

Accelerate Platinum Growth, Sustain Benefits

ZIMBABWE
PLATINUM
PRODUCERS



May 16

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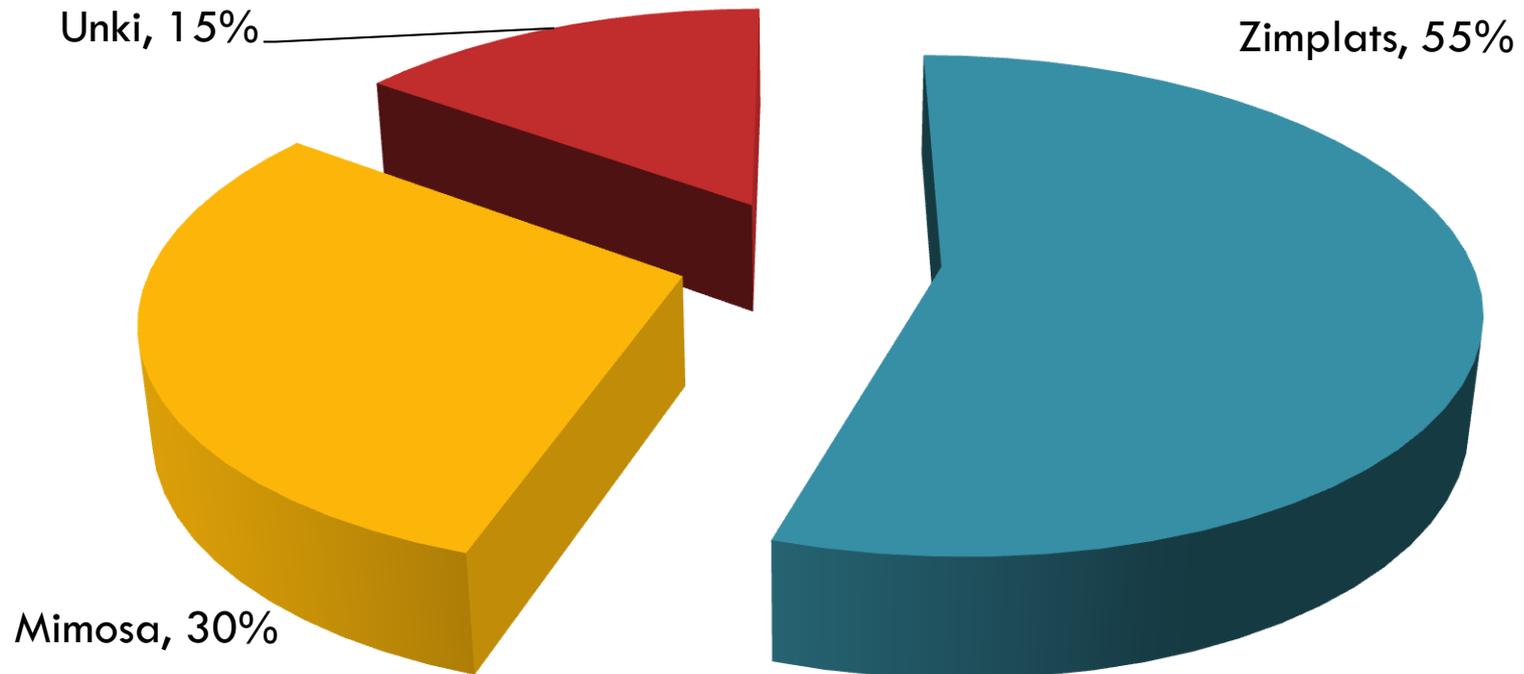
Background

- The Platinum mineralization of the Great Dyke constitutes a major world PGM resource, estimated at 4.4 billion tonnes, positioning Zimbabwe with the world's second largest PGM resource after South Africa, and contributing 6% of the world's primary platinum production.
- Platinum output has been increasing since 2002 when Zimplats and Mimosa resumed operations and the subsequent entry of Unki in 2010 added further impetus for increased output.
- The platinum sector is one of the few sectors that survived the hyper-inflation crisis where the rest of the mining sector recorded significant declines in output

