THE CHAMBER OF MINES OF ZIMBABWE OFFICE BEARERS FOR 2016

President

Toindepi Muganyi is the Executive Director of Freda Rebecca Mine. He has more than 18 years mining operating experience in Southern Africa including Botswana and Zimbabwe. His previous experience includes: Freda Rebecca Mine from 1996, were he obtained mine development, technical and operating experience; Bindura Nickel Corporation from 2003: Mimosa Mining Company from 2004; Mine Manager (African Copper Mine from 2007), Production Manager (Bamangwato Concessions Limited (BCL) Botswana). Toindepi is a member of the Southern African Institute of Mining and Metallurgy and an ardent golfer. He holds a BSc (Hons) Mining Engineering Degree from the University of Zimbabwe.

Bairai Manhando is the Managing Director of BNC Limited. He holds a Masters Degree in Business Administration and a BSc (Hons) in Metallurgical Engineering. He has vast experience (in excess of 22 years) in business leadership, operations management, project management and systems development and implementation, acquired within the mining industry. He previously served in senior positions within the BNC Processing Division, as Chief Operating Officer. Batirai has led teams in the planning and execution of major projects including six-in-line furnace rebuilds, process upgrades and business turn around. He is a member of the Southern African Institute of Mining and Metallurgy. A keen golfer, Batirai is married to Euniah and they have been blessed with three sons.

1st Vice President

2nd Vice President

Elizabeth Nerwande is the current Head Corporate Affairs for Mimosa Mining Company. Her previous experience includes: Executive Director of Consumer Council of Zimbabwe (CCZ) from 1999-2003; and Chief Executive Officer for Zimtrade from 2004 – 2006. She holds an Honors degree in Industrial Psychology. Elizabeth is married to Morestaff Chibanda and has three children.

Alex Mhembere is the Chief Executive Officer of Zimplats. His previous experience includes: Managing Director (Mimosa from 2004 to 2006), General Manager (Mimosa Mining Company from 2002 to 2004), Acting Senior Manager (Mimosa Mining Company from 2000 to 2002), Finance and Administration Manager (Zimasco – Mimosa Division from 1998 to 2000), and Finance and Admin Manager (Lonhro from 1992 to 1998)Alex is a Chartered Management Accountant (CIMA), and holder of the Chartered Institute of Secretaries (CIS) Qualificaion, as well as a Masters of Business Administration (MBA). He is a keen golfer, avid reader and enjoys going out on fishing trips.

Past President

Chief Executive Officer (Ex-officio)

Isaac Kwesu is the Chief Executive Officer of the Chamber of Mines of Zimbabwe. A seasoned economist with vast academic background spanning over 15 years, Isaac's previous experience include Chief Strategy Officer for Premier Banking Corporation (now Ecobank), Head of Advisory, Research and Strategy for MMC Capital. His academic background include lecturing economics and finance courses in various institutions which include University of Zimbabwe's Graduate School of Management (MBA programme).

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FOREWORD BY THE PRESIDENT OF THE CHAMBER OF MINES

This report comes at a time the global economic growth has remained flat at 3.1% in 2016, largely weighed down by subdued performance in advanced and Sub Saharan economies. On the back of sluggish growth, the corresponding weak demand continued to exert downward pressure on mineral prices.

Reflecting the above developments and compounded by idiosyncratic risks such as capital and foreign exchange shortages, the Zimbabwe economy recorded a subdued growth of around 0.7% in 2016, compared to 1.1% in 2015.

Notwithstanding the above, our mining industry showed some signs of recovery and grew by 8.2% in 2016, compared to -2.5% in 2015, underpinned by output increases in gold, PGMs and nickel. The platinum industry was buoyed by production ramp up by the PGMs producers, while gold output was largely spurred by strong performance in the small scale sector and capital injections in the large scale sector over the past two years. The nickel industry benefitted from both increased activities in the PGMs sector and improved output from the primary producer. Reflecting output increases, total mineral revenue increased by 4% to US$1.94 billion in 2016, compared to US$1.86 billion in 2015.

In the outlook, the potential of a strong recovery in mineral prices is a cause for optimism as the industry would leverage on firming prices to retool and grow output.

Our mining industry remains a key pillar of the country's economic transformation, and its contribution compares favourably with both international and regional experiences. The sector is currently contributing in excess of 15% to nominal GDP; more than 50% to national exports; around 13% of fiscal revenue; more than 50% to foreign direct investment and +2% to national employment (creates more than 35 000 formal jobs).

During the period under review, the Chamber engaged Authorities on a number of strategic matters including Amendments to the Mines and Minerals Act, review of the fiscal framework for the mining industry and Indigenisation implementation framework.

The Chamber will continue to engage the government to expedite the process and ensure the legislative outcomes create a competitive fiscal and legal framework that creates a conducive and prospective geological environment to attract investment into

Mr. Toindepi Muganyi; Chamber of Mines of Zimbabwe President

exploration, mining and beneficiation infrastructure.

In an effort to improve information symmetry in the mining industry, the Chamber undertook the State of the Mining Industry Survey for 2016 whose findings were disseminated on 5 December 2016. The findings were well received by all stakeholders and follow up meetings on issues raised in the Survey Report we held with various stakeholders including Government and investors. The annual surveys have become a key source of information for informing and shaping policy on the mining industry as well as bridging the information gap.

Our industry has remained conscious of its social footprint outside of its primary mining activity and the Chamber continues to approach the process of wage negotiations with a receptive mind-set to ensure that the gains made over the past few years in terms of skills development, career growth paths and support for education, health and housing initiatives are not sacrificed in the interest of short term decision-making.

Finally, as the President of the Chamber of Mines, I want to express my appreciation for the unwavering support from all the Members, the Executive Committee and the Management during my two year tenure. The Chamber will continue seeking out avenues to discuss pertinent issues of mutual concern with government and all our industry partners.

Toindepi Muganyi
President: Chamber of Mines of Zimbabwe

In terms of the Chamber Constitution, the Council must meet at least once a year. Accordingly the 77th Annual General Meeting of the Chamber of Mines was held from 19 – 20 May 2016 at the Elephant Hills Hotel, Victoria Falls, with attendance exceeding 200 delegates. The AGM continues to be the most important event on the Chamber calendar and provides Members with an opportunity to deliberate key policy issues that affect the industry.

Key Issues in the Mining Industry

In the period under review, the mining industry grew by 8.2%. The industry, however, continued to be undermined by systematic challenges that include capital and foreign exchange constraints, high energy tariff, suboptimal fiscal framework and increased labor costs. While some legislative matters remained outstanding during the year under review, notable achievements were recorded on a number of strategic areas.

Indigenisation and Economic Empowerment

In response to the new Government position on Indigenisation where compliance for existing entities in the mining industry can also be achieved through spending 75% of revenues locally, the Chamber submitted its position paper that contain its proposed implementation framework to Government for consideration.

Mines and Minerals Act

While the finalisation of Amendments to the Mines and Minerals Act remained outstanding in 2016, the Chamber was actively involved in the reviewing process and submitted a position paper to the Ministry of Mines and Mining Development as well as to the Parliamentary Portfolio Committee on Mines and Energy as input into the amendment process. The Draft Bill went through first reading and the Ministry of Mines and Mining Development is in the process of incorporating comments from stakeholders ahead of Second Reading whose date is yet to be announced.

Minerals Exploration and Marketing Corporation (MEMC) Bill

The finalization of the MEMC Bill, which seeks to repeal the MMCZ Act and establish a State Exploration Company, remained work in progress during 2016. The Chamber and Geological Society of Zimbabwe submitted a position paper to Government for consideration. The Bill went through first reading in Parliament and the Ministry of Mines and Mining Development is incorporating comments from the first reading ahead of second reading on a date to be announced by Parliament.

Royalty and fiscal charges

The reviewing of the fiscal framework for the mining industry remained outstanding during 2016, with government targeting finalisation of the process by end of 2017. The Chamber will continue to support in the reviewing process through provision of data and other technical information required by the Ministry of Finance.

Mr. Isaac Kwesu; Chamber of Mines of Zimbabwe Chief Executive Officer

In the same period, the Chambers engagement with Authorities on fiscal matters culminated in deferment of export tax on raw platinum and downward review in mining fees and charges. The mining industry also benefitted from the RBZ's export incentive scheme which range from 2.5% for large scale producers, to 5% for small scale producers. The scheme has cushioned the mining which has been facing viability challenges.

Notwithstanding the above, the fiscal landscape for the mining industry remained an issue of concern during 2016, as the sector faced high ground rental fees, RDC levies, high EMA charges and suboptimal royalty which remained non – deductible as a tax expense.

Power and Energy

Following the importation of 300 MW from Eskom for which the Chamber was part to its initiation, significant improvement in the supply of energy to the industry was recorded in 2016. During the year, the Chamber, along with other stakeholders including Business Membership Organizations, successfully lobbied against ZETDC's bid to increase electricity tariff by up to 49% in 2016. Meanwhile, ZETDC agreed with the Chamber for a lower tariff for gold producers where the mining entities will prepay for their energy requirements.

Notwithstanding the above, reliability and sustainability of supply in light of potential growth remain major causes for concern.Labour issues

Labour Issues

Wage negotiations for 2016 culminated in an agreed 1.5% wage increase for grades 1 – 13. The “Dollar Value” was retained. The negotiating parties resolved that mining houses without capacity to afford the increment would apply for exemption.

Foreign exchange issues

The industry's performance in 2016, particularly the gold sector, was undermined by delays in the processing of foreign payments for the importation of critical supplies for the mining industry. COMZ proactively engaged Monetary Authorities on the matter. Some positive outcomes were recorded with the mining industry being prioritized in the allocation of foreign exchange.

