	0.12	0.10	10.4
	Inferred	112	3.44	0.13	0.09	6.4
Total		322	3.48	0.12	0.10	17.9
Mining extensions north of portal 10						
MSZ	Indicated	44.6	4.56	0.22	0.18	3.0
	Inferred	673	3.59	0.15	0.13	36.6
Total		718	3.65	0.15	0.13	39.7
Hartley (SML1)						
MSZ	Measured	24.1	4.53	0.14	0.12	1.7
	Indicated	117.1	3.98	0.13	0.11	7.6
	Inferred	28	3.87	0.13	0.10	1.8
Total		169	4.04	0.13	0.11	11.1
Oxides - all areas						
MSZ	Indicated	17.0	3.47	0.10	0.07	1.0
	Inferred	61	3.67	0.12	0.10	3.5
Total		78	3.62	0.12	0.09	4.5
Overall Total		1,563	3.63	0.13	0.11	88.7

Ore reserves as at 30 June 2007

Orebody	Category	Mill tonnes (millions)	Grade (g/t) 3PGE+Au	Ni %	Cu %	Pt oz (millions)
MSZ	Proved	57.0	3.34	0.10	0.07	3.0
	Probable	184.3	3.37	0.11	0.08	9.9
Total		241.5	3.36	0.11	0.08	12.9

Note: Mineral Resources are quoted inclusive of Ore Reserves, see Implats' Annual Report 2007 for full details.

Mining

Zimplats commenced production at the Ngezi opencast mine in December 2001. However, due to the increase in opencast contractor mining costs, Zimplats decided to reduce the volume of opencast tonnes mined replacing them with underground tonnage from the Portal 2 underground mine which employs the conventional bord and pillar mining method. Portal 2 which reached full production at the end of June 2006, represents the completion of the first phase of the conversion from opencast to underground mining. Opencast operations will cease in June 2008 when the mining contract with MCC, the current operator, expires.

Following the signing of the agreement with the Gov-



MISSION STATEMENT

Zimplat's business is production of platinum group metals from the Great Dyke in Zimbabwe.

VISION

Our vision is to be the best platinum company producing in excess of a million platinum ounces per annum whilst generating superior returns for the benefit of our shareholders, employees and Zimbabwe.

AIM

We will achieve our Mission and Vision through purposeful and focused attention on the:

- Extraction of mineral resources in a socially and environmentally friendly manner
- Safety and health of all our employees and visitors at the workplace
- Achievement of production targets through the effective and efficient utilisation of all resources at our disposal
- Establishment of effective systems and processes throughout the value chain to achieve cost and technological leadership in the industry
- Capability development, recognition and appropriate reward to our human resources
- Aggressive implementation of projects to achieve organic growth

ernment of Zimbabwe in May 2006, Zimplats announced the approval of the Ngezi Expansion — Phase 1 project which was the start of the company's long term expansion plan. This project heralds the replacement of the remaining of US\$340 million will see the simultaneous development of two new underground mines (Portal 1 and Portal 4) at Ngezi and the construction of a new 1.5 million tonne per annum concentrator. Platinum production was set to rise from the current 90,000 ounce level to 160,000 ounces of platinum in matte per annum by this year.

Metallurgy

Around 6,000 tonnes of ore per day is transported by road trains to SMC where it is treated by two-stage milling followed by flotation. The float is dried in a flash drier. Currently the concentrator is achieving a recovery rate of 84.4%. The dry concentrate is then smelted in an arc furnace and converted to matte which is despatched to Impala Platinum's refinery in terms of a life-of-mine agreement with Impala Refining Services (IRS).

Indigenisation

The Zimbabwean local ownership bill was passed by parliament in late September 2007 and seeks indigenisation of 51% of foreign owned firms. Zimplats supports the aims of localisation and has agreements in place that will be taken into account when looking at overall compli-

ance with these requirements. The agreement with the Government of Zimbabwe in May 2006 secured Zimplats 19.5% empowerment credits as well as a cash credit of US\$51 million or 9.75% empowerment credit if no cash is forthcoming. Further credits will be gained from infrastructural and social spend.

Sustainable development

Zimplats remains committed to social development initiatives and engages in, develops and builds community relationships. It takes responsibility for economic, social and environmental issues that impact its people, communities and environments.



Zimplats takes its social responsibility programmes seriously and this includes participation in tree-planting ceremonies in order to protect the environment. Zimplats Chief Executive Officer, Alex Mhembe is pictured doing his bit.



Zimplats road-train for efficient transportation.



Recently constructed 330kV Selous sub station.

DRA - an African mining company with international focus

By Rodney Drew

DRA is one of Africa's leading mine engineering and project management companies. DRA has established a solid, international track record for quality in the design, construction and commissioning of mine shafts, mine infrastructure, concentrators and mineral processing plants across a broad spectrum of the mining sector including coal, diamonds, gold, platinum group metals, copper, cobalt, nickel, zinc and iron ore.

From modest beginnings in 1984 the company has grown into a major group with an international focus. The company maintains multi-disciplinary engineering, construction and project management capabilities to leverage integrated resource solutions from concept to produc-

tion which enables it to tackle any size of project anywhere in the world. Based in Sunninghill, Johannesburg, DRA operates offices in Canada (DRA Americas), India (DRA India), Australia (DRA Pacific), the UK (DRA Eurasia and DRA International) and China (DRA China) which allow it to increase its international reach. In Africa, branches of the company operate in Botswana, Mozambique and Tanzania. An application has recently been submitted to open a branch in Zimbabwe.

DRA in Zimbabwe

DRA has already established its reputation in Zimbabwe on a number of major projects. These include:

- The design and construction of the 125ktpm concentrator for Anglo Ameri-

can's Unki Platinum Mine

- The Ngezi Platinum Mine expansion project for Zimplats for which DRA was the main EPCM contractor building the concentrator and related mine infrastructure
- The commissioning of a new platinum concentrator plant at the Mimosa Mine which saw production boosted from 30ktpm to 185ktpm
- Project management of a 330kV yard at Selous, commissioned in June this year

DRA's other current and recent projects are a veritable Who's Who in mining, including some of the largest projects currently underway on the continent. These



UNKI Platinum Mine



include:

Coal – DRA's experience in coal goes as far back as 1986 with its first turnkey contract for a 250tph coal DMS plant in South Africa. Since then the company has blazed a trail in the international coal mining sector building plants for major players such as Sasol, Duiker Mining Ltd, Iscor, Gold Fields, Avmin, Forzando, Greenside Colliery, Kangra Coal, Exxaro, Amcoal and Anglo Coal. It's most recent coal project was a build-own-operate-transfer (BOOT) project for Umthombo Resources, a 240tph coal washing plant at Brummersheim in Mpumalanga. DRA fully financed the project and on completion, sister company, Minopex, will operate the facility on a rate per ton basis. After two years the client will have the option to either take transfer of the plant or extend the operating contract further. The plant is designed to operate on a continuous six day per week basis with an annual throughput of 2,4 million tons.

DRA has also recently completed a 14 million tpa coal preparation plant for a Middelburg coal mine, the second largest plant of its kind undertaken by the company.

Copper – The company is well positioned to meet the needs of the recent upsurge in Africa's copper mining industry particularly in areas such as Zambia and the Democratic Republic of Congo. Chemaf Copper, a copper pre-concentration project for the open pit Etoile Mine in the DRC is a fast track HMS project

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Diamonds – From the heat and dust of the African continent to the frozen north of Canada's tundra, DRA has been a leader in the design and construction of plant for the diamond mining industry. Its modular DMS plants have placed it at the forefront of plant design, providing customers with cost-effective, self-contained and easy to deploy systems capable of processing up to 100tph.

Gold – Most of Africa's mining history is written in gold and DRA has been at the forefront of the gold sector, particularly in regions such as South Africa, Ghana and Mali. Recently feasibility studies have been conducted by DRA on new gold projects in South Africa and Tanzania.

Nickel – DRA is currently working on Phase 2B of the Nkomati nickel processor near Machadodorp in South Africa which will process low grade PCMZ ore with a high chrome content and has been designed to enable the client, African Rainbow Minerals (ARM) and Norilsk Nickel



NKOMATI Nickel Project

Africa to process two minerals with one plant – in this case nickel and chrome.

Iron Ore – The Khumani Iron Ore project was one of DRA's largest ever. Completed successfully, the company is currently

constructing the second phase which entailed the expansion of the mine from 10Mtpa to 16Mtpa.

Platinum Group Metals – DRA's experience in PGMs is undisputed having been



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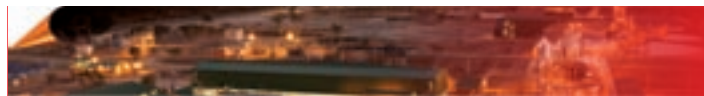
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the leading builder of concentrators and related infrastructure for all of the big platinum producers, including the 600ktpm PPRust plant, the largest of its kind in the southern hemisphere. In 2002 alone the company built six concentrator plants for Marula, Marikana, EPC, K4, Messina and Mimosa. It's most recent project is as EPCM contract for the 1,8Mtpa Booyensdal Platinum Concentrator for Northam Platinum which includes mine detail design and underground infrastructure as well as all surface infrastructure.

Situated on the Eastern Limb of the Bushveld Complex in Mphumalanga South Africa, the new UG2 project for Booyensdal will see the development of a new UG2 platinum mine, infrastructure and concentrator plant. The R3,6 billion project is already underway and is expected to place the mine as a major competitor on the Eastern Limb.

DRA Corporate Structure

The company is structured around two key divisions — its project related business which is overseen by DRA Mineral Projects, and the contract operation and

maintenance business spearheaded by Minopex. Around these two pillars operate DRA's various divisions.