Structure of the PGMs Industry

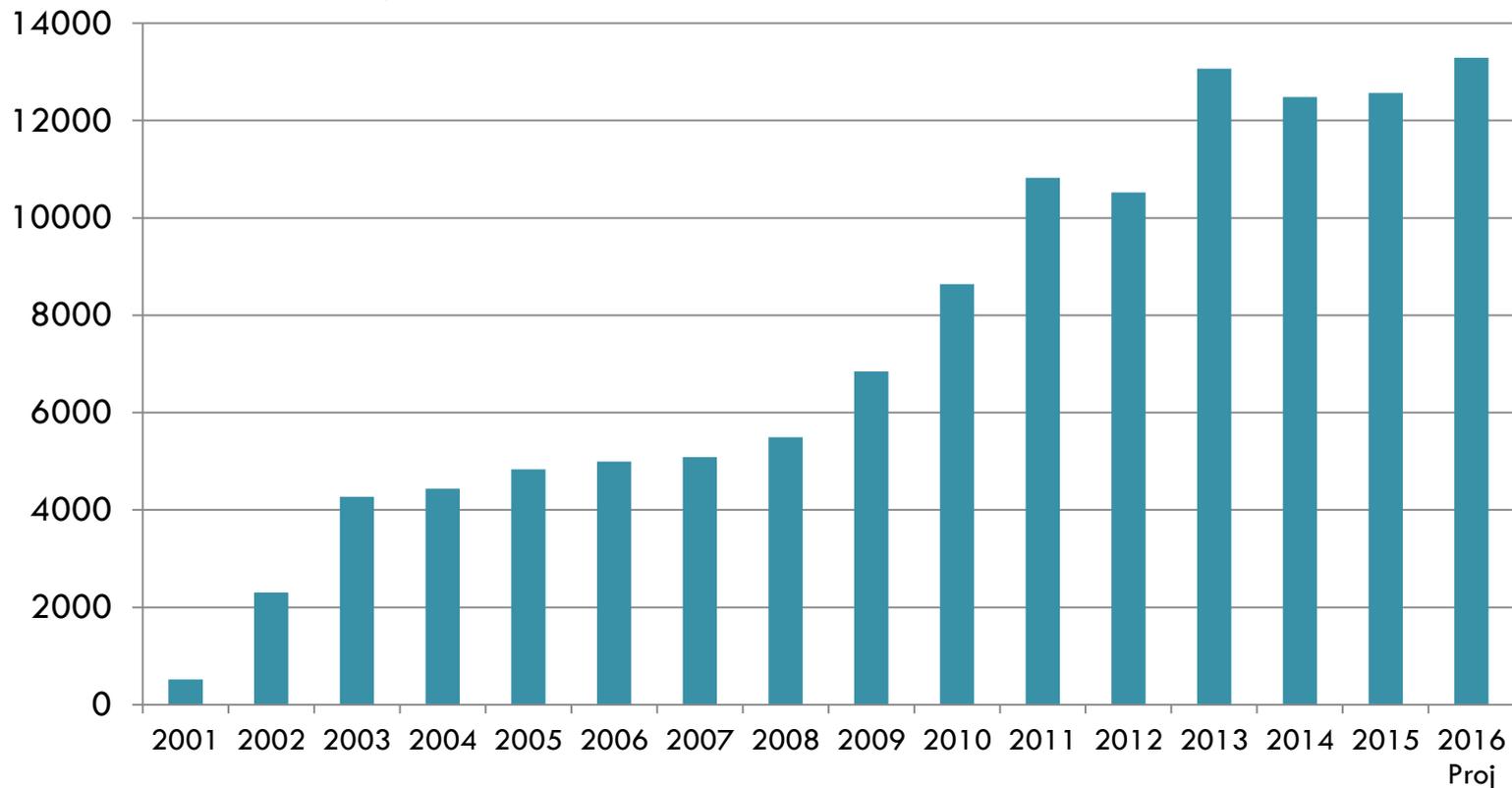
- There are three existing players in the PGMs industry (Zimplats, Mimosa and Unki).
- Potential new projects include ENRC, Ruschrome (Rostec) and Zimari Platinum. These projects are listed as Joint Venture projects under ZMDC.