Membership

The paid up Members of the Chamber as at 31 December 2016 comprised of the following:

Class	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
A	14	13	12	14	16	16	16	14	13	12
B	5	5	5	6	9	9	9	11	11	11
C	2	3	3	6	12	12	11	10	2	2
D	12	11	10	12	31	31	29	22	8	9
E	80	51	42	59	86	66	62	45	8	11
F	9	9	-	-	-	-	-	-	17	19
G	8	7	5	9	14	13	13	12	8	11
H				-	-			-	6	5
I				-	-			-	-	-
J				-	-			-	-	-
K				-	-			-	-	-
L				-	-			-	89	56
Total	**139**	**99**	**77**	**106**	**168**	**147**	**140**	**114**	**162**	**136**

Elections

In terms of the Constitution of the Chamber, Council elected the following as office bearers:

President	T Muganyi
Senior Vice-President	B Manhando
Junior Vice-President	E Nerwande

Executive Committee

Council appointed the Executive Committee for 2016-2017, which comprise, with amendments, the following:

President	T Muganyi
Senior Vice-President	B Manhando
Junior Vice-President	E Nerwande
Immediate Past President	A Mhembere

Representing Class A Members

J. Maposa	R. Chingodza
K. Kekani	J. Musekiwa
B. Manhando	A. Mhembere
Z. K. Kasete	T. Muganyi
W. Chitando	I. R. Saunders
N. Matimba	M. Shava

Representing Class B Members:

M. Learmonth	V. Gapare
F. Taderera	C. Zishumba

Representing Class C Members

K. Magoma	F. Stewart

Representing Class D Members

W Kutekwatekwa	T. Gono

Representing Class E Members:

I. Makuzwa

Representing Class G Members:

B. B. Stone

Chief Executive Officer (Ex officio)

I Kwesu

Chairpersons of Committees:

Economic Development and Investment Committee	W. Chitando
Electricity and Power Development Committee	P. Sana
Finance Committee	F. Makoni
Gold Producers Committee	N. Matimba
Indigenisation Committee	T. Muganyi
Joint Suppliers & Purchasing Committee	A. Mhembere
Labour Committee	B. Munhando
Legal Matters (General) Committee	G. Bera
Mines and Minerals Act Committee	L. Manda
Platinum Producers committee	W. Chitando
SHE Committee	W. Chitando

Co-opted Members

There were no co-opted Members for 2016 – 2017.

Senior Management Secretariat

Chief Executive Officer	I Kwesu
Mining Affairs Manager	D. D. Matyanga
Labour and Manpower Resource Manager	D. Verden
Economic Affairs and Investment Promotion Manager	P. Chitsuro
Finance Officer	S. Sarangwa

Role of the Chamber Going Forward

The Chamber, through the Executive Committee and sub committees, will continue engaging Authorities and other key stakeholders on issues affecting the mining industry. Detailed Papers on the mining industry's position will be developed.

On behalf of the Chamber Secretariat, I would like to thank members of the Secretariat and extend my sincere appreciation to our Office Bearers and Executive Committee for their advice and dedication for the goodness of the Chamber of Mines. Prospects of our industry remain bright and the mining sector will continue to anchor the recovery of the country's economy.

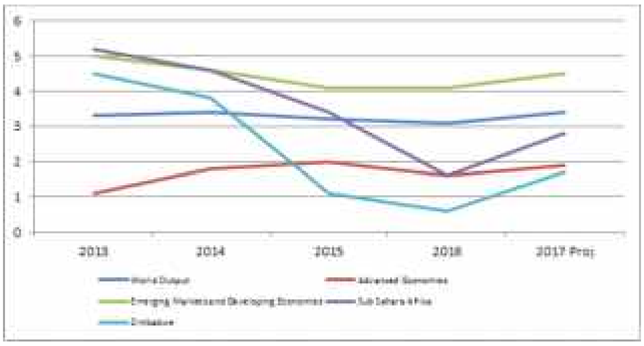
Isaac Kwesu
Chief Executive Officer

The Global Economy and Outlook

The global economy remains subdued. . .

The global economy slowed down in 2016 to 3.1%, from 3.2% in 2015, largely weighed down by softening growth in advanced economies (from 2.1% in 2015, to 1.6% in 2016) and Sub Saharan economies (from 3.4% in 2015, to 1.6% in 2016), while emerging economies predominantly recorded weak growths. In the outlook, the global economy is projected to recover, growing by 3.4% in 2017 underpinned by anticipated improvements in all economic blocks.

Figure 1: Global Growth and Outlook (%)



Source: World Economic Outlook (January 2017)

Commodity prices remained predominantly low. . .

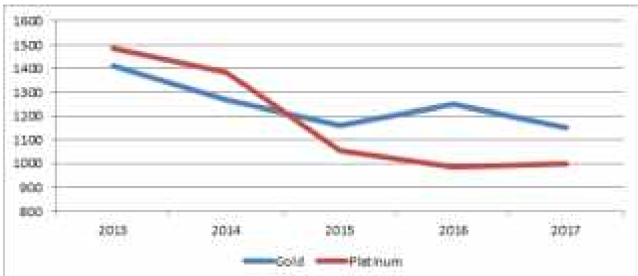
Except for gold and coal, and on the back of a Global outlook, prices for key minerals remained largely subdued in 2016, impacting negatively on the external positions of commodity dependent economies. While gold and coal prices increased by 9% and 19% in 2016 compared to 2015 respectively, prices for nickel (-19%), platinum (-6%) and copper (-9%) declined for the same period.

Table 1: Commodity prices (2015-2019)

	2015	2016	2017	2018	2019
Gold/ounce	1 160	1 249	1 150	1 138	1 126
Platinum/ounce	1 053	987	1 000	1 032	1 064
Copper/ton	5 510	5 000	5 400	5 509	5 620
Nickel/ton	11 863	9 595	11 000	11 518	12 060
Coal/ton	58.9	70.2	73.9	61.7	55.4

Source: Kitco and World Bank

Figure 2: Gold and Platinum Prices ($/oz)



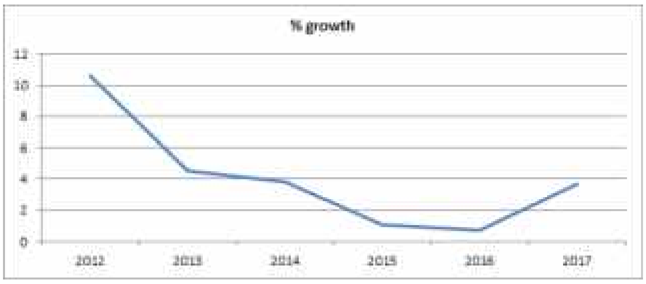
Source: Kitco and World Bank

In the outlook, commodity prices are expected to remain subdued undermined by weak Global recovery prospects.

Domestic Economy and Outlook

Zimbabwe recorded a sluggish growth of 0.7% in 2016, largely weighed down by subdued output in agriculture and other key sectors of the economy. Coupled with the contagion effects of subdued commodity prices, capital and liquidity constraints and the widening infrastructure gap, activities in the economy were predominantly subdued. The economy is expected to rebound in 2017, buoyed by significant growth in agriculture and mining output on the back of a favorable agriculture season and anticipated strong performance in output for key minerals such as gold, platinum, diamonds and chrome.

Figure 3: Real GDP Growth (%)



Source: ZimStat and Ministry of Finance

Figure 4: Real Sector (%) Growth

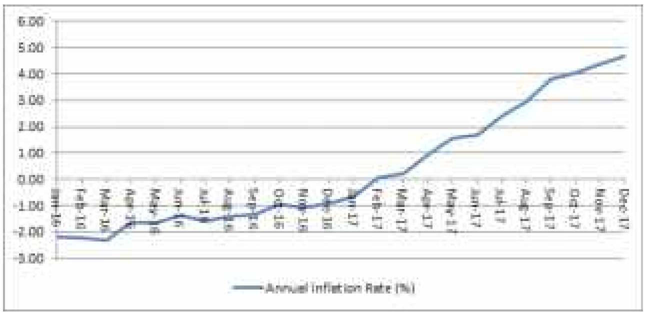
	2013	2014	2015	2016	2017 Proj.
Agriculture	-2.6	23.0	-5.2	-3.7	21.3
Mining	11.7	-3.4	-2.5	8.2	5.1
Manufacturing	-0.6	-5.1	0.2	0.3	0.1
Electricity and water	5.0	5.4	-5.5	-19	2.5
Construction	3.9	6.9	4.0	3.5	2.0
Finance and Insurance	11.3	7.7	4.6	3.5	2.0
GDP at Market Price	**4.5**	**3.8**	**1.1**	**0.7**	**3.7**

Zimstat, Ministry of Finance and RBZ

Inflation Developments and Outlook

While deflationary conditions persisted throughout 2016, the pressures eased off from -2.19% in January 2016, to close the year at -0.93%. Average deflation for the year stood at -1.6%, compared to -2.6% in 2015. In the outlook, the country is expected to migrate to positive inflation territory on the back of distortionary effects of multi-pricing and speculative tendencies brought about by the introduction of Bond Notes during 2016. Accordingly, inflation is projected to close the year 2017 at 4.7% and average around 2.2% for the year.

Figure 5: Inflation Profile and Projections (2016 – 2017)

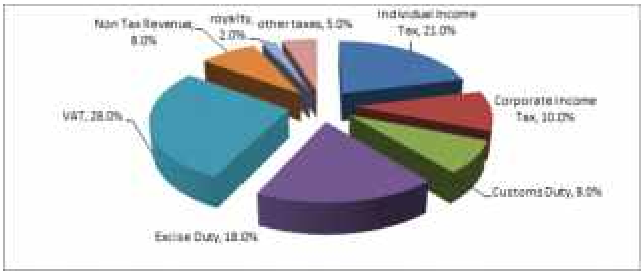


Source: ZimStat and RBZ

Fiscal Budget Performance

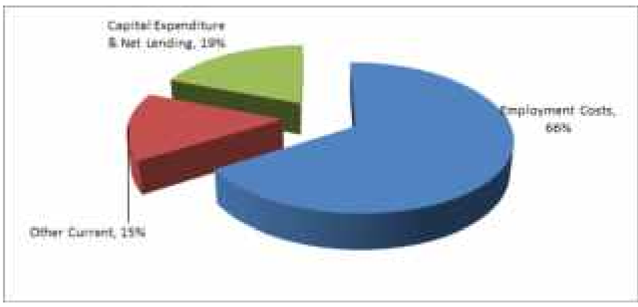
Total government revenue collections for 2016 were at US$3.52 billion, against total expenditures of US$4.92 billion, representing a deficit of US$1.4 billion. Reflecting subdued economic activities in 2016, the 2016 revenue was 6% lower than the 3.74 billion collected in 2015.