DRA Mining

This division provides technical skills, engineering, procurement and construction management to a wide range of mining clients. The recent acquisition of Lower Quartile Solutions (LQS) was a step to bring further key mining skills such as geology, competent person's reports, resource estimation, scheduling, finance assistance, consulting, and more importantly, mine design, in house. The company now focuses on four critical areas — mine design, infrastructure, total service approach and specialist services — for African mining companies as well as international mining houses looking to establish operations on the continent.

- **DRA Turnkey Projects** This division handles small projects valued up to R400 million usually negotiated on a fixed price and carried out on a turnkey basis. The division's current project work is valued at around R700 million and includes a number of coal washing plants, two cop-

per processing plants and a foundry sand recovery project.

- **DRA Technical Services**

This division specialises in mine winder and shaft projects, offering new winder systems, upgrades and refurbishments as well as training and software engineering. In addition, the division offers full shaft and shaft steelwork design capabilities. The division recently designed a unique solution for a platinum mine in North-west Province — a system incorporating multiple single-drum winder units to provide the slow rotation speed necessary to wind long rope lengths — typically 14 kms of rope for the 2000 m deep shaft. DRATS has also recently commissioned the biggest Koepe winder north of the Limpopo for Konkola — a 6 m diameter system with 7MW drive — as well as the only Blair multi-rope winder in Africa outside of South Africa — an 8,25 MW monster. These winders are the largest on Zambia's Copper Belt.

- **Holley & Associates** — This division provides the Group with civil and structural design work for its various projects. It operates as an independent entity within the Group which allows it to pursue







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opportunities in the civil and infrastructure engineering markets both locally and abroad.

- **Minopex** – The Group's contract operations and maintenance division has carved itself a name in the industry. Mineral processing plant operations on a contract basis has become a growth area in the African mining industry, offering advantages such as reduced capex, lower operating and maintenance costs, established and proven operational support systems as well as lower staff requirements. This is of particular importance to smaller mining companies which may lack the capital to invest in the complete processing infrastructure. Minopex offers clients the flexibility to choose short or long term contracts as well as the option for skills transfer and training for the clients' personnel. It counts among its clients a number of major industry players such as Aquarius Platinum, Impala Platinum, Xstrata Alloys, Letseng Diamonds, Anglo American, BHP Billiton and Leeuw Mining. New contracts recently awarded to the division include Phola Coal in Mpumalanga and Pallinghurst/Boynton's new platinum concentrator in the North West Province, both plants designed and project managed by DRA. The company also secured the contract to operate Ridge

Mining's new Blue Ridge platinum concentrator as well as plants for Umthombo Resources, Keaton Energy, Coal of Africa and Volclay, a chrome plant. Minopex are often called in to help DRA commission a new plant and hand it over to the clients operating staff in record time.

- **DRA's Service Offering**

DRA offers a comprehensive range of services to meet the needs of an industry that is dynamic and often cyclical in nature. These include:

- Infrastructure engineering
- Process engineering
- Design engineering
- Electrical & instrumentation
- Feasibility studies
- Materials handling
- Financing

DRA's activities in Africa, particularly in chromium, diamond, copper, cobalt, nickel, lead, zinc, gold, manganese and iron-ore, have attracted a lot of attention with many small miners approaching the company in search of services related to financing, exploration and drilling management as well as partners looking to invest in viable mines in the region. Leveraging its access to the enormous pool of expertise and skills across the DRA Group, the company can provide

detailed assessments of mines covering details such as viability, lifespan, costs, profitability, short and long term stability, logistics and more with the aim of matching miners with potential financiers.

At DRA, employees are the business

DRA places special emphasis on the people it employs, looking at both their technical expertise in getting the job done as well as their social and mental ability to fit into the corporate culture. Team work is the key driver to the success that DRA has garnered during its history and whether it be on site, with the client or in the office, the ability to work as a well oiled machine is considered paramount in its day-to-day operations.

The company also takes cognisance of the critical issues facing the mining industry such as black economic empowerment and safety. Leading empowerment group, Shanduka, maintains a 25,1% shareholding in DRA Mineral Projects and Minopex, ensuring full compliance with the Mining Charter and other BEE guidelines. In addition, the Group maintains an impeccable record for safety at all of its sites, a factor in its favour when generating new business.

www.DRAinternational.com



PHOLA COAL – a 16 million tpm washing facility



THE GEOLOGICAL SOCIETY OF ZIMBABWE



100 years of achievement

The Geological Society of Zimbabwe was established in 1910 as a non-profit making professional organization, having initially operated as a sub-branch of the Geological Society of South Africa from 1962. The Society is a body corporate under the common law of Zimbabwe with perpetual succession and is capable of acquiring property and incurring obligations.

The objectives of the Society include promoting the science and practice of geology. It also aims to do everything conducive to the advancement of earth sciences in conjunction with other scientific bodies and stakeholders. The membership of the society comprises mostly Honorary, Ordinary, Associate, Institutional and Student members.

The management of the affairs of the Society is vested in an elected Executive Committee with full powers to carry out all or any of the objectives of the Society.

In order to fulfill these objectives, the society carries out a number of activities which include holding society talks;

where visiting and local distinguished lecturers professionals make presentations on their research and experiences. The Society also conducts short technical courses and workshops or seminars attracting participants mostly from the mining industry and tertiary institutions.

In addition, the Society organizes field trips to areas of special interest to enhance the advancement in earth sciences and publishes an informative quarterly newsletter which is distributed to members and other stakeholders.

A major undertaking on the Society's is the holding of a Summer Symposium where professionals share experiences in their line of work and/ of present results of research work. The best presentation in this instance is presented with the Keith Viewing award.

One of the key objectives of the Society is to Promote research in earth sciences through the Geological Survey of Zimbabwe Research and Development Fund for the development of earth science research and training in Zimbabwe.

Under this critical programme, the society administers the Phaup Award — presented for the best paper published internationally; the — G.Bond Award — presented to the best BSc. Honours project. Another aspect is the M Vinyu Award for the best School of Mines project.

The Society views it as its primary responsibility to promote the teaching of earth sciences through the Geology Lecture Fund with the assistance of the mining Industry. It assists students to obtain B Sc. Hons Geology Scholarships.

The Geological Society is also in the forefront of promoting international conferences and field trips. Examples include: — Gold' 82, hosting of the final part of the IGCP Project 161 – Magmatic Sulphides Conference; 1987; — Sub-Saharan Economic Geology Conference — 1993 and the — 8th International Conference on Platinum 1998

MAJOR ACTIVITIES FOR 2010

The Geological Society of Zimbabwe will

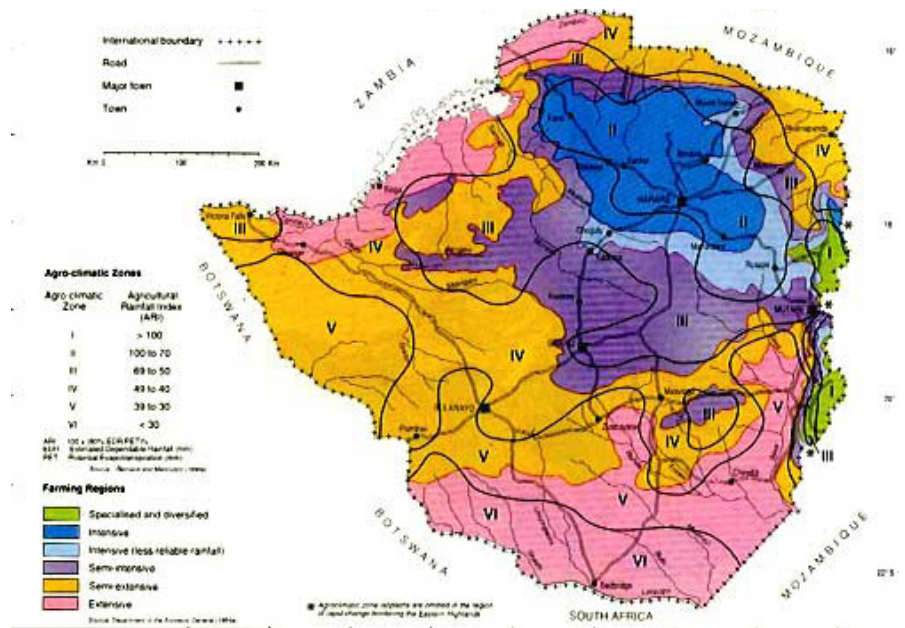


this year celebrate the Zimbabwe Geological Survey 100th Anniversary by hosting a symposium with technical sessions taking place in Harare from 21-22 October, 2010 followed by field trips in the Great Dyke, The Midlands and the Belingwe Greenstone Belts from 23-25 October 2010.

The Department was established in 1910 primarily to assist in the development and exploitation of the British South Africa Company (BSAC)' mineral resources. It became a government department in 1924 when responsible government was introduced. The BSAC continued to fund the department until Government purchased the mineral resources in 1933.

A strong leaning towards economic and mining geology has been a feature of the Geological Survey activities since its inception. As a result, the Geological Survey has over the years produced various documents with strong bias towards promotion of the mineral potential of the country. The Department has therefore played a critical role in the development of the mining industry in the country. It is therefore befitting that the attainment of 100 years of existence be celebrated.

The Geological Survey is hoping to publish a new version of the 1:1million Geological Map of Zimbabwe in time for the celebrations. The version currently in use was done in 1977.



Included on the Calendar activities for 2010 is a field trip to the diamond fields of Marange, some exploration projects in Zambia and a talk on "The Discovery of a new species of Hominid found near Johannesburg in August 2009 by Professor Paul Dirks.

Also slated for later this year is an applied Basic Geological Skills Workshop – August/September 2010 by Alex Du Toit of the Geological Society of South Africa.

