

Increased govt demands 'put pressure' on Zimbabwean gold miners

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Most of the gold mines in Zimbabwe - where Mzi Khumalo's Metallon Gold is a significant producer of the precious metal - are facing serious viability constraints owing to a high taxation and royalty regime and could soon collapse, putting in doubt the government's economic revival and growth plans.



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The Chamber of Mines of Zimbabwe, which met government officials last week to table miners' concerns, told Zimbabwean parliamentarians on Tuesday, 14 January 2014, that the government's increased "tapping of the industry" to boost state coffers could choke the miners' bottom lines. Further, it could deter investors from sinking money into new projects and expanding existing ones.

Zimbabwe has identified the mining and agricultural sectors as major economic growth drivers. But experts have said the regulatory framework and the operating environment have been rendered unattractive for international investors, whose capital, in the form of foreign direct investment, is badly needed to help Zimbabwe revive its economy.

Growth in the mining sector is now doubtful, said analysts at Economist Global Capital in a new report on the Zimbabwean economy released on Wednesday morning.

The mining sector in Zimbabwe has Anglo American Platinum (AMS), Impala Platinum (IMP), Aquarius Platinum (AQP), Rio Tinto, Metallon Gold and Mwana Africa as some of its major foreign investors.

"A ban on (the) export of unrefined gold was effected and it is obvious the consequences might be distasteful," analysts at Economist Global Capital said.

Ian Saunders, who chairs the gold producers committee under the Chamber of Mines of Zimbabwe, told parliamentarians:

"There are serious viability issues in the gold industry and our assessment is that, within 90 days, 75% of the gold mines in this county will be shut unless there are policy changes."

He said royalties were too high and mining fees were just one of the many constraints companies operating in Zimbabwe were facing.

Gold miners in Zimbabwe, which include New Dawn Mining, Caledonia Mining Corporation, RioZim, Metallon Gold, Mwana Africa and Falcon Gold, pay as much as 7% in royalties.

Saunders criticised the government for lacking a policy framework that had the capacity to further drive mineral exploration and productivity in Zimbabwe.

Finance Minister Patrick Chinamasa said in December that "reduced output was notable for gold and diamonds" in 2013, although platinum mining had shown growth. He revised the mining sector's growth for 2013 to 6.5%, a huge decrease from the previous projection of 17.1%, and blamed this on reduced exploration activity.

The government has now projected gold output of 15-metric tonnes for 2014 although mining executives say Zimbabwe may have missed the 14-tonne projection for 2013. Government projections indicate that the resources industry will grow by 11.4%, although economists doubt that this growth trajectory will be attainable.

Foreign mining companies in the country are also required to be compliant with the controversial empowerment policy that compels them to cede 51% of their shares to black Zimbabwean groups.

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