ZIMBABWE
Winds of Change
WELCOME AND OVERVIEW

Topics to be covered today

<table>
<thead>
<tr>
<th>Section</th>
<th>Topics</th>
</tr>
</thead>
</table>
| Political Background and Mining History | - Current situation  
- Geological information                                                   |
| Current Trajectory and Opportunities  | - Production  
- Opportunities                                                        |
| Supportive legal framework / programmes | - Developed framework / Easing of challenging laws  
- Investment Promotion Centre                                               |
| Challenges                           | - Reserve bank approvals / capital repatriation  
- Stability of legislation                                                    |
| Community aspects                    | - Social license  
- Social risk                                                              |
| First steps                          | - Pre-preparation  
- First visit                                                              |
General Information

- Capital city – Harare
- Major languages – English, Shona and Ndebele
- Currency – Multi-currency system
- Climate – Subtropical climate, rainy season from November to March
- Zimbabwe is well endowed with significant quantities of mineral, agricultural and human resources
- Mineral resources – most towns are built near mineral resources
- International Airports – Harare, Bulawayo and Victoria Falls
- Numerous mining companies currently in Zimbabwe
- West Australian School of Mines Alumini
- In excess of 30 Zimbabweans have studies mining related degrees
ZIMBABWE GOVERNMENT AND NON GOVERNMENT BODIES

- Ministry of Mines
- Chamber of Mines
- Geological Survey
- Zimbabwe Mining Development Corporation
- Minerals Marketing Corporation of Zimbabwe
REGIONS OF ZIMBABWE

Significant geographical areas
GEOLOGICAL INFORMATION

A few pointers – comprehensive information can be obtained at the Geological Survey Department

Gold
- Gold in Zimbabwe is mainly confined to hydrothermal vein and shear zone deposits found exclusively in rocks of Basement Complex age formed 2400 million years or more ago
- Gold found in the Archaean Greenstone Belts

Platinum
- Zimbabwe’s Great Dyke, a linear early Proterozoic layered mafic-ultramafic intrusion trending over 550km at a maximum width of about 11 kilometres, has the second largest platinum reserves in the world after the Bushveld Complex in South Africa

Diamonds
- Of late, the discovery of diamondiferous Proterozoic conglomerates in Umkondo basin has led to the opening of several diamond mines within the Chiadzwa area, e.g. Mbada, Marange Resources, and Anjin etc
### GEOLOGICAL INFORMATION

**Nickel**
- Layered/unlayered mafic-ultramafic intrusive bodies (Empress, Madziwa Great Dyke)
- Nickel laterite (northern Great Dkye hydrothermal shear zone)
- Deposits in serpentinite areas in greenstone belts with igneous complexes – huge potential in komatiite and laterite
- Over 30 nickel deposits known

**Copper**
- Magondi Basin main producing area (over 150km)
- Similar copper deposits found in SE of Zim (Umkondo Basin)
- Several copper prospects occur in hydrothermal deposits in Archaean Greenstone Belts and in granite

**Other**
- Pegmatites ubiquitous in several geological environments especially on edges of greenstones and in metamorphic belts
- Sources of variety of minerals including tantalite, tin and wolframite, beryl, mica, feldspar, lithium and gemstones (emerald, aquamarine, chrysoberyl and alexandrite)
METALS AND MINERAL PRODUCTION 2001-2015

Production as either the primary product or by-product

- Chrome - primary product
- Coal - primary product
- Cobalt - by-product of Platinum or Nickel mining
- Copper - primary product and by-product. By-product with Platinum and Gold mining
- Diamonds - primary product
- Gold - primary product
- Graphite - primary product
- Iridium - by-product of platinum mining
- Iron ore - primary product
- Lithium - primary product
- Nickel - primary product and by-product of platinum mining
- Phosphate - primary product
- Silver - by-product of gold mining
- Ruthenium - byproduct of platinum mining
ROBUST MINING ECONOMY

Foreign mining companies operating in Zim

- Impala Platinum South Africa
- Anglo American
- Caledonia
- ASA Plc (Mwana Africa Plc)
- Premier Portland Cement
- Zimplats
## GOLD AND PLATINUM REVENUES