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Honouring a true mining industry veteran

MORRIS Thompson, although now retired, has given distinguished service to the mining industry over many years. He worked quietly behind the scenes to make his mark in a field where corporate heroism is seldom recognised.

VETERAN miner, Morris Thompson, is a humble and unassuming man unaccustomed to the glare of corporate limelight. This was the impression created by his complete surprise after he was recently honoured by the Chamber of Mines for his service to the sector for more than three decades.

"They took me completely by surprise," he quipped after Victor Gapare, President of the Chamber of Mines, announced they had singled him out for his more than three decades of contributing to the mining sector at the Chamber's Annual General Meeting held at the end of May.

His involvement in the mining industry dates back to when he joined his father and brother in the family mining company, Forbes and Thompson (Pvt) Ltd in February 1970.

"My connection with the Chamber Executive Committee began as an alternate representative for Class C members for the 1978/79 chamber year. The following year our mines qualified for B class membership and I was elected by the class B members to represent them on the Executive Committee.

"I was elected to this position for the next 29 years. I represented Duration Gold who had achieved class A status during my final year, which ended on my retirement at the May 2010 Chamber of Mines AGM.

"I think my colleagues recognised my commitment and support for the Chamber over a long period and it is possible that I have made a contribution in debate along the way at the Gold Producers, Strategic Planning and Executive meetings. I have occasionally been asked to consider being an office bearer with a view to succeeding to the presidency, but this would have been impractical from a small company situated in Gwanda."

Forbes and Thompson have operated small mines throughout Zimbabwe, firstly as a partnership and then as a company, since the late 1920's.

Thompson, who is married to Lynn, was born in Bulawayo in July 1939, brought up and schooled in Gwanda and Bulawayo, graduating with a BSc at Rhodes University before spending eight years with a firm of accountants in Harare.

Thompson is quite candid about the future of mining in Zimbabwe. "I have confidence that Zimbabwe has the resources, the infrastructure and the will to build successful mines. All we need are the correct political initiatives to make it happen. Simplistically, we have seen from our own experience, that if you print



MORRIS Thompson with wife Lynn

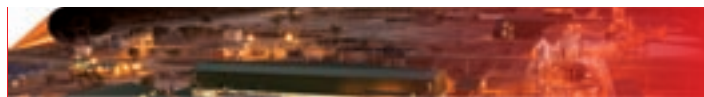
money you get inflation, if you introduce price controls you get shortages, and if you frighten investors away you won't unlock the potential development that will benefit all our citizens. Then you need fiscal incentives to rebuild a strong capital base before you can realistically receive reasonable rewards."

Two issues were highlighted for him at the May AGM. Firstly, it was the reassurance to investors by State President Robert Mugabe that the Indigenisation programme did not contemplate nationalisation and the final document would be investor friendly. Thompson noted that The Chamber's own indigenisation document that will be presented to Cabinet was well constructed and most operators would be able to live with it.

"We await the official reaction to it, followed by clear and transparent legislation," said Thompson who is confident the future of mining in Zimbabwe remains bright.

Secondly, the paper presented by the Executive Secretary of the Tanzanian Chamber of Mines, Emmanuel Jengo, presented factual results of good fiscal and regulatory policies implemented just over 10 years ago. Vat and duty exemptions were made, Royalties were reduced, 100% capital allowances were introduced, losses were carried forward indefinitely, and ring fencing of costs for tax purposes was abolished, amongst other incentive measures, and these resulted in several large scale mines coming on stream in a short space of time as a consequence of foreign direct investment.

Thompson did, however, express some anxiety over the "gathering storm" where Government is seeking to change a lot of these incentives, and mentioned that Tanzania may not be such an attractive investment destination in future. The same backtracking on incentives is happening in Australia, South Africa,



and elsewhere in the world, and given the reasons for the Tanzanian success story, one is left wondering why.

The focus of smallworker activities were in the Gwanda area where the Freda, and Vubachikwe mines grew through self funding, to be moderately large by Zimbabwe standards.

Highlights for him would be leading the management team in operating low grade deposits by building, expanding, and operating the Freda mine, which, at a depth of 900 metres, was arguably recognised as the lowest grade underground mine in the world.

For the veteran miner, another satisfying experience was the in-house planning, sinking and equipping of a 1250 metre shaft, with ancillary development at Vubachikwe. This allowed us to successfully service and operate the deepest working mine in Zimbabwe.

Zimbabwe has benefitted from mining law that enables smaller operators to own and successfully develop mining

properties, and some 800 smaller deposits have registered past production. This fragmented ownership may give the impression that there are few world class gold deposits in the country. However, he is confident that constructive consolidation of contiguous mining properties, together with intensive exploration, will correct that impression.

"It became clear that a family owned gold mining company would not be able to fund the requirements to properly unlock the potential of the mining title held, so we decided to sell into the Duration Gold group in January 2007," he said.

"At this time the exchange rates were being manipulated to the detriment of producers and the limited foreign currency allocations received by producers were inadequate for the purchase inputs required to keep the mines going.

"Not long afterwards, hyperinflation took over and the RBZ stopped paying for gold delivered, so the mines closed in August 2008. We were glad that our

connection to our foreign investor to continue to provide consumables to the operations, and it was important to us to be able to maintain the basic living standards of our loyal employees, by continued payment of wages and the supply of food parcels."

The Duration group has an ambitious agenda for the development of the mining ground it has invested. They have concentrated on building a technical department with sophisticated equipment, to systematically explore areas of interest focussing on clusters of mines and prospects that have the potential critical mass to yield several meaningful operations.

"Both my brother and I retired from active participation on the mines at the end of April 2010, but are available as consultants. I remain on the Board of Directors."

His father, the late Arthur Thompson, was awarded Honorary Life Membership of the Chamber of Mines on in April 1978 for his "untiring service to the mining industry, especially in the South Western Districts".

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1321(Ceramic S-Metal) uses include: valves, vacuum pumps, process vessels, impellers, pipe bends, kort nozzles etc

1391(Ceramic HT) uses include: oil production separators, clarifiers, evaporators, heat exchangers, absorber towers etc.

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Watching the environment for sustainable business

By Rodney Ndamba

THERE is growing appreciation of the significance of environmental accounting and sustainability reporting as a normal professional accounting function, suggesting a significant paradigm shift in the way companies have hitherto handled environmental costs and liabilities in their operations.

An Environmental and Sustainability Reporting conference for finance professionals and corporate decision makers in Zimbabwe was organized following a comprehensive survey on the state of Corporate Environmental Accounting and Disclosure in Zimbabwe undertaken in 2009 which exposed a serious skills deficiency in environmental accounting and

sustainability reporting.

The overall indication, according to the survey result, was that there was poor disclosure of financial information relating to the environment in corporate annual reports at the Zimbabwe Stock Exchange (ZSE).

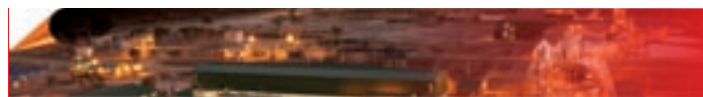
It was felt one of the major consequences of this was to make the ZSE less attractive to investors because of the undisclosed environmental risk factor by many companies.

Consequently, it was felt, many companies were losing valuable investments due to poor disclosure of financial information relating to the environment, and in the final analysis, the nation too

was prejudiced.

"Surely, an investor would worry of inheriting huge environmental liabilities where no such information is disclosed. Therefore, there is need to raise awareness on the importance of environmental issues in promoting sustainable corporate companies by finance professionals and decision makers," said a statement outlining the agenda of the Environmental and Sustainability conference.

The conference would examine and make recommendations on the role finance professionals and key decision makers in Zimbabwean companies can play in promoting environmental sustainability at corporate level.



It is envisaged finance professionals can:

- Modify and develop current accounting systems to include environmental issues reporting to management.
- Include environmental issues in financial planning, i.e. eco-budgeting, cost consideration and capital investment appraisal.
- Introduce environmental issues in performance measurement when reporting to shareholders and stakeholders (in annual reports)
- Use decision making models that encompass environmental issues.

Environmental accounting and sustainability has potential to reflect reduced risk from environmental financial information disclosure, and this has potential to attract investors. If Zimbabwe is to attract meaningful capital inflows, environmental accounting needs to be seriously considered. In major global financial markets

and other emerging markets, companies with detailed environmental accounting disclosures (including policies on the environment) usually attract the interest of investors as opposed to companies with no such disclosure. In addition, companies can secure lower insurance premiums, reflecting reduced risk from environmental liability.

Therefore, the key driving motivation for the conference was to primarily underscore the role of finance professionals and corporate decision makers on environmental accounting and sustainability.

Top of its objectives will be to raise awareness among finance professionals and corporate decision makers in line with regional and international developments. As set in the background to the conference, there is need to upgrade skills and promote the practice of environmental accounting and sustainability reporting.

These underlying issues were the motivation for the formation of the Centre for

Environmental Accountability (CENAC) whose vision is to promote environmental accountability and transparency through environmental accounting, sustainability reporting and other initiatives.

Thus, the conference organized by CENAC is aimed at:

- Raising awareness of environmental imperatives to finance professional and decision makers in Zimbabwe.
- Highlighting the role of finance and accounting professionals in environmental issues;
- Highlighting various tools, instruments and frameworks available to accountants responding to environmental concerns;
- Highlighting economic benefits of environmental accounting and sustainability reporting to companies and the nation;
- Sharing developments in the formulation of a national code of corporate governance for Zimbabwe, and;



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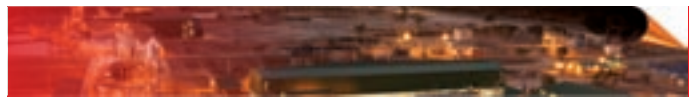
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- Sharing local experiences in business sustainable development in Zimbabwe.