Figure 6: Distribution of 2016 fiscal revenue



Source: Ministry of Finance

Figure 7: Expenditure Distribution for 2016 (% of total expenditures)

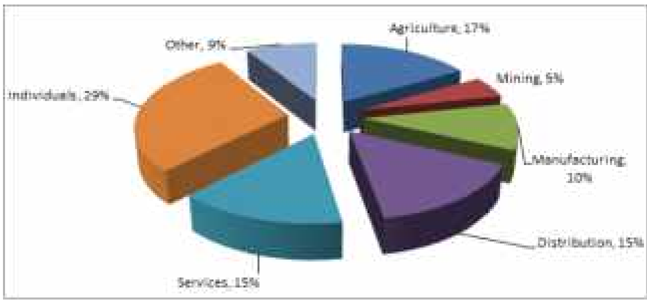


Source: Ministry of Finance

Monetary and Financial Sector Developments and Outlook

Banking sector deposits increased by 16% to US$6.51 billion as at 31 December 2016, from US$5.62 billion be end of December 2015, notwithstanding the tight liquidity situation that continued to prevail in the economy. Around 55% of the deposits we demand deposits, reflecting the transitory nature of the bulk of the deposits in the country's banking sector. Banking sector loans declined by 5% to US$3.69 billion by end of December 2016, from US$3.87 billion in December 2015, with mining accounting for only 5% of the total loans in the economy.

Figure 8: Share of private sector credit (December 2016)



Source: RBZ

Notwithstanding the increase in deposits, the economy experienced a crippling liquidity crunch which manifested in delays in the processing of foreign payments for the importation of critical raw materials. In view of the foreign exchange shortages, the Central Bank prioritized the mining industry, along with other critical sectors of the economy, for the allocation of foreign exchange. During the same period, the Reserve Bank of Zimbabwe also introduced export incentives (financed through issuance of bond notes) ranging from 2.5%, to 5% with a view to boosting exports.

External Sector Developments and Outlook

The country's trade deficit narrowed to -US$827 million in 2016, from –US$1.28 billion in 2015 on the back of a combination of improved export receipts (from US$3.4 billion in 2015, to US$3.7 billion in 2016) against a background of a subdued import bill of US$5.2 billion, compared to US$5.4 billion in 2015. The outlook for the country's external position continues to be compromised by the weak outlook for commodity prices.

Foreign Direct Investment (FDI)

FDI inflows into the country continued to decline, with the economy recording US$254.7 million in 2016, compared US$399.2 million in 2015, on the back of an unattractive investment environment characterized by perceived country risk. The country's FDI inflows are significantly lower, compared to those recorded in regional countries in 2015 (Mozambique, US$3.9 billion; Zambia, US$1.6 billion; Angola, US$9.3 billion; South Africa, US$1.6 billion; Malawi, US$515 million).

Operating Environment

During the period under review, the operating environment for the mining industry remained predominantly challenging, characterized by viability challenges arising from high operating costs, capital shortages, suboptimal fiscal regime and depressed mineral price. Coupled with a crippling foreign payments gridlock that prevailed during the year, the performance of the mining industry was largely compromised. Against the above, the Chamber of Mines proactively engaged Authorities in a number of issues affecting the mining industry, culminating in some supportive legislative and policy changes for the mining industry. Legislative changes were related to the Indigenisation Law, Amendments to the Mines and Minerals Act, Gold Trade Act, Special Stones Act, Mineral Exploration and Marketing Corporation Bill, among other legislative changes. With regards policy changes, progress was largely recorded in fiscal and monetary policy as well as doing business reforms being undertaken by the Office of President and Cabinet.

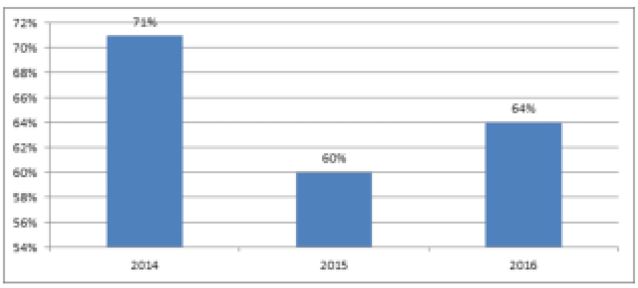
Mining Sector Performance and Outlook

The mining industry remained predominantly subdued in 2016, weighed down by depressed mineral prices, foreign payments delays for importation of critical raw materials, inadequate capital, a high cost structure, a suboptimal fiscal regime, and shortages and high cost of utilities. Against the above, output and earnings for the mining industry were below targets.

Capacity utilization in the mining industry

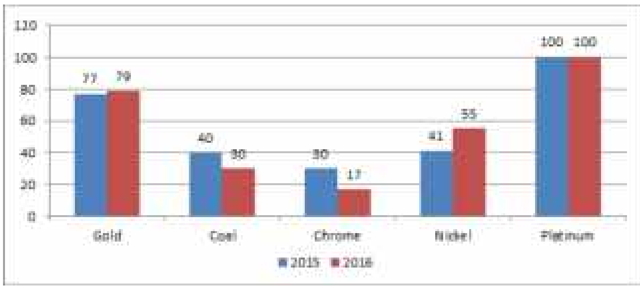
Notwithstanding the above challenges, average capacity utilization across the mining industry increased from 60% in 2015, to 64% in 2016 largely benefitting from improved utilization levels in gold (77%, to 79%) and nickel (41%, to 55%). Coal and chrome, however, recorded declines in capacity utilization in 2016, compared to 2015. The 2016 average capacity utilization remained lower than the 71% recorded in 2014.

Figure 9: % Capacity utilization levels in the mining sector



Source: 2016 State of Mining Industry Survey

Figure 10: Average Capacity Utilization for Selected Minerals (%)

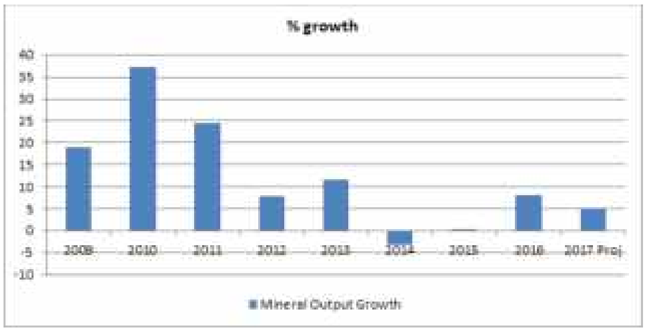


Source: 2016 State of Mining Industry Survey

Mineral output

The mining industry recorded a 8.2% output growth in 2016, up from -2.5% in 2015, largely underpinned by significant output increases for gold, platinum, palladium, chrome and nickel. Diamond and coal on the contrary, recorded significant output contraction for the comparable periods.

Figure 11: Mineral output growth (2009 – 2016)



Source: ZimStat, MOF, RBZ, Chamber of Mines

Table 2: Output for selected minerals (2015 – 2016)

	2015	2016	% Change from 2015	2017 Proj.	% Change from 2016
Gold \kg	20 020	23 187	16%	24 500	6%
Platinum \kg	12 564	15 110	20%	15 500	3%
Diamonds\(000) carats	4 072	1 746	-57%	1 900	9%
Palladium	10 055	12 222	22%	12 400	1%
Chrome \'000 t *	208	285	37%	375	32%
Nickel \t	16 108	17 743	10%	18 098	2%
Coal \'000 t *	4 336	2 515	-42%	3 000	19%

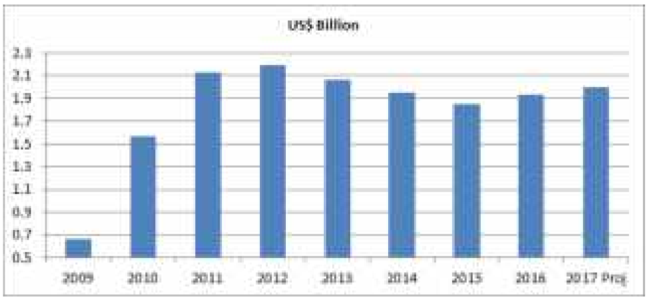
Source: Chamber of Mines, Ministry of Mines and Mining Development

In 2017, mineral output growth is projected to soften to grow by 5.1%, underpinned by anticipated recovery and strong performance in all key minerals including diamonds, chrome and coal.

Mineral Revenue

Mineral revenue increased by 4% to US$1.94 billion in 2016 underpinned by strong output performance. In the outlook, mineral revenue is projected at around US$2 billion in 2017 largely benefitting from increased mineral output and a favorable outlook for mineral prices.

Figure 12: Mineral Revenue (2009 – 2016)

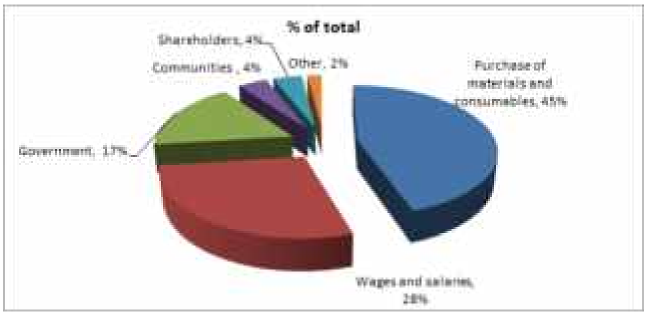


Source: RBZ and Chamber of Mines

Distribution of Mining Revenue

Chamber of Mines statistics show that of the US$1.94 billion generated in 2016, 45% was spent on the upstream (suppliers); 28% on wages and salaries; 17% was paid to Government; 4% went to communities; and the remainder was for other expenses and shareholders.

Figure 13: Distribution of mining revenue (2016)



Source: Chamber of Mines

Table 13: Revenue for selected minerals (2015-16)

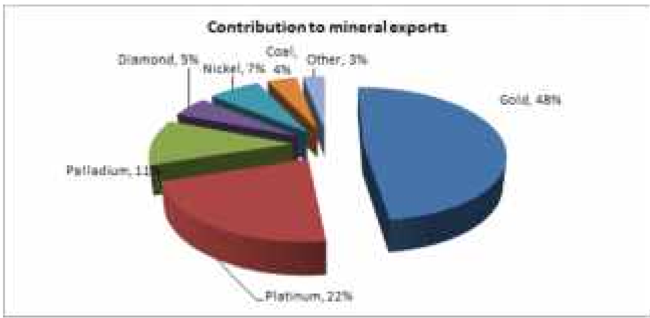
	2015 (US$ million)	2016 (US$ million)	% Change
Gold	737	924	23%
Platinum	381	416	9%
Palladium	197	208	5%
Coal	79	78	-1%
Chrome	21	31	5%
Nickel	142	123	-13%
Diamond	178	88	-51%

Source: RBZ, Chamber of Mines

Concentration ratio of the top minerals

Notwithstanding the 40- plus mineral endowments in Zimbabwe, more than 88% of the value of mineral output in 2016 was accounted for by 4 key minerals (gold, platinum, palladium and nickel), with gold constituting 48% of total revenues.