Local revenue retention – source Zimbabwe Chamber of Mines

### Sharing the Gold cake 2012-2015: 69% consumed locally

<table>
<thead>
<tr>
<th>Category</th>
<th>US$ Millions</th>
<th>% Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Foreign Supplies</td>
<td>621</td>
<td>23%</td>
</tr>
<tr>
<td>Local Supplies</td>
<td>405</td>
<td>15%</td>
</tr>
<tr>
<td>Wages and Salaries</td>
<td>810</td>
<td>30%</td>
</tr>
<tr>
<td>Government (Duties, Royalties and taxes)</td>
<td>486</td>
<td>18%</td>
</tr>
<tr>
<td>Other Operating Expenses</td>
<td>162</td>
<td>6%</td>
</tr>
<tr>
<td>Shareholders (Divi)</td>
<td>216</td>
<td>8%</td>
</tr>
</tbody>
</table>

### Sharing the Platinum cake 2012-2015: 71% consumed locally

<table>
<thead>
<tr>
<th>Category</th>
<th>US$ Millions</th>
<th>% Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Foreign Supplies</td>
<td>509</td>
<td>17%</td>
</tr>
<tr>
<td>Local Supplies</td>
<td>1396</td>
<td>44%</td>
</tr>
<tr>
<td>Wages and Salaries</td>
<td>425</td>
<td>14%</td>
</tr>
<tr>
<td>Government (Duties, Royalties and taxes)</td>
<td>400</td>
<td>13%</td>
</tr>
<tr>
<td>Other Operating Expenses</td>
<td>267</td>
<td>9%</td>
</tr>
<tr>
<td>Shareholders (Divi)</td>
<td>86</td>
<td>3%</td>
</tr>
</tbody>
</table>
APPLICABLE LEGISLATION

Mining Sector

▼ Key legislation
  ▼ Mines and Minerals Act Chapter 21:05
  ▼ Explosives Regulations
  ▼ Mining (General) Regulations
  ▼ Mining (Managements and Safety) Regulations
  ▼ Mining (Health and Sanitation) Regulations
  ▼ Mines and Minerals (Custom Milling Plants) Regulations
  ▼ Gold Trade Act
  ▼ Precious Stones Trade Act
  ▼ Environmental Management Act
  ▼ Environmental Regulations
  ▼ Forestry Act
  ▼ Water Act
  ▼ Zimbabwe National Water Authority Act

▼ Other legislation applying to businesses (e.g. Companies Act, the Sales Tax Act, Exchange Control Act, Royalties legislation etc)
Zimbabwe Comparison and Potential

- Under explored since 1998
- Farm invasions have forced previous farm land to become rundown and overgrown
- Emerging artisanal miner activity on farms not previously explored/mined
- Very little JORC 2012 work done
- Mineralization exposed by Artisanal Miners
- Claims procedure / registration / holding fraught with danger due to non-upkeep / maintenance as a result of lack of capital
- Revenues earned in US$
- Major interest from London Stock Exchange Companies to Inspire Africa Report and CoSSE
INDABA 2018 ZIMBABWE MINISTER OF MINES – HONORABLE MR WINSTON CHITANDO
TROUBLED TIMES OVER SOLID FOUNDATIONS
Challenged, misused, repealed, renewed and raring to go

- Endowment of natural resources
- Highly motivated workforce
- Investable projects
- Non-compensated land appropriations
- Strong Regulatory framework
- Violation of BITs
- Indigenisation laws
- Massive unemployment
- Disregard for regional treaties
- Lack of rule of law
- Weak economic growth rate
- Human rights abuses
- Skilled human capital
- Proactive regulators
BARRIERS TO ENTRY

Legacy Challenges

- Corruption and value leakage
- Unenforced governance standards
- Regulatory bureaucracy
- Lack of security / violence
- Weak asset ownership protection
- Lack of investor confidence
- Human rights violations
- Lack of rule of law
- Hard currency shortages
Zimbabwe Investment Authority

Purpose and Motivations

• ‘One Stop Shop’ to promote and facilitate foreign and local investment
• With lack of investment in exploration over last 10 years and mining contributing to 50% of Zim’s foreign exchange earnings, highly motivated to assist
• Lists investment opportunities (links to EOI requests)
• Good source of investor related news