CONFERENCE TARGET GROUP

In deciding the target group of the conference, consideration was given to the fact that generally, finance professionals have been blamed for not being actively involved in environmental issues in many countries around the globe as well as in Zimbabwe. A research on listed companies in Zimbabwe had shown there is little awareness of environmental issues particularly on environmental accounting and sustainability reporting.

"Therefore, this conference was vital in breaking new ground for active participation of accountants, finance professionals and decision makers in Zimbabwe," said a statement by the organizers.

Ideally, it was hoped the conference would target chief finance officers, finance directors, accountants (Financial and management) Investment analysts and risk managers, auditors, chief executive officers and directors. It was felt in many instances finance directors and other key corporate decision makers had made financial decisions with little regard to environmental risks involved.

Needless to say, environmental risk can have a potentially crippling impact on the health of a company balance sheet, liquidity position and share price.

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Financing Exploration

Exploration is very high risk, with all costs non-recoverable upon failure and cash-flows usually delayed in some cases by 5 to 7 years if successful.

ANY mining venture begins with exploration which is the preliminary exercise to establish the presence and quantities of minerals in a specific area. Thus, exploration is a distinct discipline apart from the actual mining with its own set of different challenges.

In a recent studies have noted that exploration was mostly concerned with the location and determination of new or additional economically mineralised zones. This makes exploration very high risk, with all costs non recoverable upon failure and cash-flows usually delayed in some cases by 5 to 7 years if successful

In assessing the Exploration Risk Profile, there are two distinct formats that are followed namely Greenfields vs Brownfields Exploration. While Greenfields exploration focuses on new and underexplored areas, Brownfields exploration, on the other hand, focuses on known systems with additional potential. These could be dormant mines or targets dropped by previous exploration programmes.

Brownfields exploration accounted for the majority of new resources during the last exploration boom although Greenfields opportunities do still exist in Zimbabwe. Notably, Zimbabwe's prolific mining history yields a vast array of brownfields opportunities

According to available geological data, Zimbabwe is an enormously attractive geological target for exploration especially on brownfields. Despite this, the risk involved in proceeding up the risk profile is still considerable.

In dealing with the important aspect of Attracting Investment & Proper Value, it is critical to understand what gives value to a mineral deposit? "It is not the ounces of gold, pounds of copper or carats of

diamonds that we have in the ground as these remain out of reach. So what is our real asset — It is the data that describes the ounces of gold, pounds of copper or carats of diamonds that we think we have", which must determine whether a mining investment is worthwhile.

Fortunately for Zimbabwe, there is abundant data available countrywide. Geological bulletins available on all of the greenstone belts and many other areas of interest are world class, although some of them are in need of updating. Appropriate geological mapping that accompanies the bulletins and is also of very high standard.

It is also worth noting that mine plans held at the Mine Surveyors offices date back to mid 90s and are also in need of updating. Much of the data collected by early explorers is archived at the Geo-

logical Survey as are technical reports on other aspects of Zimbabwean Geology. Airborne magnetics was flown over the whole country with some detailed magnetics available from historic surveys.

However, typical data at Brownfields Projects available for specific brownfields projects is sparse because in many instances, very little geological expertise was employed by smaller scale miners. Most grade control was performed by hand panning with no records kept and in most cases mine surveys were not properly undertaken due to economic constraints on government

There are also cases where no drilling was undertaken due to expense. In these cases, there was therefore very little data available that could be used to generate reports to determine the project value and thus Attracting Investment & Proper Value

In conclusion, in order to make Zimbabwe investment-attractive, the land tenure management system needs to be urgently overhauled. There is also need to re-establish government survey offices' ability to update plans every 6 months to facilitate updating of bulletins and maps.

It is also important to introduce a streamlined procedure for exporting samples while at the same time offering tax concessions to encourage exploration, eg. MEAP.



EXPLORATION is the foundation of any mining venture.

Tetrad Gold Fund opens new investment frontiers

SINCE the launch of the Tetrad Gold Fund in the market recently, the response from clients both existing and prospective surpassed expectations implying that for some time now, the market has been yearning for an alternative to equities, properties and money market investments. This report, published in the Tetrad weekly review of 30 July, 2010 endeavours to provide clients with detailed information on this product highlighting both its attractions and risks.

What is the Gold fund?

The Tetrad Gold fund is a commodity based unit trust product whose underlining asset is gold. Just like with any unit trust fund, the gold fund pools investors' funds together and the money is used to purchase the physical bullion. Some of the funds will be invested on the money market to provide a liquidity buffer for client redemptions.

However, at any point in time, at least 50% of the funds will be invested in gold. The fund owns the physical gold as well as the money market investments and in turn the unit holders own units in the fund. Contrary to the widespread misconception in the marketplace investors are not apportioned some nuggets of the physical gold but own units of the fund which is invested in gold.

Tetrad, through one of the group companies, is licensed with the Ministry of Mines and Mining Development as a gold buyer. The gold is subsequently disposed on the international market through authorized gold exporters. The profits from the disposals are reinvested in the fund for the benefit of the unit holders.

How does the fund operate?

The minimum investment amount is US\$150 and there is no maximum limit meaning that investors can invest as much as they can. The fund appeals to both the retail investors wishing to invest for the future and the institutional investor who want to hedge or diversify their risk since the price of gold usually move in opposite direction to the stock market.

Investors are expected to invest for a minimum period of 60 days before they can redeem their investments. This does not mean that the fund is a 60 day investment but rather the minimum is meant to ensure that there is stability in the fund. There is no stipulation of any investment horizon but the fund is recommended as a longer term undertaking rather than a short term speculative option.

This recommendation is guided by the fact that gold is an internationally traded commodity whose price movements are influenced by the world economic cycles. A positive economic outlook tends to depress gold prices as investors move into risky assets such as equities while a downbeat global sentiment have a propensity to push the prices of gold up.

A notice period of fourteen days applies on client redemptions. This means that the client will have to wait for 14 days after submitting redemption instruction to Tetrad to allow for the lag time between selling the gold and receiving the money from the Gold Dealers.

How is the Fund valued?

Just as equity unit trust funds use market prices of the shares in the fund, the Gold Fund is valued using the market price of gold. The seven day simple moving average for the closing spot prices from the New York Mercantile Exchange is used

to smoothen any fluctuations. Multiplying the average gold price with the amount of gold in the portfolio will provide the market value of the gold. To this is added the other assets in the fund such as money market investments. This sum represents the total value of the fund.

The total value of the assets after deduction of the management and Trustee fees will be divided by the number of units in issue to arrive at the price per unit. Currently the unit price is US\$98c.

Return prospects for the fund

The gold fund is not a fixed term investment in which investors earn a fixed return over a specific period of time nor does it guarantees the capital invested. Investors in the gold fund will enjoy capital gains through the appreciation on the



The fund is used to purchase gold at prevailing gold prices.



Tetrad stand at Mine Entra 2010

unit price but also carries the full risk of price weaknesses. If prices increase the unit holder's wealth increases also and equally if the prices fall the value of the units will decline.

What affects the price of gold?

Gold prices are very volatile as they respond to information in the global market. In summary the following are the main factors that influence the price of gold:

a) **Weakening US Dollar:** Weakening US dollar usually results in the firming of the gold price. This is because gold is traded predominantly in US dollars and dollar weaknesses pushes the bullion price up. In addition, a weaker dollar reflects a negative outlook on the US economy as well as global equity markets and this pushes investors to buy gold as a safe haven. An inverse relationship has developed on the gold price and USD movement.

b) **Governments Buying Gold as Reserve Assets:** Governments usually buy a currency of choice as a reserve asset. The Euro and the United States Dollar are usually the most preferred. However these two currencies have been volatile lately forcing some governments to look for alternative assets. The government of India has so far spent US\$6.7 million on 200 metric tons of gold and other gov-

ernments have also been on the market looking for bullion such as China.

c) According to the World Gold Council the global demand for gold far outstrips supply. Gold demand jumped by 37% in 2009 while supply did not change much.

d) Speculators have also joined the gold frenzy, buying the metal in anticipation of selling it when its price jumps.

e) Improvements on the macro economy front: Any favourable information on the global economy usually results in the gold price weakening.

Risks associated with the fund

Capital Erosion: Gold prices are volatile in the short-term and hence there is higher risk of capital erosion as the unit price may fall below the level at which investors would have bought into the fund.

Currency Risk: Like in any other investment, there are fears that the Zimbabwe dollar will be reintroduced. As Tetrad, we can not guarantee that the current multicurrency regime will remain in place. It is however encouraging to note that the Minister of Finance on presenting the mid year fiscal policy review announced that the current multi-currency regime will run until 2012.

Who is the ideal client for the gold fund?

Gold is a long term investment as it can be very volatile in the short term. Investors should therefore invest in the gold fund with a mid to long term view. Globally, gold investments are viewed as a hedge against economic, social or political problems.

Unlike equities and money market instruments, where investors aim for a return, gold is usually bought as a store of value. Gold is usually bought when economic prospects are bleak that usually results in the linked currency weakening. Investors also choose to hold gold when appetite for risky assets like equities falls.

Similarly we are offering the gold fund to cater investors who already have an exposure in other assets like equities, property and money market instruments to diversify their portfolios. Gold prices are determined on the international market and hence are not affected by the local fundamentals.

In this regard, pension funds, insurance companies and corporates will be the ideal investors of the gold fund. Individuals with extra money can also invest in the fund. However individuals need to have a long term view when they get into the fund.