Figure 14: Contribution to mineral exports (2016)



Source: RBZ and Chamber of Mines

Gold Output

Gold output at 23 187 kg in 2016 was 16% up from to 20 023 kg recorded in 2015, largely spurred by a 36% increase in gold deliveries from small scale producers.

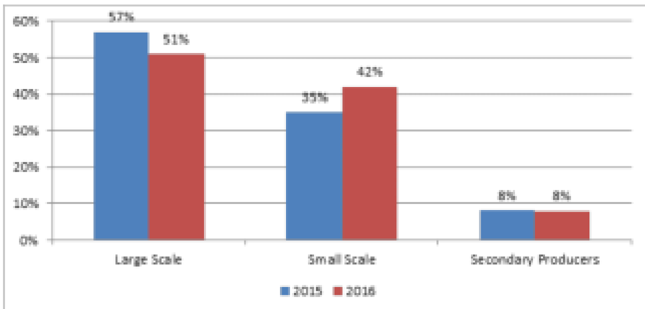
Table 4: Gold Output by class of producer (2015 - 2016)

	2015	2016	% Change
Large Scale Primary producers	11 429	11 760	3%
Total Small Scale	7 099	9 680	36%
Secondary Producers	1 494	1 747	17%
Total Gold Output	**20 023**	**23 187**	**16%**

Source: Fidelity Printers and Refineries, Chamber of Mines

Reflecting the growing importance of small scale producers in the gold industry, they accounted for 42% of total gold output in 2016 (compared to 36% in 2015), while large scale producers contributed 51% of total gold output in 2016 (compared to 57% in 2015)

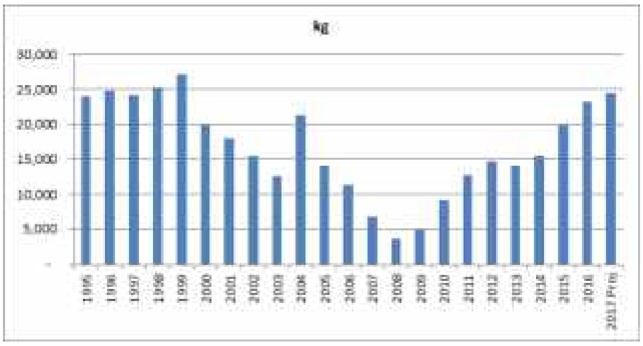
Figure 15: Contribution to gold output by category (2015 – 2016)



Source: Fidelity Printers and Refineries, Chamber of Mines

Gold output is projected at 24.5 tons in 2017, on account of increased output from both large and small scale producers as Government support facilities for the gold sector materialize.

Figure 16: Gold Output

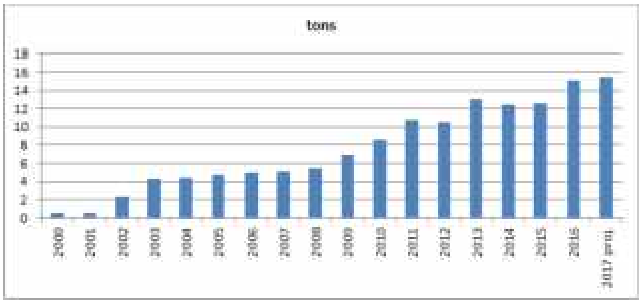


Source: Chamber of Mines and ministry of Finance

Platinum

Platinum output increased significantly to an all-time peak of 15.1 tons in 2016, from 12.6 tons in 2015 on the back of increased output by all producers. In 2017, platinum output is projected to increase to 15.5 tons, benefitting from production ramp up by all existing producers.

Figure 17: Platinum output (2000 – 2016)

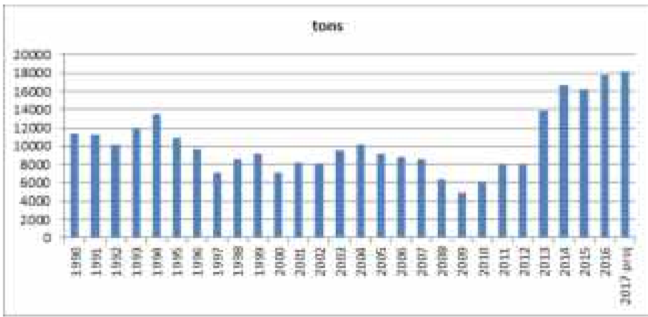


Source: Chamber of Mines and Ministry of Finance

Nickel

Nickel output also recorded an all-time peak of 17 743 tons in 2016, from 16 109 tons in 2015, largely benefitting from increased activities in the PGMs sector as well as production ramp up at the primary producer, BNC. Of this output, 62% was generated by Secondary (platinum) producers while the remainder came from the primary producer. In 2017, nickel output is expected at 18 093 tons benefitting from increase in output for both primary and secondary producers.

Figure 18: Nickel output (1990 – 2017)

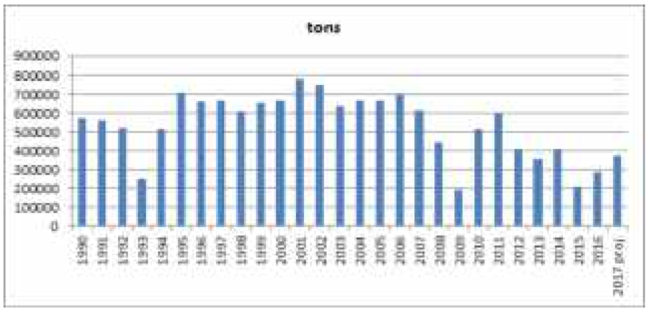


Source: Chamber of Mines and ministry of Finance

Chrome

Chrome output increased by 37% in 2016 to 285 000 tons, from 208 000 tons in 2015 on the back of the lifting of the ban on exportation of chrome ore. In the 2017, the recovery in ferrochrome prices is expected to spur chrome production to 375 000 tons.

Figure 19: Chrome ore output (1990 – 2017)

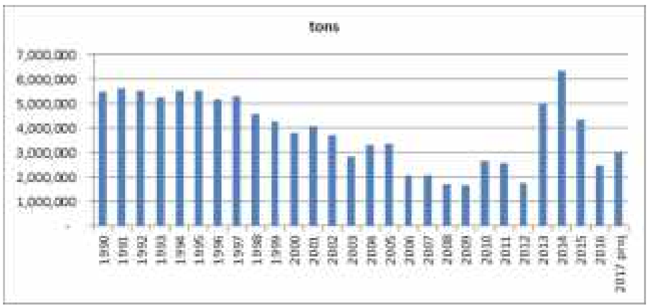


Source: Chamber of Mines and Ministry of Finance

Coal

For the second consecutive year, coal output declined by 42% to 2.52 million tons in 2016, from 4.34 million tons in 2015, as viability challenges impacting on one of the largest players persisted during 2016 impacting negatively on output. Coal output is expected to recover to 3 million tons in 2017 spurred by a recovery in coal prices and turnaround strategies being implemented at Hwange Colliery.

Figure 20: Coal output (1990 – 2017)

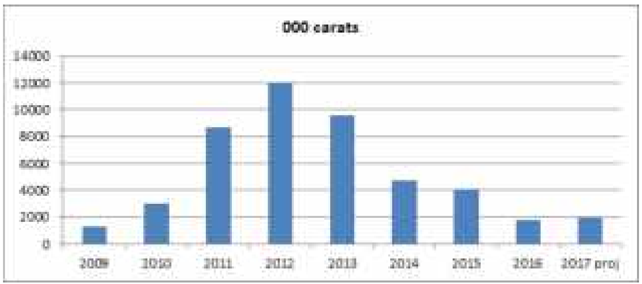


Source: Chamber of Mines and ministry of Finance

Diamond

Diamond output declined to 1.8 million carats in 2016, from 4.1 million carats in 2015, largely weighed down by the depletion of alluvial diamonds in the Marange Diamond Fields due to delays in the consolidation of the diamond sector. Resolution of disputes related to consolidation of the sector is expected to result in improved diamond output to 1.9 million carats in 2017.

Figure 21: Diamond output (2009 – 2017)



Source: Ministry of Mines and Mining Development

Iron Ore \ Asbestos

No production was recorded for both iron ore and asbestos in 2016 as operations for both minerals remained mothballed as was the case in 2015. These minerals, however, remain strategic in the development of the mining industry as the industry continues to lose its diversity.

The 2016 State of Mining Industry Survey

The findings of the 2016 State of the Mining Industry Survey were disseminated on 5 December 2016 at a Conference attended by all stakeholders. The findings were well received with follow up meetings on issues raised in the Report having been held with many Stakeholders who include Government, investors and financiers. The Report has also become a referral point for any mining related information.

Outstanding Legislative and Policy Framework for the Mining Industry

Policy Framework

a) Minerals Development Policy

The process of developing the country's Mineral Development Policy gathered pace in 2016, with the Ministry of Mines and Mining Development requesting the Chamber to make a submission on the Industry's expectations. The Chamber is in the process of developing the same ahead of the submission deadline set for the end of the first half of 2017.

b) Fiscal Policy Framework for the Mining Industry

The Chamber continued to engage Authorities on fiscal matters throughout 2016, culminating in supportive proposals for the mining industry as announced in the 2016 Mid Term Fiscal and Monetary policy Reviews as well as the 2017 National Budget Statement. Proposals which are at various stages of implementation include: the reduction in mining fees and charges; royalty reduction on incremental gold output; RBZ export incentives and the postponement of the export tax on unbeneficiated platinum. Measures that are yet to be implemented include proposal to reduce and standardize RDC charges; proposal to remove the 2% EMA fee; and proposal to reduce Environmental Impact Assessment fees. The issue of deductibility of royalty for taxation has remained outstanding and the Chamber will continue to lobby government on the matter as well as for an optimal fiscal regime for the mining industry.