Commercial Considerations

• Recommended that foreign investors obtain Investment Licence
• Allows access to Government offered general (sector) and special (individually negotiated) incentives to projects
• Improves ease of doing business
• (Usually) genuinely helpful, practical and enthusiastic
• Does not afford concessions/protections (c.f. other regional investment centres)
NATIONAL INVESTMENT POLICY STATEMENT
January 2018 – President Munangagwa’s Signal of Change

Objectives of new policy

- Restoration of investor and business confidence
- Outline transparent investment policy strategy
- Economic development through inward investment and in country value creation
- Showcase sectors (including mining)
- Identify and remove legislative barriers to entry
- Upgrade ZIA function
- Ratification of various BITs

Intended investor benefits

- Relief from indigenisation laws
- Adopt international best practices (incl effective protection of property, transparency, high standards of governance etc)
- Comply with legal obligations under bilateral, regional and international agreements
- Revival of special economic zones (promoting value add through special incentives)
- Reduction of bureaucratic procedures for investment
LOOKING TO THE FUTURE
Positive changes afoot

ZimOpen Investment Guarantees
- Afri-exim Bank USD 1.5bn facility
- USD 1bn guarantees and USD 500k liquidity
- To protect investor funds from country risk
- December 2017

Mines and Minerals Amendment Bill
- Mining law overhaul
- Out – local listing & beneficiation
- In – Mining Board, Royalties & Registries
- June 2018?

Incentives
- 2018 Monetary Policy Statement
- Special licence tax rates, royalties
- To be published and reviewed periodically
- Throughout 2018
Looking to the Future
Positive changes afoot continued

<table>
<thead>
<tr>
<th>Special Economic Zones</th>
<th>Value add / beneficiation (c.f. Mining Act)</th>
<th>Fiscal incentives</th>
<th>Non-fiscal incentives</th>
<th>Already underway</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment Laws</td>
<td>Commitment to overhaul investor laws</td>
<td>Not clear which laws referred to</td>
<td>Intention to ease doing business in Zim</td>
<td>Not specified, presumably 2018</td>
</tr>
<tr>
<td>General elections</td>
<td>Free and fair Elections pledge</td>
<td>Will regime change?</td>
<td>Will new regime adhere to recent developments?</td>
<td>July 2018</td>
</tr>
</tbody>
</table>
'Zimbabwe is confronting its past head-on. We are ready to embrace the world. Zimbabwe is open for business.'

- SB Moyo, Zimbabwe’s Minister of Foreign Affairs and International Trade
### ZIMBABWE IS OPEN FOR BUSINESS

But are investors returning?

<table>
<thead>
<tr>
<th>Date</th>
<th>Investor</th>
<th>Project</th>
<th>Value</th>
<th>Resource</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dec 2017</td>
<td>Tawanda Nyambiria</td>
<td>Arcturus Mine</td>
<td>USD 12m</td>
<td>Gold</td>
</tr>
<tr>
<td>Feb 2018</td>
<td>RioZim</td>
<td>Falcon Gold’s Dalny Mine</td>
<td>USD 8m</td>
<td>Gold</td>
</tr>
<tr>
<td>Mar 2018</td>
<td>Great Dyke Investments</td>
<td>Darwendale</td>
<td>USD 400m</td>
<td>Gold; Platinum</td>
</tr>
<tr>
<td>Mar 2018</td>
<td>Karo Resources</td>
<td>$4.2 billion to develop platinum mine and refinery</td>
<td>USD 4.2bn</td>
<td>Platinum</td>
</tr>
<tr>
<td>Apr 2018</td>
<td>Liberation Mining</td>
<td>Liberation Mine</td>
<td>USD 250m</td>
<td>Coal</td>
</tr>
<tr>
<td>Apr 2018</td>
<td>Latitude Consolidated (ASX)</td>
<td>70% interest in Mbeta project</td>
<td>USD 2.60m</td>
<td>Lithium</td>
</tr>
<tr>
<td>Apr 2018</td>
<td>Caledonia</td>
<td>Reopening Mines, buying back Govt stake</td>
<td>Undisclosed</td>
<td>Gold</td>
</tr>
<tr>
<td>Apr 2018</td>
<td>Vast Resources (LSE)</td>
<td>23.75% interest in Eureka Gold Mine</td>
<td>USD 4.485m</td>
<td>Gold</td>
</tr>
<tr>
<td>May 2018</td>
<td>Botswana Diamonds / Vast Resources</td>
<td>Exploration</td>
<td>Undisclosed</td>
<td>Diamonds</td>
</tr>
<tr>
<td>May 2018</td>
<td>Undisclosed</td>
<td>Confidential at this time</td>
<td>USD 700m</td>
<td>Coal-bed methane</td>
</tr>
<tr>
<td>Imminent</td>
<td>Undisclosed</td>
<td>Confidential at this time</td>
<td>Circa USD 700m</td>
<td>Coal-bed methane</td>
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COMMUNITY ASPECTS