Keeping the wheels turning

IMEX Tyres: a leading supporter to industry

BY ZVIKOMBORERO MURANGARI

IMEX Tyres Zimbabwe prides itself in becoming a major player in the tyre industry in Zimbabwe. Its achievements in this regard include being the designated exclusive Bridgestone supply agent in SADC countries. IMEX Tyres & Accessories thus provides passenger, truck, agricultural and Off-The-Road tyres in two of the most distinguished tyre-brands, internationally, Bridgestone and Firestone.

The IMEX Tyres Zimbabwe Off-The-Road Division has come into this highly technical market prepared to offer a wide range of services that surpass just the supply of the Off-the-Road tyres.

They are offering the market value added back up services that enable the client to get the best performance from their prescribed tyre. Indeed, follow up service from the South African Bridgestone Head Office allows IMEX Tyres Zimbabwe direct access to the manufacturer, giving great influence to products to be supplied to the market and necessary changes to be made to improve effectiveness and efficiency of the Bridgestone products offered.

IMEX Tyres Zimbabwe relationship with Bridgestone also necessitates the need to provide consistent reporting to the manufacturer outlining performance of the product from all the customers, a feature that is in place to prove both Bridgestone and IMEX Tyres Zimbabwe's commitment

and dedication to customer satisfaction.

IMEX Tyres Zimbabwe business principle and performance has also led to awarding of agent status by renowned German repair and associated rubber product leader Rema Tip-Top. This has seen IMEX Tyres Zimbabwe launch a state of the art of a Repair Facility that is mainly centred around the efficient repair of Off-the-road tyres by Rema Tip-Top trained technicians who effectively become accredited Tradesmen of their trade and are not merely certified for attendance.

The Repair Facility commissioned by Rema Tip-Top on the 1st of July 2010, will also cater for the repair of passenger, truck and agricultural tyres backed by the full support of Rema Tip-Top South Africa



IMEX tyres at Mine Entra 2010

to ensure the provision of only the best quality services by IMEX Tyres Zimbabwe Rema Tip-Top will also do yearly calibration of machines along with inspections of the repair facility, of which annual certification will be awarded ensuring that standards are kept up to the Rema Tip-Top's highly recommended and proven workmanship.

Soon to be finalised as well, is the rim refurbishment and supply of new rims by IMEX Tyres Zimbabwe with full backing from leading international rim manufacturer Global Wheel. The move should see IMEX Tyres Zimbabwe delving into the world of rim maintenance and repair, an essential part of tyre management that will cover the full spectrum of rim requirements. This will see the set up of facilities to inspect, shot blast rims (to clean rims and rid of foreign matter), replacement of rim components and refurbishment of the rims.

With the routine In service surveys, scrap analysis and reports compiled by the trained personnel, IMEX Tyres Zimbabwe is able to provide the client with a solid database outlining all related tyre management information like, "cost per hour" which can be useful in the reduction of costs for the client, even going as far as identification of repairable tyres or preventative repairs before damage to the tyres.

All this is done at no cost and is part of the total service offered in an attempt to benefit both manufacturer and end user by supplying accurate information for ultimate product performance.

To work hand in hand with surveying IMEX Tyres & Accessories provides on-site-maintenance-teams to assist with all tyre related maintenance at mines and construction sites, this allows all regular checks to be implemented and for the

conditions and records on site to be kept and problem areas identified and eventually rectified with the assistance of the qualified Off-The-Road Division technical staff.

IMEX Tyres & Accessories is well equipped to give Zimbabwe the full spectrum of services relating to tyres and rim management as well as repairs a feature that gives IMEX Tyres Zimbabwe a distinct advantage and capacity to cater for the market.

The partnering of IMEX Tyres Zimbabwe with Bridgestone, Rema Tip-Top and Gobaal Wheel is believed to be a key ingredient to the success that is IMEX Tyres Zimbabwe and the driving force to the excellence now a reality to IMEX Tyres Zimbabwe, which is intended for imparting and helping to partner our clients towards a successful future in Zimbabwe.

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COLLEN Gura to head Metallon

COLLEN GURA, 50, was recently promoted to the position Group Chief Executive officer of Metallon Corporation, a company registered in the United Kingdom.

After joining Metallon Gold in September 1995, he was promoted to Group Finance Director in 1996, then to Deputy Chief Executive Officer in 2002 and to Chief Executive Officer in 2004. Collen is an Executive Council member of the Chamber of Mines of Zimbabwe and rose to the elected position of Deputy President of the Chamber of Mines, before stepping down to concentrate on the listing of Metallon on the London Stock Exchange.

He sat on the board of the Mining Industry Pension Fund and rose to be

the Chairman of the Board of Trustees, having previously chaired the Investment Committee for two years.

In February 2009, Collen was promoted to the office of Executive Chairman and Chief Executive Officer of Metallon Gold, i.e the position held until his recent promotion. The company produces 55% of Zimbabwe's gold.

An accountant by profession, Collen did his articles with Ernst & Young, Harare, and is a Chartered Accountant, CA(Z). He is also a Chartered Certified Accountant, FCCA (UK), a Chartered Management Accountant, FCMA (UK), and a Chartered Secretary, FCIS.

He holds a Bachelor of Accounting Science (B. Compt) from University

of South Africa and an MBA from the University of Zimbabwe.

Collen sits on a number of corporate boards. He is married to Margaret and have four children.



Collen Gura

AMBASSADOR Nsimbi joins Metallon Gold

AMBASSADOR ZENZO WILLIE Nsimbi has joined Metallon Gold Zimbabwe as Corporate Affairs Executive. Zenzo brings a wealth of experience having served in both advocacy and government.

His advocacy experience spans from being Vice President of the Confederation of Zimbabwe Industries (CZI) and Vice President for the Indigenous Business Development Centre (IBDC). His experience in government entailed serving as Deputy Minister of Mines, and Deputy Minister of Transport and Energy respectively, as well as being a member of parliament.

A metallurgist by profession Zenzo

did his Masters Degree in Metallurgy and Management at Aston University in Birmingham, U.K. and is a Professional Member of the Institute of Materials, U.K.

Zenzo's work experience spans from working as Refractories Manager and Steelplant Manager for Ziscosteel, Works Manager for F. Issels foundry, Technical Director for Industrial Couplings and Engineering, to mention just a few.

He also worked for some years in Botswana where he was involved in the transport and engineering sectors. Zenzo is married to Siphosiso with 3 children.



AMBASSADOR Zenzo Nsimbi

The Importance of Monitoring

How well do you measure up?

By Laurence Shadwell
BSc Eng, MIET

A PROCESS may be defined as an action (or set of actions) which is performed to achieve a specific result. In a single mining operation there are many processes, ranging from accessing, transporting and milling of ore to the separation, concentration and/or treatment of the ore to obtain the 'final product'. This 'product' may need further processing like smelting and refining in the case of many mineral ores, to realize the desired metal. In addition there are systems which are needed to accomplish all these processes which include (electrical) power supplies, compressed air, water supply, conveyance/transportation and administration.

In all these systems and processes, issues like cost, efficiency and quality play key roles in the success of the operation as a whole. Lower cost, higher efficiency and better quality of the 'final product' augur well for a more successful venture. So how does the venture know that cost is lower, efficiency is higher and what sort of quality the final product is?

Naturally there must be some sort of measuring system for each aspect, otherwise the results are calculated or guessed. In administration, costs are normally closely monitored. Often there are standards in measuring the 'final product'; these are well-known. But how well and extensively is efficiency monitored? And what are the criteria used to determine such?

Looking at the technical issues, there are often statistics which produce plant efficiency. This may be, for example, how many hours the plant is running, but does it say anything about how well the plant is running? The plant may produce x tonnes per hour, but what is the quality of each tonne compared with the energy intake and cost? The quality of the product may even measure up to specification but how good and efficient was the system metering the process? So statistics rears its head!

These are many ways in which statistics can be produced but what is important is that the information must be sufficiently accurate and it must be used to feed back to obtain the desired result. The sys-



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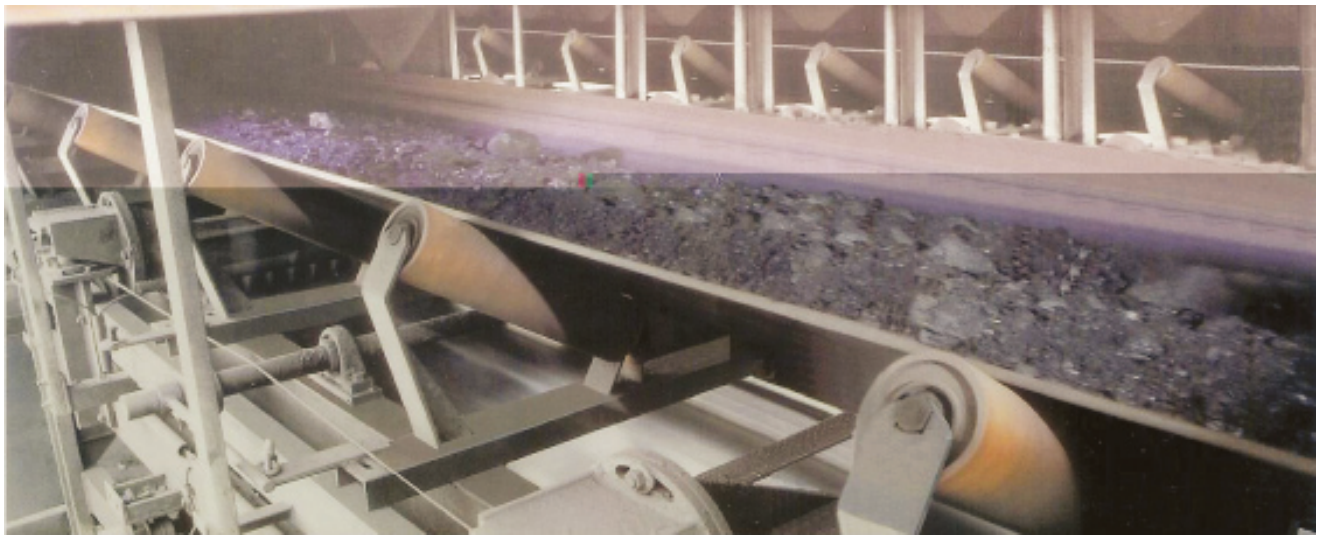
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Material can be measured conveyance

tem must be controlled and this requires monitoring: the closer the monitoring, the better the control. Think of driving a vehicle without any dashboard instruments. Is the speed correct? Is the engine working safely? Many may be satisfied with this situation. But is there enough fuel to reach the destination? Moreover if the engine is hot how hot is it? As more instruments with information become available, not only does the information allay many fears but great advantages can be derived - such as preparedness for the next trip, the time for maintenance and even repairs before breakdown. Also how efficiently the vehicle is being used can be determined, not only during each trip but during its lifetime!