Table 6: Mining tax and fees

Royalties	1 -15% of gross revenue
Export tax on unprocessed platinum and diamonds	15% of gross revenue
Marketing commissions (MMCZ)	0.875% of gross revenue
EMA charges	2% of gross revenue
Corporate income taxes	25%
VAT	15%
Custom duty	0 – 60%
PAYE	Up to 45%
Capital gain	15 – 20%
Local authority charges	Vary with local authority
Mining licence fees	As per **SI** 11 of 2012

I. New Fiscal regime for the mining sector

The development of the Model is underway with the process now expected to be finalized before the end of 2017 as announced in the 2017 National Budget Statement. The fiscal framework is expected to streamline fiscal charges with a view to improving the competitiveness of the mining industry.

ii. Mining Fees and Charges

The Ministry of Mines and Mining Development is still working on the downward review of the fees and charges and the process is expected to be finalized during the first half of 2017. The Chamber will continue to engage the Ministry on the matter.

Table 7: Summary of the existing fees structure (SI 10 of 2016)

Section	Fees effective March 2014 SI 56 of 2014	New Fees as of 22 January SI 10 of 2016
Registration Fee for diamonds	Has been removed Application\renewal fee set at $1million	Registration for Diamonds is not specified in the SI
Application fee for Coal & CBM	$10 000	Not specified in the SI
Prospecting Licence – Ordinary for mining district Ordinary for the country	350 750	200 500
Registration of base minerals Ordinary PL Special PL	500 500	300 400
Application Special Grant Part XIX and renewal	5 000	1 000
New Fees		
General Fees		100
Registration of precious metal blocks		US$200
Application of mining lease		US$2 000
Registration of Mining Lease		US$5 000
Transfer of Mining Lease		US$2 000
Special Mining Lease rental		US$10/ha/yr
Application of Special Grant under Part XX – Non refundable		US$2 000

iii. Rural District Council (RDC) Charges
The issue of reviewing RDC charges remained outstanding in 2016 and the charges continued to be high and varied across RDCs. The Ministry of Finance has undertaken to consider the matter within the auspices of the new fiscal framework for the mining industry which is expected to be finalized before the end of 2017. The Chamber will continue to engage Authorities on the matter.

c) Investment Policy Environment
During the period under review, Government intensified the process of reviewing all impediments to investment through Doing Business Reforms spearheaded by the Office of President and Cabinet. Coupled with the fairly flexible new Government position on compliance with the Indigenisation Law, the investment environment is poised for great improvement. Notwithstanding the above, delays in legislative amendments to the Indigenisation Law in line with the new Government position on compliance with the Law (as directed by through a Presidential Statement on 11 April 2016 wherein compliance with the law can be achieved through spending 75% of gross revenues locally), continue to create anxiety among investors. Accordingly, FDI inflows into the country are estimated to have declined to US$251 million in 2016, compared to US$390 million in 2015.

Legal and Legislative Framework

a) Amendments to the Mines and Minerals Act
Finalisation of Amendments to the Act remained outstanding in 2016. The Draft Bill went through first reading and the Ministry of Mines and Mining Development is in the process of incorporating comments ahead of Second Reading whose date is yet to be announced. The Chamber submitted a position paper to the Ministry of Mines and Mining Development and the Parliamentary Portfolio Committee on Mines and Energy outlining the Chambers areas of concern and the issues are being considered by the Ministry of Mines.

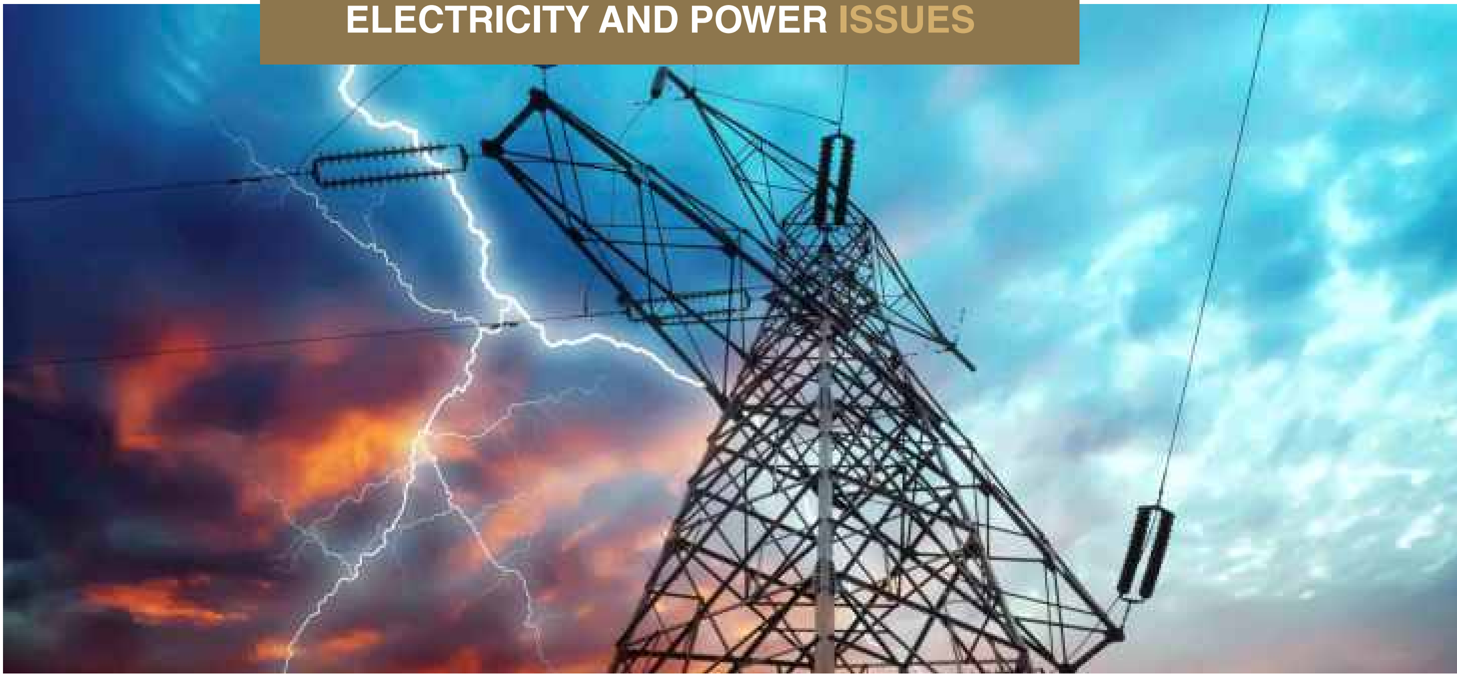
b) Indigenisation and Economic Empowerment Act
Amendments to the Indigenisation Law in line with new Government policy announced by the President (where compliance for existing entities in the mining industry can be achieved through spending 75% of revenues locally) remained outstanding during the year. The Chamber developed a and submitted a position paper to Government outlining its understanding and expectations with regards the new position as input into the finalization of the Implementation Framework for the mining industry.

c) Mineral Exploration and Marketing Corporation Bill
The Bill, which seeks to repeal the Minerals Marketing Corporation of Zimbabwe Act and establish a Parastatal responsible for both exploration and marketing of minerals went through first reading in Parliament. The Chamber, together with the Geological Society of Zimbabwe, submitted recommendations on the Bill to the Ministry of Mines and Mining Development for consideration. The Chamber submission and comments from the first reading are being incorporated ahead of second reading whose date is yet to be communicated.

d) Amendments to the Gold Trade Act and Precious Stones Act
The Ministry of Mines and Mining Development is in the process of amending the two Acts with a view to harmonizing all pieces of legislation that govern the extraction and marketing of gold for ease of administration and minimizing leakages. The Chamber of Mines submitted its proposals to the good of the amendments.

e) Environmental Regulatory Framework
The environmental management landscape for the mining industry remained predominantly challenging during 2016, notwithstanding the marginal downward review in EIA levy to a range of between 0.8% - 1.2% of project cost, from 1.5% of project cost (with a cap of US$2 million). The 2% fee for exploiting the environment also remained at 2% of gross revenues. These charges have remained high compared to other mining jurisdictions and have compromised the competitiveness of the country's mining industry.

During the same period, the Chamber of Mines finalized the development of an alternative model for providing for rehabilitation after closure. The Product has already been presented to Government and EMA for consideration. Once approved by Government, the product will replace the 2% EMA fee.



Power supply to the mining industry

Following the importation of 300 MW from Eskom for which the Chamber was part to its initiation, significant improvement in the supply of energy to the industry was recorded in 2016. However, power supply remains fragile with only the Dema 200MW project (which came at a higher cost) commencing operations in 2016 while all other projects are long term.

Power Generation

Power generation for key power stations for 2016 were as follows:

i. **Kariba 285MW.** The water level was still low but reports suggest that there would be an increase in water allocation from the Zambezi River Authority.
ii. **Hwange 300MW - 600MW.** Power was erratic and was dependent on the state of the plant.
iii. **Independent Power Producers 3MW.** Low water levels
iv. **Small Thermals 100MW.** Bulawayo was off line and Munyati had no available coal
v. **Demo (Diesel Generation) 100MW.** Possibility of greater generation but the cost was high.
vi. **Imported (Eskom) Up to 300 MW.** Funding challenges.

Table 8: Power Projects

	Source	Power Output	Date of Completion
1.	China Africa Sunlight	600MW	
2.	Sengwe	1200MW	Finance Issues
3.	Makomo	600MW	
4.	Lusulu	600MW (2400MW)	Finance Issues
5.	Hwange	600MW	2018
6.	Kariba South	300MW	2018
7.	Batoka	2400MW	Feasibility Study
8.	Southern Energy Thermal	600MW	
9.	Lubu Binga	600MW	
10.	Small Thermals	100MW +-	Ongoing
11.	Diesel Generation	200MW	Operational, but expensive

Source: Zimbabwe Power Company

Power costs/tariffs

During the year, the Chamber, along with other stakeholders including Business Membership Organizations, successfully lobbied against ZETDC's bid to increase electricity tariff by up to 49% in 2016.

Prepaid electricity arrangement for gold producers

During the year under review, ZETDC agreed with the Chamber for a lower tariff for gold producers where the mining entities will prepay for their energy requirements.

Zimbabwe Energy Regulatory Authority (ZERA)

Quarterly Meetings with ZERA

The Chamber maintained its good relations with ZERA throughout the year with regular quarterly meetings with ZERA. These meetings have proven to be useful where all stakeholders have the opportunity to express their views, and to receive information from ZERA on various initiatives taking place. Through the meetings, the Chamber was informed that there are a number of potential new power producers which include:

National Stakeholder Engagement Workshop

The Chamber participated in ZERA's National Stakeholders Workshop which was held in February 2016 to review the ZERA Service Charter. The Chamber outlined all its concerns related to power issues during the workshop.