Social License to Operate

COMPANY ACTIONS

ACCOUNTABILITY FOR IMPACTS

FAIR BENEFIT DISTRIBUTION

APPROPRIATE BEHAVIOUR

COMPANY BENEFITS

GOV’T APPROVAL TO OPERATE

COMPANY REPUTATION

SOCIAL RISK MITIGATION
COMMUNITY ASPECTS

Company Benefits from having a social license

- **GOV’T APPROVAL TO OPERATE**
  - Preferential Access
  - Exploration Permits
  - Investment Agreements
  - Development Approvals
  - Operating Permits

- **COMPANY REPUTATION**
  - Local Communities
  - Host Government
  - Home Government
  - Civil Society
  - General Public
  - Employees
  - Investors
  - Lenders
  - JV Partners
  - Development Partners
  - Industry Peers

- **SOCIAL RISK MITIGATION**
  - Risk to the Company
  - Risk to the Community
COMMUNITY ASPECTS

Company actions contributing to gaining a social license

ACCOUNTABILITY FOR IMPACTS
- Land Access
- Cultural Heritage
- Community Health
- Natural Environment
- In-Migration

FAIR BENEFIT DISTRIBUTION
- Local Employment
- Local Procurement
- Community Development

APPROPRIATE BEHAVIOUR
- Company Conduct
- Constructive Engagement
- Addressing Complaints
COMMUNITY ASPECTS

Company actions through the mine life-cycle

EXPLORATION
1 to 10 years
- Staff and Contractor Conduct
- Community Engagement
- Land Access (Temporary)
- In Migration

DEVELOPMENT
1 to 5 years
- Community Complaints
- Resettlement
- Community Health and Safety
- Natural Environment
- Cultural Heritage
- Local Employment
- Local Procurement
- Community Development

PRODUCTION
2 to 100 years
- Land Acquisition (Permanent)

CLOSURE
2 to 5 years

POST CLOSURE
In Perpetuity

Non-compensated land appropriations
Lack of rule of law
Massive unemployment

AAMEG Social Aspects Handbook 2016
COMMUNITY ASPECTS

Pre-entry checklist

- Socio-economic situation (web-search)
- Legal Requirements (Zimbabwe: Regulatory, Culture and Custom)
- Company Aspirations (What do you want to be when you grow)
- Satellite / Aerial Imagery (Essential and easy to obtain information)
- In Country Knowledge (No excuse for going in blind)
- First visit Preparation (Start off on the right foot)
COMMUNITY ASPECTS

First visit checklist

- Embassy Visit
- Talk with Chamber of Mines / Chamber of Industry
- Introductory meetings with key Government Departments
- Connect with local NGOs
- Get out and about in local communities
- Visit other operations
COMMUNITY ASPECTS
SOCIAL LICENSE TO OPERATE

IT IS IN YOUR HANDS
COMPANY ACTIONS

ACCOUNTABILITY FOR IMPACTS
FAIR BENEFIT DISTRIBUTION
APPROPRIATE BEHAVIOUR

SOCIAL LICENSE TO OPERATE

COMPANY BENEFITS

GOV’T APPROVAL TO OPERATE
COMPANY REPUTATION
SOCIAL RISK MITIGATION

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**6 JUNE 2018**