Back in the mining environment, do we know how well our 'mining' vehicle is running? Are there sufficient 'gauges' giving reliable feedback in good time?

Consider having the following information;

1. Energy supplied (electrical, chemical, coal, gas)
2. Mass of ore moved, how far, in what time, to which quality
3. Quality of initial, intermediate and final product, percentage wastage
4. Utility services consumed, air, water, chemicals.

Today much of this information can be readily obtained on-line. In having this data a mining operation would be able to check its efficiencies in many areas. This would enable it to manage controls to minimise wastage and improve operational working. It is well-known that work behaviour improves when staff know that an effective monitoring system is use. With time, new techniques, technologies and software improve measurement accuracies and lower the cost of monitoring and recording information. This in turn facilitates the spread of good practices

and better, safer conditions.

In recent years the worldwide energy and environment debate is forcing organizations to take a closer look at how they utilise their energy supplies. This is not merely monitoring their fuel supplies, but also redefining their efficiency benchmarks. Common shortcomings like holes in compressed air and steam lines or blocked filters are identified and corrected by on-line monitoring. About 75% of compressed air cost is the energy cost in developed nations.

Companies often accept the substantial cost of compressor maintenance but do not look at the premature wear and damage caused by running their machines when unnecessary and bothering little about the effects of water in the compressed air system. Surely the long-term cost of corrosion in piping and damage to air-tools is worth consideration.

Advances in instrumentation and networks make it possible to effect parameter changes from anywhere in the technological world wirelessly or warn a manager via an sms to his mobile phone that the rate of rise in a slurry tank level has exceeded a preset value.

Obviously finances put a constraint onto how much monitoring is considered necessary. Seldom is over-monitoring a problem or a significant cause of overspend. Often this situation gives rise to more reliability in the monitoring system or an alternative viewpoint.

Besides, four eyes must be better than two! On-line monitoring instead of sampling can bring significant time gains in production, consistent quality and plant stability. Such close measurement enables early detection of poor performance.



Corrosion in pipe-work



Damaged air-tools

Recording the various plant parameters assists greatly with reviewing conditions immediately before, during and after any breakdown. Such information is valuable for improving plant operation and safety. This in turn helps to reduce unnecessary, unplanned stoppage costs. In some organizations 'sacrificial' instrumentation methods are used since the premature wear on an expensive device is more than offset by the higher production quality and efficiency that are achieved.

In the final analysis it is monitoring that determines success or failure. How do you measure up? On quality, costs, time and efficiency we are all judged in one way or another. If there is a meter to measure each of these aspects then is it not good to use it? It is clear that if something is not measured then it cannot be controlled. This includes life itself.

Securico means peace of mind

INNOVATION: SECURITY GUARDS AS SHEQ OFFICERS

A leading security organisation SECURICO Security Services has unveiled a new service offering what is set to put the company on pole position as a leading security provider to the mining sector.

The company has introduced a "SHEQ Guard" – a security operative who is specially trained to monitor, promote and enforce SHEQ standards and regulations.

"We are cognisant of the fact that mining is an operation that should comply with very strict safety and environmental regulations. Our value addition is to be part of the mine's SHEQ management team," said SECURICO and Multi-link Group CEO Ms Divine Ndhlukula. "It is an exciting business model that assists a mine to improve its employee awareness and enforcement of SHEQ issues".

The "SHEQ Guard" is a graduate of a specialised training course that integrates health, safety and environmental issues with the mine's quality management system. This means that in addition to their security duties, SHEQ Guards are also trained as health, safety and environmental officers who, as part of the mine's SHEQ team, take leading roles in awareness and enforcement of regulations.

"There is no better way of improving awareness of SHEQ issues than to increase the number of trained officers to play an oversight role on the ground," added Ms Ndhlukula. "Besides the in-house courses we are enrolling our security operatives at the School of Mines to widen and formalise their skills. We shall also enrol some of our staff for training with NSSA as part of our strategy to expand this service brand".

SECURICO was certified to ISO 9001:2000 Quality Management System in 2005 and is currently being audited for upgrading to ISO 9001:2008, therefore

the organisation is able to use their own experience as a basis for SHEQ training.

"Our operatives are already highly trained in quality awareness and meeting quality standards which makes it is easy for them to understand other standards like the ISO 14001 Environmental Standard," said Ms Ndhlukula. "We have a good knowledge and skills base that will make this project a success."

SECURICO is a leading security service provider in the banking and manufacturing sector. In 2005 the company became the first and so far the only manned security organisation to be certified to the ISO 9001:2000 Quality Management



DIVINE Ndhlukula

System. There are plans to expand the company's certification to ISO 14001:2004 Environmental Management Systems Standard.



Skilled labour migration:

implications for Zimbabwe's Economic Recovery

"Labour is prior to, and independent of capital. Capital is only the fruit of labour and could never have existed if labour had not first existed. Labour is the superior of capital, and deserves much the higher consideration" - Abraham Lincoln

By Themban Chikowore

Labour is the backbone of all business and any business will only have a chance at success with the right people. However companies often overlook this all important resource. In the last ten years Zimbabwe has experienced a rise in emigration especially among highly educated and qualified professionals resulting in a severe "brain-drain" — depletion or loss of intellectual and technical personnel.

Hyperinflation saw industrial and infrastructure development grind to a halt. This has been exacerbated by the "brain drain". The effects can be felt in all sectors of the Zimbabwean economy and Mining is no exception.

The brain-drain has negatively impacted on the economy leading to slower productivity and growth because of the loss of skills. There is also a loss of quality because of the absence of specialised personnel. Among those still employed there is often an attitude of discouragement about the prospects of development in Zimbabwe, and also a lack of innovation and creativity.

The solution to this problem is to reverse the brain drain or make the requisite skills available locally. Drawing up policies to reverse the brain drain requires a collective strategy to identify the causes and rectify the situation so that Zimbabwe can be attractive once again to those working in the Diaspora.

In the meantime companies and investors will have to look at the local talent pool which is overflowing with potential. Strategies such as skills development and training can compensate for lack of experience among recent graduates. These graduates are fresh minds that are eager to learn new things and research on the latest technologies and methods.

Although they lack practical experience, a comprehensive training programme can help to overcome this problem.

Multiskilling can be a way to keep people in idle departments busy and give them more areas of responsibility. The reverse is true for very busy departments which may need to hire more people because individuals may be overloaded.

These strategies will increase productivity, motivate the staff and improve morale which is running low among employees in Zimbabwe, especially in organisations that have downsized.

Temporary employees or consultants (International or Local) are another option. Hiring employees on a temporary basis will save money for organisations that cannot afford the overheads associated with taking on permanent employees. There is no permanent commitment and employees can work as and when their expertise is required. This can be a mutually beneficial arrangement.

Bringing in temporary international consultants or employees can be tricky. Issues to do with work permits, taxes, legal and statutory compliance will need to be thoroughly addressed. However it is still a good option to bring skills into the country

if the foreign employees train up locals to take over the work when they are done or engage local partners in the projects.

The Zimbabweans in the Diaspora have a role to play too, even if they are not planning on returning home anytime soon as they have a lot to offer. They are usually in touch with the recent developments in their professions and have worked under "first world / International" conditions. Local branches of professional organisations need to be proactive in maintaining links with professionals in the Diaspora so they can facilitate skills transfer. Contact also needs to be maintained with the Zimbabweans in the Diaspora so they can get back into the workforce when they return home.

The problem of the "brain -drain" must be seen as an opportunity for organisations and investors to innovate and view their business in a different light. Seeing the cup as half full rather than half empty will assist them in identifying the potential they have within their human resources and the deficits that need to be addressed by bringing in new skills.

Sesani Skills specialises in procurement of management skills for the mining and construction industries of Zimbabwe. In addition to a comprehensive database of Zimbabwean Engineers, Sesani Skills has links with professionals around the world who are keen to return home.

●Themban Chikowore is the Recruitment Manager at Sesani Skills.

INDUSTRY SNIPPETS

PLATINUM giants, Zimbabwe Platinum Mines Holdings Limited and Mimosa Platinum recorded significant increases in platinum and Platinum Group Metals (PGM) output in the quarter ended June 30. Production at the two mines has been sustained at optimal levels unimpeded by the economy wide liquidity crunch and other constraining policy issues, a development that could leverage economic recovery and anticipated growth.

In its fourth quarter financial report for the period ended June 2010, Mimosa Platinum said production registered a marginal 1 percent increase from 24 898 to 25 264 ounces from the previous quarter. This comes on the back of an 11 percent increase in platinum output in the 12 month to June to 101 241oz from 91 520oz in the comparative period last year.