Trade Unions

There were six registered employee representative bodies in the mining sector and these were:

a) Associated Mine Workers Union of Zimbabwe (AMWUZ);

b) National Union of Mines, Quarries, Iron and Steel of Zimbabwe (NUMQISZ);

c) Mine Workers Union of Zimbabwe;

d) National Mine Workers union of Zimbabwe;

e) Black Granite, Quarries, Workers Union of Zimbabwe;

f) Zimbabwe Diamond Workers Union.

AMWUZ remained the only trade union on the NEC. The other three have all expressed their desire to sit on Council, however, the Constitution of NEC for Mining was a voluntary agreement between the Chamber and the AMWUZ in terms of the Labor Act, and does not give any rights for other trade unions to participate. Amendments to the Labour Act may change to allow all registered trade unions to participate in the affairs of Council.

National Employment Council for the Mining Industry (NEC)

i. Appointment of Independent Chairman for 2016

Mr Cephas Kare was re-appointed as the Independent Chairman of the Council for another year.

ii. Revision of Job Grading in the Industry

A NEC sub-Committee was established to undertake a process of job grading and recommend new jobs arising from new technology being utilized in the mining industry. The process is expected to be finalised during the first half of 2017

Wage and Salary Issues

Wage negotiations culminated in an agreement for a 1.5% wage increase for 2016. The negotiating committee also agreed that those companies that do not afford the increment should apply to NEC for exemption.

Table 9: Minimum wage rates

National Employment Council for the Mining Industry
Minimum Rates of Pay from 1 January 2016 to 31 December 2016

Grade	Minimum per Month as at 31/12/2015	New Minimum per month from 1/1 16 to 31/12/16	New Minimum per shift	Dollar Value Increase
1	245.56	249.24	9.59	3.68
2	247.52	25	9.66	3.71
3	248.53	252.26	9.70	3.73
4	252.90	25	9.87	3.79
5	260.44	264.35	10.17	3.91
6	272.67	27	10.64	4.09
7	283.84	288.10	11.08	4.26
8	309.14	31	12.07	4.64
9	375.01	380.64	14.64	5.63
10	420.44	42	16.41	6.31
11	492.59	499.98	19.23	7.39
12	524.30	54	20.86	8.01
13	569.55	578.09	23.23	8.54

Labor Act and Associated Legislation

Labor relations in 2016 were largely calm, with no reports on job actions, compared to the turbulent 2015 which was necessitated by the Zuva Judgement which culminated in widespread job losses on three months' notice.

Tripartite Negotiating Forum (TNF)

The TNF Bill, which seeks to formalise the structure and operation of the TNF to allow consultation, co-operation and negotiation on social and economic issues by the three parties (Government, business and labour), was tabled before Parliament during the year.

International Labour Organisation (ILO)

The Chamber participated and made recommendations at a Consensus Building Workshop organised by the Ministry of Public Service Labour and Social Welfare to deliberate on issues raised by the ILO about the current Labor Act and other labor issues.

TB in the Mining Sector (SADC)

During the year, the Chamber has been actively engaged in supplying information for this project, and a number of mine doctors are continuing to contribute to the clinical and medical aspects of the project.

National Social Security Authority (NSSA)
Tt a meeting held with the Board and Management of NSSA in November 2016, the Chamber made recommendations to NSSA's Vision and work plan for the short and medium term.

National Health Insurance Scheme

Government has indicated its intention to introduce a National Health Insurance Scheme that would be controlled and run by NSSA. The Scheme would be compulsory and designed to cover everyone, including those who were not employed. Funding would come from employers and employees.

Safety issues

The Safety Health and Environment (SHE) Committee met consistently during the year to deliberate on key issues that include the Mine Closure Rehabilitation product, SHE audits and Review of Environmental Impact Assessment fees.

Accidents

Reflecting improved adherence to safety standards, there were 36 fatal accidents recorded in 2016, compared to 42 in 2015.

Causes of Accident

Out of the 36 accidents recorded in 2016, 24 were related to fall of ground. While greater efforts continue to be applied on fall of ground management by members of the Chamber of Mines, a strategy to obtain the same commitment from other producers in the industry is needed.

Table 10: Causes of accidents (2015 – 2016)

	2015	2016
Fall of Ground	8	24
Collapsing Pits and Trenches	4	0
Falling Down Excavations	5	3
Gassing	2	3
Shaft Accidents	5	2
Trucks and Tramming	2	0
Machinery	4	1
Explosives	2	1
Moving/rolling broken rock	1	0
Falling materials	2	0
Drowning	1	0
Electrocution	2	0
Other	3	2
Total	**42**	**36**

Source: Chamber of Mines

First aid

The 2016 First Aid Competitions were hosted by Freda Rebecca Mine on 23 September 2016 and the results were as follows:.

Table 11: Underground Section

1ST	Bimha Mine (Bimha)
2ND	Mupfuti (Zimplats)
3RD	Mimosa Mine

Table 12: Surface

1ST	Bimha Mine (Zimplats)
2ND	Ngwarati (Zimplats)
3RD	Murowa Diamonds

Safety, Health and Rehabilitation Fund

The Mines and Minerals Amendment Bill proposes to establish a Safety, Health and Rehabilitation Fund for rehabilitation of the environment. This provision does not remove the obligations for mines under the Environmental Management Act. If the Bill is enacted in its current form, mining companies will be required to contribute to the funds for the same purpose under two different Acts. The Chamber has already appealed to Government to consider one option for rehabilitation in light of the alternative rehabilitation Product that has been developed by the mining industry.

SHE Audits

The 2016 SHE Audits were conducted in August 2016, and the results of the Audits are as follows:

Table 13: Final audit results for 2016

Mine	% Mark	Position
Zimplats- Ngwarati	**97.34**	**1**
Mimosa Mine	**96.93**	**2**
Zimplats-Mupfuti	**93.85**	**3**
Zimplats-South Pit	**93.74**	**4**
How Mine	**87.81**	**5**

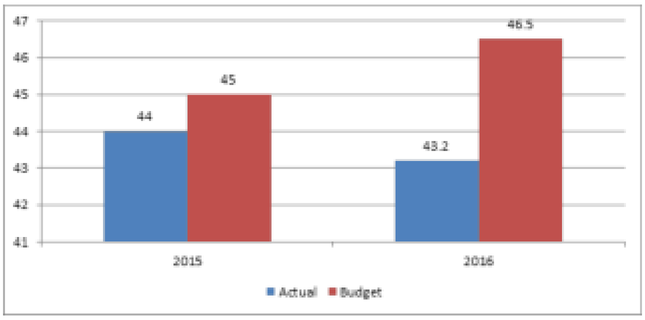
This report is a summary of the Fund's cumulative annual performance that covers the operating environment, income & expenditure, debtors, investments, cash-flows, corporate governance and outlook.

Financial Performance

Revenue

Total income for 2016 amounted to US$43.2 million, compared to US$44 million in 2015. Revenue performance for 2016 was undermined by declining contribution base arising from retrenchments, contribution reversals for closed mines and withdrawals due to ill health.

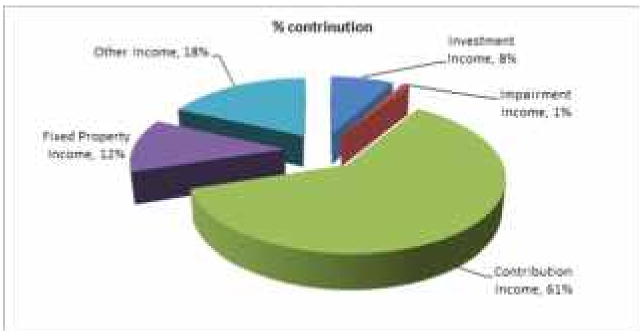
Figure 22: Cumulative Income (US$ million)



Contributions Income

Contributions income for 2016 of US$$26.3 million was 14% lower compared to 2015 largely due to the decline in membership driven by retrenchments and the reversal of contributions for closed mines and mines in arrears. Investment income of US$3.4 million was also 8% lower compared to 2015 due to low interest income emanating from low interest rates prevailing on the money markets and reduced money market and prescribed asset book as the resources were channeled towards other investment classes in line with changes in the Fund's investment strategy.

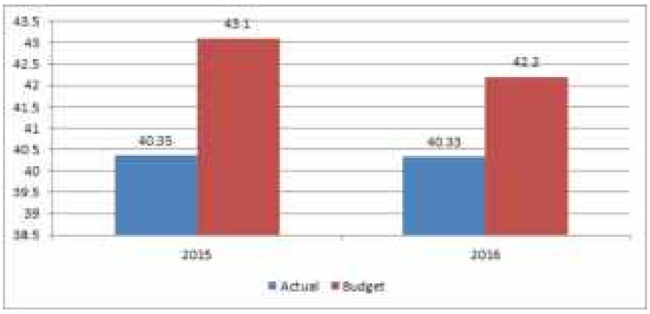
Figure 23: Income Composition- Cumulative 2016



Expenditure

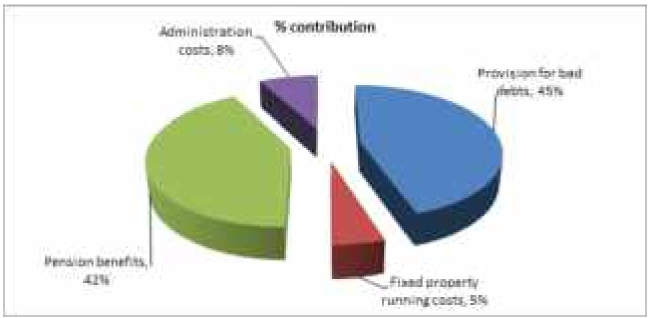
Cumulative expenditure amounted to $40.33 million in 2016, compared to US$40.35 million in 2015.

Figure 24: 2016 Cumulative Expenditure (US$ million)



Expenditure was largely driven by provisions for doubtful debts which were at US$17.9 million. The provisions remained high due to low collection levels for both rentals and contributions. Pension benefits at US$16.9 million also accounted for a huge chunk of expenditures.

Figure 25: 2016 Expenditure Distribution



The Fund increased by US$2.8 million in 2016, compared to US$5.9 in 2015.

Cash-flows

Cumulative inflows for 2016 at US$25.7 million, compared to outflows of US$25.1 million resulting in a net cash inflow position of US$0.6 million. The cumulative net cash inflow position was 81% lower compared to 2015 due to the deterioration in collections.