(Source: miningweekly.com)



President

VICTOR GAPARE holds a Masters Degree in Business Leadership from the University of South Africa as well as a Bachelor of Business Studies degree from the University of Zimbabwe. Victor joined Anglo American Corporation Zimbabwe Limited in 1987 as a Graduate Trainee in Finance before being appointed Assistant Company Secretary in the Finance Division.

From 1990 to 2000 Victor served various companies in the Anglo-Group. In 1991, he was appointed Assistant Metal Sales Manager responsible for the sales and market-

ing effort of Bindura Nickel Corporation and Zimbabwe Alloys Ltd. In 1994, he was appointed Deputy Marketing Manager for Border Timbers Ltd and two years later he became Marketing Manager for the Anglo American Group in Zimbabwe. In this role Victor was responsible developing niche markets for ferrochrome and nickel in Europe and the Far East.

In 1999, Victor was seconded to Mashonaland Holdings for a year as General Manager of the Plastics Division. He then returned to Anglo American as the Executive Assis-

stant to the Chief Executive and in the following year he was appointed Commercial Manager for Zimbabwe Alloys. In 2001, Victor became Operations Director of Iron Duke Pyrites (Pvt) Ltd and was instrumental in increasing the capacity of Iron Duke Mine. In 2002, Victor was also appointed Operations Director for Bilboes Holdings (Pvt) Ltd.

At the end of 2002, Victor led a management buyout of both Iron Duke and Bilboes and became Chief Executive of GAT Investments (Private) Limited. Victor sits on various boards in the private sector.



Vice President

WINSTON CHITANDO completed a Bachelor of Accountancy degree from the University of Zimbabwe in November 1984 and in December that same year joined Anglo American Corporation as a Graduate Trainee.

Winston worked for a total of 11 years for the Anglo American Corporation group. During this period he held various positions and directorships in a number of industrial and mining companies which were part of

the Anglo American Group. He held the position of Divisional Commercial Manager in the Mining and Industrial Division Division at the time he left the group to join Zimasco.

Winston joined the Zimasco group in January 1997 at the Kwekwe Division. From January 1998 until September 2007 Winston was an Executive Director with responsibility for Finance for both Zimasco (Pvt) and Mimosa Mining Company. In addition, Winston at various periods

also held executive responsibility in Zimasco for sales and North Dyke mining. Winston was appointed Managing Director of Mimosa Mining Company effective 1st October 2007, a position he still holds.

Winston sits on various other boards including Zimasco and the Zimbabwe School of Mines where he chairs the Audit Committee.

He is married to Irene and they have two daughters and a son.



Second Vice President

ELIZABETH Muchemwa made history when she became the first woman to be elected into the executive of the Chamber of Mines.

Muchemwa was elected junior vice-president at the 71st Chamber of Mines Annual General Meeting held in Victoria Falls recently.

Muchemwa's career in the mining industry began after she obtained a BSc. General degree in Geology and Botany and a BSc. Special Honours degree in Geology both from the University of Zimbabwe in 1981 and 1982 respectively. She

joined the Geological Survey of Zimbabwe in the Ministry of Mines and Mining Development in 1983 and served for four years in various capacities.

In 2000, she moved to the Murowa project feasibility study team. She then joined Murowa Diamonds at its establishment in 2004. She is currently a senior manager responsible for sales, human resources and information technology.

She has been a member of the Geological Society of Zimbabwe

since 1984 and was membership secretary of the society from 1995 to 1997. Muchemwa was the first female chairperson of the Geological Society of Zimbabwe in 2001-2002. She has served on the executive council of the Chamber since 2007 and has been active on one of the committees of the Chamber of Mines since 2008.

Muchemwa is married to Daniel, a public sector finance consultant and they have three children — a son and two daughters.



Past President

DAVID is the Managing Director of Bindura Nickel Corporation. He holds BSC and M.Sc degrees in Geology from Ethiopia (1966) and Colorado USA (1976), respectively.

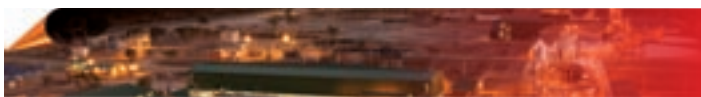
From 1966 to 1980 he was involved in mineral exploration, first in the Danakil desert in Ethiopia, then in Zambia for Anglo American Corp, and also in the Colorado Rocky Mountain region for Cities Services Corporation. In August 1980, David returned to Zimbabwe and joined the Ministry of Mines, first as Re-

gional Geologist in the Geological Survey Department where he later rose to Deputy Director before he was promoted to Deputy Secretary in the Ministry's Head Office. He subsequently rose to the position of Secretary for Mines where he served in that capacity for eight years until he retired in 1997.

From 1997 to 1999 he joined Trillion Resources Ltd, a junior Canadian mining company as Managing Director in Zimbabwe. On closure of Trillion's operations, he was ap-

pointed Chief Executive Officer of the Chamber of Mines where he served from 1999 to 2007 until he joined BNC as Managing Director from May 2007. David was born in Mutare, is a widower and has four sons.

David travelled extensively throughout the world in connection with promotion of investment in the mining industry of Zimbabwe and his belief is that minerals must be sustainably developed to benefit all citizens of the country.



PERSPECTIVES ON THE MACROECONOMY

Introduction

Every economy goes through cyclical patterns of high, moderate and low growth. These business cycles typically reflect the effects of a combination of both domestic and external factors, impacting on the economy, affecting spending, savings and investment behavior. The changes impact on aggregate demand, hence business cycles.

Zimbabwe's business cycles, ever difficult to measure because of the myriad of distortions that inherently influenced spending and demand over the years, is steadily evolving towards some degree of normalcy. This is particularly visible in terms of demand and supply as indicators of resource allocation and the price mechanism as an effective allocative device. Market forces broadly determine spending, savings and investments.

Over the past year and half, production has steadily recovered and capacity utilization inched forward. Recovery is still fragile across many sectors of the economy, but some have strengthened considerably, with capacity recovery well in excess of 70%. Aggregate demand remains low, constrained by low wages in both public and private sectors.

Significant gains have been realized over the past year and half – inflation pressures continue to subside, food availability has improved greatly, revenue collection by Government is increasing every month and commendably, social services have to a great extent been restored in education and health. Month by month there are signs of aggregate demand gains and production is also steadily gaining pace.

Notwithstanding, the above, the economy faces enormous challenges going forward. Liquidity constraints remain an albatross. Local banking sector vulnerabilities are much more pronounced compared to the region, particularly in the absence of a functional Lender of last resort.

Capitalization for many companies is a major challenge and constrains increased production. Many companies have expanded their capital raising initiatives – through the local, regional and international capital markets.

As the economy has not capitalized significantly over the past decade, substantial capital is required for increased production. Estimates show that as much as US\$3 billion capitalization is required in the mining sector alone over the next 5 years. The mining sector, however has potential to catalyze overall economic growth and spur economic recovery.

Energy is yet another challenge for the economy, with intermittent power cuts, inadvertently increasing costs for business, due to reduced production. Estimates show that the energy sector requires a minimum of US\$5 billion to stabilize energy supply and support the overall growth of the economy.

Agriculture recovery necessary, for both food self sufficiency and to underpin manufacturing sector growth, remains constrained by several interlocking factors – political, financial, legal and structural.

The global economy, as always continues to present both opportunities and challenges. Strengthening recovery fundamentals in India and China imply that global demand will yet remain strong and that means mineral prices will hold firm, with considerable benefits for Zimbabwe and the region.

Global financial weaknesses persist – euro weaknesses on the back of the Greek and euro financial weaknesses. Dollar weaknesses on the back of weak domestic US economic fundamentals, mean that the global financial system will yet be characterized by uncertainty, which means lower credit availability to emerging markets.

Zimbabwe's inability to access international credit markets to any significant degree is, principally a function of domestic, rather than international factors. The high risk perception abroad and the accumulation of external debt arrears, cumulatively at US\$4.5 billion, are among the main factors, why few lenders would avail credit lines.

Inflation Developments and Outlook

Inflation pressures, which had picked up considerable pace during the first half of 2010, have subsided, with annual headline inflation decelerating from 5.3% in June to 4.1% in July 2010. The annual headline inflation is forecast at about 4% through to December 2010.

The economy has emerged from the deflation that immediately accompanied the official introduction of the Multi Currency in February 2009.

The post hyperinflation era was characterized by deflation as prices realigned and successive negative inflation was recorded over five months from January to May 2009.

Month on Month inflation recovered into positive territory, rising to 0.5% by December 2009. Domestic price declines in 2009 were also reinforced by the removal of duty on all food imports.

The annual inflation rate was -7.8% in December 2009, reflecting the pronounced deflation that occurred at the beginning of 2009. During the first quarter of 2010, month on month inflation averaged 0.9%, and by March the year on year inflation was 3.5%, effectively ending deflation.

Going forward, the direction of monthly and annual inflation will be conditional on several interrelated domestic but also exogenous factors, notably trends in international food and oil prices.

The pace of price formation for the remainder of the year is likely to be influenced by the following factors:

- i. Rand/dollar strengthening;
- ii. Productivity and capacity utilization gains;
- iii. Domestic costs of borrowing;
- iv. Domestic and international food prices; and
- v. Duty on Food Imports.

The strengthening of the Rand against the US dollar continues to exert upward price pressures on prices in Zimbabwe. With South Africa inflation at its lowest in several years, there exists a possibility of a rate cut in South Africa, which could reverse some of the recent rand appreciation.

A weaker rand exerts downwards price pressures in Zimbabwe, but indirectly exerts upward price pressures through a build up of price pressures in South Africa, which is Zimbabwe's largest trading partner. Zimbabwe's price level will be influenced by whichever has stronger effects on prices.

The combination of enhanced productivity, higher capacity utilization and retaining zero duty on food imports implies containment of inflation pressures, while high domestic costs of borrowing, utilities and food prices, exert upward pressures on domestic prices.

The headline inflation is forecast at about 4% through to December 2010 and is unlikely to exceed 5%, on the upper end by year end, as shown below.

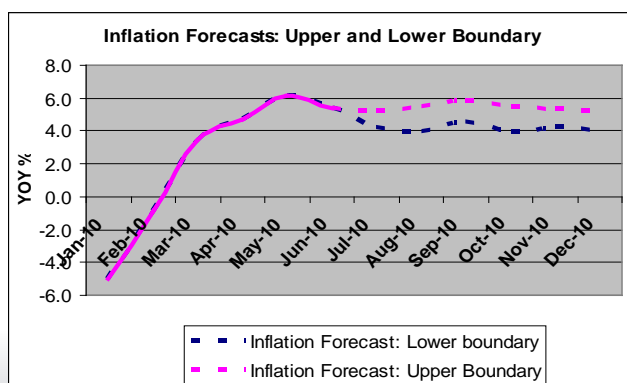
Table 1: Actual Inflation and Forecasts

Period	CPI	MOM%	YOY%
Dec-09	92.2	0.5	-7.8
Jan-10	92.8	0.7	-5.0
Feb-10	93.8	1.0	-0.8
Mar-10	94.8	1.1	3.5
Apr-10	94.9	0.1	4.8
May-10	95.2	0.3	6.1
Jun-10	95.1	-0.1	5.4
Jul-10	95.0	-0.1	4.2
Aug-10	95.1	0.1	3.9
Sep-10	95.2	0.1	4.6
Oct-10	95.5	0.3	4.0
Nov-10	95.6	0.2	4.2
Dec-10	95.9	0.3	4.0

The above inflation profile implies an average inflation of 3.3% for 2010. However this is mainly due to the outlier value in January 2010 – a result of the effects of the 2009 deflation. Stripping the CPI of the outlier implies an average inflation of 4% for 2010.

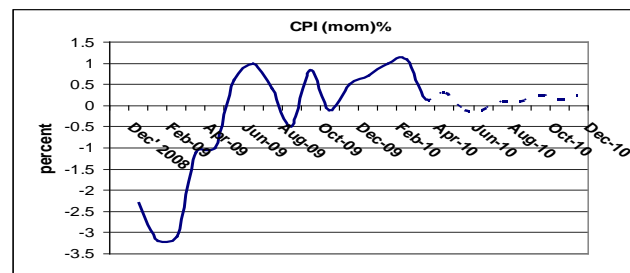
The graph below shows annual inflation forecasts – the upper and lower boundaries.

Graph 1: 2010 Actual Inflation and Forecasts



The graph below shows month on month inflation.

Graph 2: Month on Month Inflation Forecasts



1. Economic Activity and GDP

The pace of economic growth appears to progress faster than initially envisaged. Fiscal revenue collections, now at US\$143 million per month and the growth of individual and corporate taxes confirm that growth is picking, albeit unevenly across sectors of the economy.

We estimate a growth of 6.3% in 2010, on the back of strong mining and agriculture performance. Mining growth is projected at 35.3% in 2010, while agriculture is projected to record growth of 18%.

Mining Sector Growth

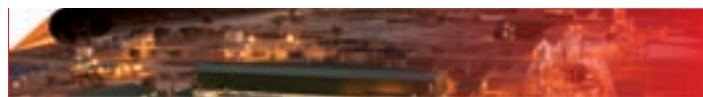
The mining sector has potential to play a catalytic and central role in the overall economic recovery. A projected growth of 35.3% in 2010 is such that, the sector will have the fastest recovery pace. The growth momentum is likely to be sustained over the medium term, subject to key enablers such as power availability, recapitalization and working capital financing.

The table below shows mining sector growth forecasts:

Mining Output Forecasts						
	2009 Production	% Change 2009	Weighted % change 2009	2010 Estimates	% Change 2010	Weighted % change 2010
Gold (kgs)	4,966	38.7	9.2	8,048	62.1	14.7
Diamonds (tons)	1,305,693			1,622,991	24.3	1.1
Coal (tons)	1,667,346	10.5	0.8	1,800,734	8.0	0.6
Nickel (tons)	4,857.5	-23.6	-2.1	6,140	26.4	2.4
Platinum (kgs)	6,849	24.6	8.4	8,850	29.2	10.0
Chrome ore (tons)	193,674	-56.2	-2.0	479,464	147.6	5.2
Black Granite (tons)	380,000.0	38.2	1.1	300,000	-21.1	-0.6
Palladium (kgs)	5,354	25.3	1.7	5,890	10.0	0.7
Rhodium (kgs)	568	28.0	1.1	720	26.7	1.0
Other						0.3
Total			17.1			35.3

Mining sector growth prospects reflect the immediate benefits of the liberalized marketing environment and the 100% retention of export proceeds. The new measures since STERP inception have enhanced viability of mining businesses, and reinvestment in capacity building. The new economic policies have also enhanced access to wider funding options, in terms of both debt and equity financing. As repayment is enhanced, mines have since steadily accessed greater funding under the new policy arrangements.

Project expansion initiatives are also envisaged – Platinum and diamond sub sectors continue to perform strongly and operating at near full capacity levels. Gold sector recovery continues to strengthen, with capacity utilization at about 30-40%, con-



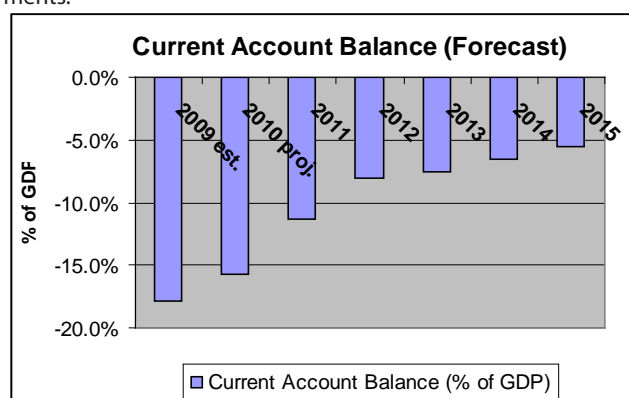
strained, in the main by power and financing challenges. The sub sector has potential to surpass the 1999 peak levels by 2013, subject to recapitalization progress.

Chrome recovery continues to gain pace, with 2010 output forecast at more than twice the output in 2009. As with other sub sectors, major recapitalization efforts are underway.

Mining sector recovery will continue to underpin economy wide growth over the medium term and such impetus will be enhanced through injection of new capital. Principally, mining sector growth will underpin balance of payments improvement, with the mining sector accounting for 50% of export earnings in 2009 and projected at 70% of exports in 2010.

The current account (as a percentage of GDP) is forecast to improve from -18% in 2009 to -15.7% in 2010 and further to single digit levels of -8.1% by 2012. On current macroeconomic policies and further improvement in the investment climate, we forecast the current account deficit will improve to levels below 5.5% by 2015.

The graph below shows forecast current account developments.



The table below shows sectoral GDP Forecasts.

Table 2: GDP Growth rates by Industry at Constant Prices (% change)

	2009 Dec	2010 Dec	2011 Dec
Agriculture	12.5	18.0	15.5
Mining	17.1	35.3	24.5
Manufacturing	7.0	7.5	12.0
Electricity & Water	1.9	2.2	4.5
Construction	1.1	1.2	3.0
Finance & Insurance	5.0	5.5	5.7
Real Estate	1.2	1.3	2.5
Distribution & Tourism	5.1	5.5	5.7
Transport & Communication	2.2	2.3	2.2
Public Administration	1.5	1.8	1.5
Education	2.7	2.8	2.2
Health	2.4	2.5	2.0

GDP at factor cost	5.6	7.7	7.9
Net taxes on production	-2.2	-1.0	-1.0
GDP at basic prices	5.6	7.7	7.9
Net taxes on products	3.5	5.0	5.0
GDP at market prices (%)	5.5	7.5	7.7

2. Concluding Remarks

The economic recovery remains fragile, but significantly the recovery is steadily gaining pace. In order to consolidate the gains of recovery, it is important to take into account some lessons, learnt from the past decade. There are many such critical lessons, but below we highlight a few:

Lesson No. 1: Fiscal Prudence as a National Priority

The lessons from the economic crisis in Zimbabwe, the Greek financial crisis, the UK overarching debt, Portugal and Spain on the brink – all the above point to one inescapable truth – the abiding need for fiscal prudence. No country, great or small can live in perpetuity beyond its means. This is true for individuals and nations.

Over the decades, Zimbabwe has perpetuated a myth that the country can print its way out of fiscal probity. Disastrous consequences have followed. The Greeks have also learnt this the hard way and Great Britain is currently implementing substantial budget cuts – the tough decisions that their fore fathers could not take, they are now forced to adopt by circumstances beyond their control. Fiscal prudence must be our second national anthem.

Lesson No.2: Managing Global Contagion Effects

The evolving global financial risks are occurring with increasing frequency, hence the need to manage the contagion effects of the global financial architecture. The former World Bank Chief Economist, Stiglitz, equated macroeconomic policy management for small open economies to 'rowing boats in high seas.' That is especially true now, as global financial crises recur with ever increasing frequency and their effects have far reaching consequences.

There is no foolproof formula to insulate a small open economy from global effects, but there are some economies that can weather the storm, much more effectively than others. These economies typically are flexible and not characterized by both nominal and real rigidities and do not sustain imbalances over long periods before correction.

The implications are therefore clear – economies that reform and diversify their productive base and maintain sustainable internal and external balances are better placed to face global uncertainties.

Lesson No.3: Contract with Zimbabwe – New Business Model

Evidently the new era characterized by macroeconomic stability, after a decade of inflation and distortions, implies that a new