Fund Growth

The Fund grew by 3% to close the year 2016 at US$110.8 million compared to US$108 million by end of 2015. Based on the Draft 2016 Actuarial valuation report, the Fund recorded a funding level of 56.6% on an on going basis, underpinned by a 6% increase in the actuarial liabilities to US$289.6 million, from the prior year liabilities of $272 million. The market value of the Fund's assets grew by 2% in 2016 to US$163.98 million, from US$160.72 million in 2015.

Outlook

The outlook is expected to remain negative as policy uncertainty persists, exacerbated by liquidity challenges. A cautious approach to investments is therefore advocated for 2017 with emphasis on investment in real assets.

CHAMBER OF MINES PENSION ENHANCEMENT FUND (COMPEF)
2016 PERFORMANCE REPORT

Summary of Contributions Invoices and Receipts

Total contributions invoiced and received in 2016 amounted to US$4 million and US$1.4 million respectively. The US$1.4 million for 2016 was 35.5% of contributions invoiced for the same period.

Table 14: COMPEF Receipts and Payouts as at 31 December 2016

Payroll Month	Total Invoiced	Total Received	Total Amount Invested (25%)	Total Amount Paid (75%)	Amount Paid Per Pensioner	Number of Pensioners Paid COMPEF
Jan 2016	372,511.43	125,680.40	31,420.10	94,260.30	9.94	10,111
Feb 2016	361,612.40	130,667.35	32,666.84	98,000.51	9.25	10,180
Mar 2016	361,149.63	123,321.17	30,830.29	92,490.88	9.57	10,240
Apr 2016	354,525.13	108,854.73	27,213.68	81,641.05	8.94	10,336
May 2016	351,200.44	125,178.51	31,294.63	93,883.88	7.86	10,380
Jun 2016	341,335.89	118,763.40	29,690.85	89,072.55	8.98	10,449
Jul 2016	339,158.29	102,108.99	25,527.25	76,581.74	8.49	10,490
Aug 2016	348,168.79	120,773.88	30,193.47	90,580.41	7.26	10,547
Sep 2016	336,973.09	120,773.88	30,193.47	90,580.41	8.53	10,609
Oct 2016	339,299.97	111,599.14	27,899.79	83,699.36	8.50	10,656
Nov 2016	334,580.75	121,999.71	30,499.93	91,499.78	7.78	10,748
Dec 2016	163,776.19	111,312.85	27,828.21	83,484.64	8.45	10,818
Total	**4,004,292.00**	**1,421,034.01**	**355,258.51**	**1,065,775.51**		

Portfolio Performance

The COMPEF quoted equities portfolio underperformed the benchmark industrial index during the quarter fourth quarter of 2016. The portfolio posted a return of 76.68% versus 46.05% recorded on the industrial index during the quarter under review. Total dividends received during the fourth quarter of 2016 amounted to US$21 321.70 compared to US$7 551.24 recorded in the third quarter of 2016.

Table 15: COMPEF Equities Portfolio Performance Comparison: Q4 2016

Index/Fund	*YTD 2015*	*Q1 2016*	*Q2 2016*	*Q3 2016*	*Q4 2016*	*YTD 2016*
Industrial Index	-29.45%	-15.01%	3.51%	-2.06%	46.05%	25.84%
Mining Index	-66.95%	-17.59%	26.47%	7.73%	119.88%	146.88%
COMPEF/Equities	*-23.89%*	*-14.62%*	*6.48%*	*4.50%*	*76.68%*	*64.04%*

The top 5 stocks took up 87% of the portfolio as at 31 December 2016. This also indicates that management had more confidence in only a few stocks in the market, signalling high market and portfolio risk.

Table 16: Top Five COMPEF Portfolio Exposures

	Counter	*Rank*
1	Innscor	31.98
2	Delta	18.47
3	Padenga	14.23
4	Seedco	14.79
5	Old-Mutual	7.52
Total		*86.99*

Table 17: COMPEF Asset Allocation As At 31 December 2016

Asset Allocation	*31 December 2016 ($)*	*Exposure (%)*
Equity Market Value	4 430 232.00	60
Money Market	2 892 753.49	40
Cash	23 947.00	0
Total Portfolio Value	*7 346 932.49*	*100*

Table 18: COMPEF Portfolio Returns

Asset Class	*Q4 Return (%)*	*Portfolio Weight (%)*	*Q4'16 Weighted Return (%)*	*Q3' 2016*	*YTD'16*
Quoted Equities	76.68	60	46.00	0.77	38.42
Money Market	1.42	40	0.57	0.53	2.27
Cash	0.00	0	0.00	0.00	0.00
Totals		*100*	*46.57*	*1.30*	*40.69*

Outlook and Strategy

The outlook is expected to remain negative as policy uncertainty persists exacerbated by hard currency shortages. A cautious approach to investments is therefore advocated for 2017.

Overview

Notwithstanding the unfolding economic challenges faced by the sponsors, the performance of the Zimbabwe School of Mines was fairly pleasing in 2016, albeit with enrolment levels below expected levels.

Table 19: Enrolment Statistics for 2016–2017 National Diploma & Higher National Diploma

Level	Geology		Mining		Survey		Metallurgy		Met. Assay		Mine Vent& Environ		Total	
Period	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**
NC1									11	8	26		**37**	**8**
NC2									14	3			**14**	**3**
ND1	69	76	86	83	45	33	74	80	9	10		17	**283**	**299**
ND2	44	37	39	38	46	32	41	38	14	10	11	15	**195**	**170**
ND3	47	53	38	47	28	45	30	48					**143**	**193**
HND1		3	4	2	4	1	7	3					**15**	**9**
HND2				2		1		1					**0**	**4**
TOTALS	**160**	**163**	**167**	**162**	**123**	**113**	**152**	**170**	**48**	**31**	**37**	**32**	**701**	**686**

Students on attachment

A total of 275 students were on attachment during the year. 54 students are yet to be attached. Letters of appeal for attachment places have been sent to mines for consideration. ZSM continues to appeal to our stakeholders to assist students with industrial placement.

Table 20: Student Attachment Update for 2016

DISCIPLINE	ATTACHED	UNATTACHED	REGISTERED
Geology	75	5	37
Mining	69	20	38
Survey	46	9	32
Metallurgy	61	15	38
NC Met- Assay	11	2	4
ND Met- Assay	13	3	10
TOTAL	275	54	159

ZSM Examination Board

Consultative processes for the development of the ZSM EXAMINATION BOARD were held in Harare in 2016 and plans are to start offering the certificates in 2018.

November Examination Session

Table 21: Summary of Combined Pass Rates for November Hexco Examinations 2016

Level	Award	Pass Rate %
National Certificate	36/41	89
National Diploma	104/156	67
Higher National Diploma	13/13	100
Overall	**153/210**	**73**

Training and Operations

DLC Capacitation Project Update for 2017

Mineral Resource Valuation (MRV) and Fundamentals of Mining and its advanced short courses continue to be offered in 2017. An Outreach programme for the courses has been rolled out throughout the country.

Study Trips Report 2017

The first semester educational trips and camps are currently being done and all trips are going on as scheduled. A total of 16 trips have so far been done. The educational trips and camps are being utilized for Field Based Assignments which is currently the HEXCO requirement for all subjects. The trips undertaken to date have successfully added value to training at the school. All departments undertook training camps for one week.

Student-On Job Training-Follow ups (2017)

The assessment trips calendar has been drafted and the first assessment trips will commence on the 23rd of April 2017. So far 85% of the students have been attached. Only registered students will be assessed. Plans are that three assessment visits will be conducted for all students on attachment as per the HEXCO requirement.

Library

The School installed a library management system KOWA and purchased library books using ZIMDEF funds.

2017 HND Enrolment Update

The intake for the year 2016 has 15 students currently on industrial attachment and are working on their projects until the end of June 2017. The students will be assessed three times during that six-month period and the first assessment visits are currently underway.

The 2017 intake is expected to commence their first block in May 2017 and will write their examinations in March/April 2018. The HND curriculum was reviewed and beginning this current year the duration has been changed to one year. The industrial attachment has been scrapped but the project remains and will be done in that one year.

Corporate Affairs

Governance Report
All Board and Committee meetings were held for the period under review.

Promotions and Marketing Report

The School managed to surpass its first target by 7% for all disciplines and many thanks goes to the marketing and promotions team for the School.

Linkages and Partnership

Two international partnerships for the School were signed during the year which are the ZSM and the MRI of Tanzania and a tripartite agreement between ZSM, Shunde college and Harvest Way Dimond Zimbabwe.

Public Relations and Marketing

The School participated in the Association of Regional Standards Organization and the ZSM stand won a run up prize for the exhibition and in the recently held ZITF ZSM scooped the 3rd prize for the best exhibition stand. ZSM got two accolades from Megafest Business Awards for the Most Consistent Leader and the Best female Manager for the region in 2016 for the Chief Executive Officer and the Corporate Affairs Executive respectively.

ZSM Alumni

The School re-launched the Alumni on the 28th of April 2017 at the School and an interim committee was formed and ZSM appeals for its ALLUMNI world over to join the ALLUMNI to ensure its visibility and vibrancy is felt throughout the SADC region.

Finance and Administration Division

Financial Performance for 2016
The financial performance was not pleasing with the total income declining by 17% from the year 2015 and controls put in place assisted in the expenditure decline of 3% which caused a financing gap for 2016. Due to debt collection strategies, total debtors decreased by 16% giving the School positive performance over a long period. Overall, the School managed to offer its training services to the customers and human capital was taken care each month hence the core business of the School continued smoothly despite the prevailing harsh economic conditions.

Audit Report for 2016
The School received a clean audit report for 2016 and the audit process has been completed.

Administration
Staffing levels remained stable for 2016 about 95% of the positions were occupied. The School managed to procure three vehicles for the staff retention program for the School.

Infrastructural Development

Gemology Centre
Plans for the construction of the Gemology Centre are at an advanced stage. This will see ZSM offering courses in diamond sorting and polishing and it is set to boost the financial base for the School

Mine Rescue
The School will soon partner with the Ministry of Civil protection for the construction of the national emergency and mine rescue and the land has been identified adjacent to the School.

Appeal for land
The School has been offered land from the three city councils for the construction of the core projects as per the master plan.

Abridged Financial Statements

2016

Building a better working world

Ernst & Young
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ABRIDGED INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE CHAMBER OF MINES OF ZIMBABWE

The accompanying abridged financial statements, which comprise the statement of financial position as at 31 December 2016, the statement of profit or loss and other comprehensive income, the statement of changes in reserves and statement of cash flows for the year then ended, and the abridged notes, are derived from the audited financial statements of The Chamber of Mines of Zimbabwe for the year ended 31 December 2016. We expressed an unmodified opinion on those financial statements in our report dated 08 May 2017. Those financial statements, and the abridged financial statements, do not reflect the effects of events that occurred subsequent to the date of our report on those financial statements.

The abridged financial statements do not contain all the disclosures required by International Financial Reporting Standards. Reading the abridged financial statements, therefore, is not a substitute for reading the audited financial statements of The Chamber of Mines of Zimbabwe.

Management's responsibility for the abridged financial statements

Management is responsible for the preparation of the abridged financial statements in accordance with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the abridged financial statements based on our procedures, which are conducted in accordance with International Standard on Auditing (ISA) 810, “Engagements to Report on Summary Financial Statements.”

Audit opinion

In our opinion, the abridged financial statements derived from the audited financial statements of The Chamber of Mines of Zimbabwe for the year ended 31 December 2016 are consistent, in all material respects, with those financial statements in accordance with International Financial Reporting Standards.

Ernst & Young

Ernst & Young
Chartered Accountants (Zimbabwe)
Registered Public Auditors
HARARE

8 May 2017

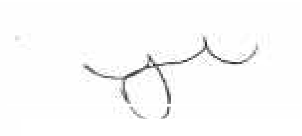
ABRIDGED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	2016 US$	2015 US$
Revenue	7	552 042	534 905
Other operating income	8	388 392	374 664
Operating expenses	9	(975 592)	(1 216 175)
Operating deficit		**(35 158)**	**(306 606)**
Finance income - interest received		1 298	6 350
Deficit for the year		**(33 860)**	**(300 256)**
Fair value adjustment		432	-
Total comprehensive deficit for the year		**(33 428)**	**(300 256)**

THE CHAMBER OF MINES OF ZIMBABWE

ABRIDGED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016

	Note	2016 US$	2015 US$
ASSETS			
Non-current assets			
Property and equipment		506 836	547 087
		506 836	**547 087**
Current assets			
Inventories		4 738	1 983
Accounts receivable	4	24 365	27 016
Held for trading investments		2 057	1 625
Cash and cash equivalents	5	181 478	253 013
		212 638	**283 637**
Total assets		**719 474**	**830 724**
EQUITY AND LIABILITIES AND RESERVES			
Accumulated funds		353 099	339 055
Non-distributable reserve		-	9581
Capital reserve		94 451	131 063
		447 550	**479 699**
Current liabilities			
Accounts payable	6	198 960	301 786
Subscriptions in advance	6	72 964	49 239
		271 924	**351 025**
Total equity and liabilities		**719 474**	**830 724**



T.MUGANYI (PRESIDENT)

I. KWESU (CHIEF EXECUTIVE OFFICER)

08 May 2017

ABRIDGED STATEMENT OF CASH FLOWS
For the year ended 31 December 2016

	2016 US$	2015 US$
CASH FLOWS FROM OPERATING ACTIVITIES		
Operating cash flow		
Operating deficit	(34 726)	(306 606)
Adjustment for items not affecting cash flows		
Depreciation	41 530	44 665
Profit on disposal of equipment	(4 500)	(432)
Fair value adjustment	(432)	-
Net cash flows before reinvestment in working capital	**1 872**	**(262 373)**
Decrease / (Increase) in accounts receivables	2 651	(2 673)
Decrease in inventories	2 755	1 136
(Decrease) / Increase in accounts payable	(79 101)	226 199
Net cash flows utilised in operations	**(71 823)**	**(37 711)**
Returns on investment and servicing of finance		
Interest received	1 298	6 350
Net cash flows utilised in operating activities	**(70 525)**	**(31 361)**
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of fixed assets	(1 279)	(71 743)
Proceeds from disposal of equipment	4 500	432
Net cash flows utilised in investing activities	**(67 304)**	**(102 672)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Contribution to capital reserve	(4 231)	71 665
Net cash flows utilised in financing activities	**(4 231)**	**(71 665)**
DECREASE IN CASH AND CASH EQUIVALENTS	**(71 535)**	**(31 007)**
Cash and cash equivalents at the beginning of the year	253 013	284 020
Cash and cash equivalents at the end of the year	**181 478**	**253 013**

NOTES TO THE ABRIDGED FINANCIAL STATEMENTS
31 December 2016

1. GENERAL INFORMATION

The Chamber of Mines of Zimbabwe is a private voluntary organisation which was incorporated in terms of the Chamber of Mines of Zimbabwe Incorporation (Private) Act [Chapter 21:02] to represent the mining companies of Zimbabwe. The Chamber is also registered in terms of the Labour Act [Chapter 28:01] to represent or advance the interests of any employers or groups thereof in the mining industry in respect of matters relating to employment.

The Chamber is domiciled in Zimbabwe, with its registered offices at 20 Mt Pleasant Drive, Harare.

2. BASIS OF PREPARATION AND PRESENTATION

The financial statements have been prepared in accordance with International Financial Reporting Standards; ("IFRS"). The financial statements are expressed in the United States of America dollar (US) and are prepared in terms of the historical cost convention. Procedures are not adopted to reflect the impact on the financial statements of the specific price changes or changes in the general level of prices.

3. ACCOUNTING POLICIES

The accounting policies have been applied consistently for the year and are the same as those applied in the prior year financial statements. For more details on the accounting policies, reference should be made to the full set of financial statements.

4. ACCOUNTS RECEIVABLE

	2016 US$	2015 US$
Staff debtors	19 389	7 107
Prepayments	4 626	19 909
Other	350	-
Net Receivables	**24 365**	**27 016**

Staff debtors are on 365 day terms and accrue interest at a rate of 5 % per annum plus the Libor rate on the date of issue. All other receivables are non–interest bearing and are generally on terms of 30 days to 120 days.

NOTES TO THE ABRIDGED FINANCIAL STATEMENTS (Cont.)
31 December 2016

5. CASH AND CASH EQUIVALENTS

	2016 US$	2015 US$
Cash at bank and on hand	118 393	37 660
Short term deposits	63 085	215 353
	181 478	**253 013**

The short term deposits are short term money market investments placed with local financial institutions and are generally on terms of 15 to 30 days, accruing interest at a rate of 2% per annum.

6. ACCOUNTS PAYABLES

Other payables	45 079	85 445
Zimbabwe School of Mines Levy	92 185	52 925
Leave pay provision	27 608	33 106
Subscriptions in advance	72 964	-
Payroll accrual	19 430	24 354
Audit fees	10 508	9 890
Royalties ZIMRA	-	8 913
Association of Mine Managers	4 150	5 667
Value Added Tax	-	130 725
	271 924	**351 025**

Other payables are generally non-interest bearing and are normally settled on 30 – 90 day terms

7. REVENUE

Subscriptions from members	**552 042**	**534 905**

8. OTHER OPERATING INCOME

AGM donations	122 357	168 600
Unutilised capital reserve contributions	85 316	-
State of the Mining Industry	63 216	-
AGM registration fees and other income	55 936	51 417
Other income	35 310	15 711
Seminars and Workshops	12 845	21 120
Gold other income	8 912	-
Donation	-	117 384
Profit on disposal of assets	4 500	432
	388 392	**374 664**

NOTES TO THE ABRIDGED FINANCIAL STATEMENTS (Cont.)
31 December 2016

9. OPERATING EXPENSES

	2016 US$	2015 US$
Staff expenses	561 909	497 092
AGM/Annual Report expenses	98 523	144 877
State of the Mining Industry	60 556	-
Depreciation	41 530	44 665
Motor vehicle costs	36 551	42 180
Communications	32 284	36 080
Travelling expenses	30 028	48 697
Audit fees	11 126	9 890
Consultancy fees	10 420	20 910
Zimbabwe Agricultural Show	9 955	-
Legal fees	8 645	2 005
Security costs	8 552	6 618
Insurance	7 355	9 513
Rent and rates	6 492	8 544
Computer expenses	6 422	6 015
General Expenses	5 796	5 993
Workshops and seminars other	12 397	2 459
Bank charges	5 686	5 446
Mine entra expenses	5 064	12 184
Subscriptions	4 500	4 275
Sundry publications	2 991	4 887
MIASA subscription	2 281	-
Repairs and Maintenance Building Maintenance	2 100	1 614
Jumbo Golf	1 990	-
Printing & Stationery	1 135	2 201
Staff welfare	720	169
Strategic planning workshop	275	1 471
Website maintenance costs	140	1 500
Entertainment	136	431
COMZ Promotional material	33	-
Value added tax provision	-	174 299
Donation		117 384
Publicity/Publications	-	3 620
Staff Uniforms	-	1 156
	975 592	**1 216 175**

NOTES TO THE ABRIDGED FINANCIAL STATEMENTS (Cont.)
31 December 2016

10. GOING CONCERN

The organisation has incurred a deficit for the year ended 31 December 2016 of $33 428 (2015: $300 256). As at that date its current liabilities exceeded its current assets by $59 286 (2015: current liabilities exceeded current assets by $67 388). This is largely the result of a reduction in commission income following the non-renewal of the organisation's gold dealing license at the end of 2013. These factors point to an uncertainty on the organisation's ability to continue as a going concern and, therefore that it may be unable to realise its assets and discharge its liabilities in the normal course of business. The Executive Committee assess the ability of the organisation to continue as a going concern at the end of each financial year and believe that the organisation is a going concern for the reasons identified below:

Members have undertaken to provide continuing financial support by continuing their membership and paying subscriptions so that the Chamber of Mines is able to pay its debts as and when they fall due

The organisation will undertake other income generating activities in each quarter of 2017 to augment the income of the Chamber. These will be in the form of surveys, workshops and seminars in which stakeholders attend for a fee; advertising income from the envisaged publishing of a quarterly journal; and sales of the organisation's promotional paraphernalia at all its functions and events.

The organisation will also undertake to reduce expenditure by incurring only the essential expenses for the running of the organisation and negotiate prices where possible before undertaking on any contract/purchase.

These conditions give rise to a material uncertainty which may cast doubt about the company's ability to continue as a going concern and, therefore that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The Executive Committee therefore believes that the organisation will continue to operate as a going concern and the preparation of these financial statements on a going concern basis is still appropriate. This basis assumes that the realization of assets and settlement of liabilities will occur in the ordinary course of business.

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