Average contribution to platinum output (2014-2015)



Current status and performance of the platinum industry

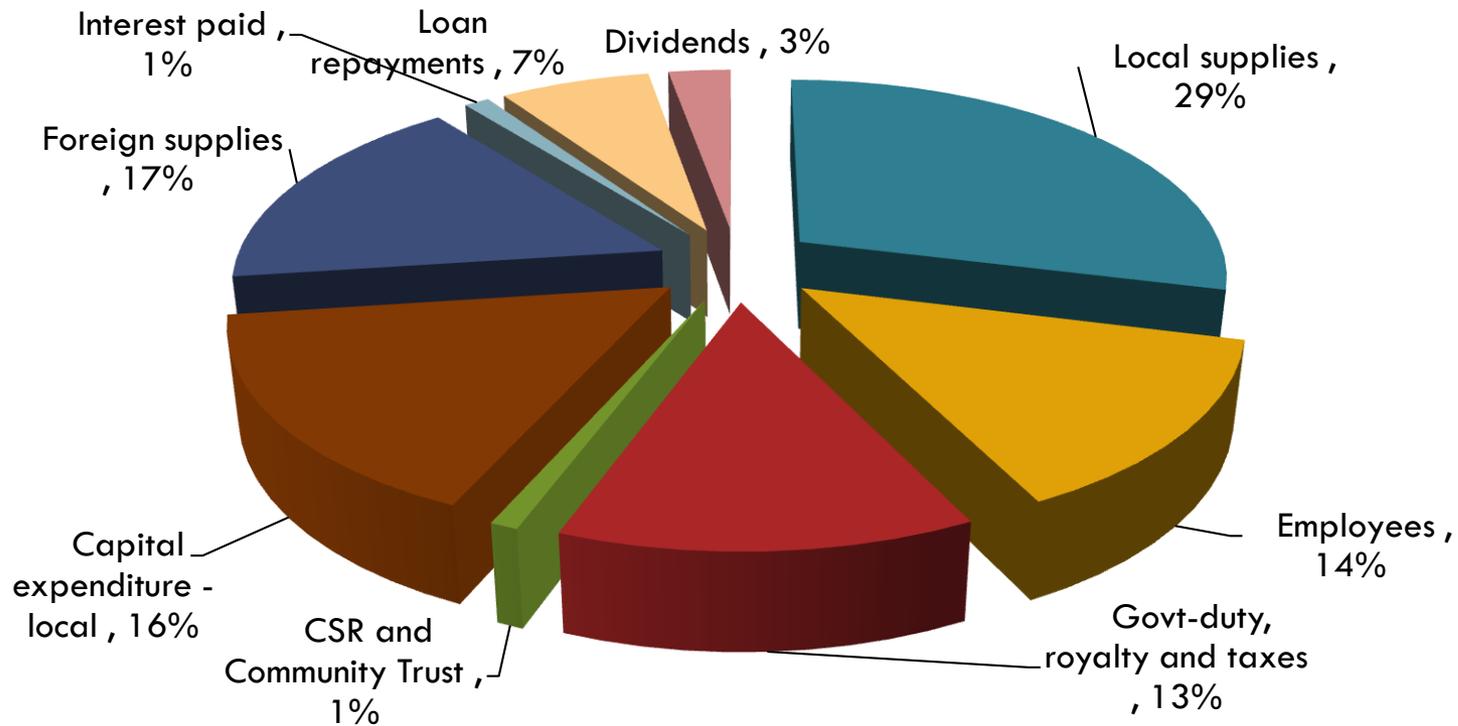
- *The platinum industry has recorded phenomenal growth in output since 2002 (defying the economic crisis)*



Distribution of platinum revenue

PGMs producers share a vision of growing platinum production and sharing benefits with all stakeholders.

73% of the approximately US\$3 billion generated by platinum industry from 2012 to 2015 went to local suppliers, employees, communities and Govt



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Sharing the platinum cake

3 year Period to 30 June 2015	US\$000	% Share
Local supplies	893 401	29%
Employees	425 270	14%
Govt-duty, royalty and taxes	400 325	13%
CSR and Community Trust	27 462	1%
Capital expenditure - local	503 084	16%
Foreign supplies	509 627	17%
Interest paid	34 693	1%
Loan repayments	206 881	7%
Dividends	86 000	3%

For this three year period, 73% of gross revenues was consumed locally

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Contribution of the platinum sector to the economy

	Direct Contribution of the Platinum Sector to the economy	Total Contribution of the platinum sector (direct plus multipliers)
Contribution to GDP	3.5%	6.4%
Contribution to Total Exports	17%	17%
Contribution to Fiscal Revenue	3.2%	3.2%
Employment Number	10200	40 600
Contribution to Foreign Direct Investment	37%	37%

Platinum contribution and multipliers

- For every dollar created in the platinum industry an estimated 73cents will be created in other sectors of the economy arising from the multipliers. The indirect multipliers include the indirect and induced impacts of the mining sector to the economy [backward linkages (e.g. transport, supplies, professional services) and forward linkages (e.g. electricity generation) etc]

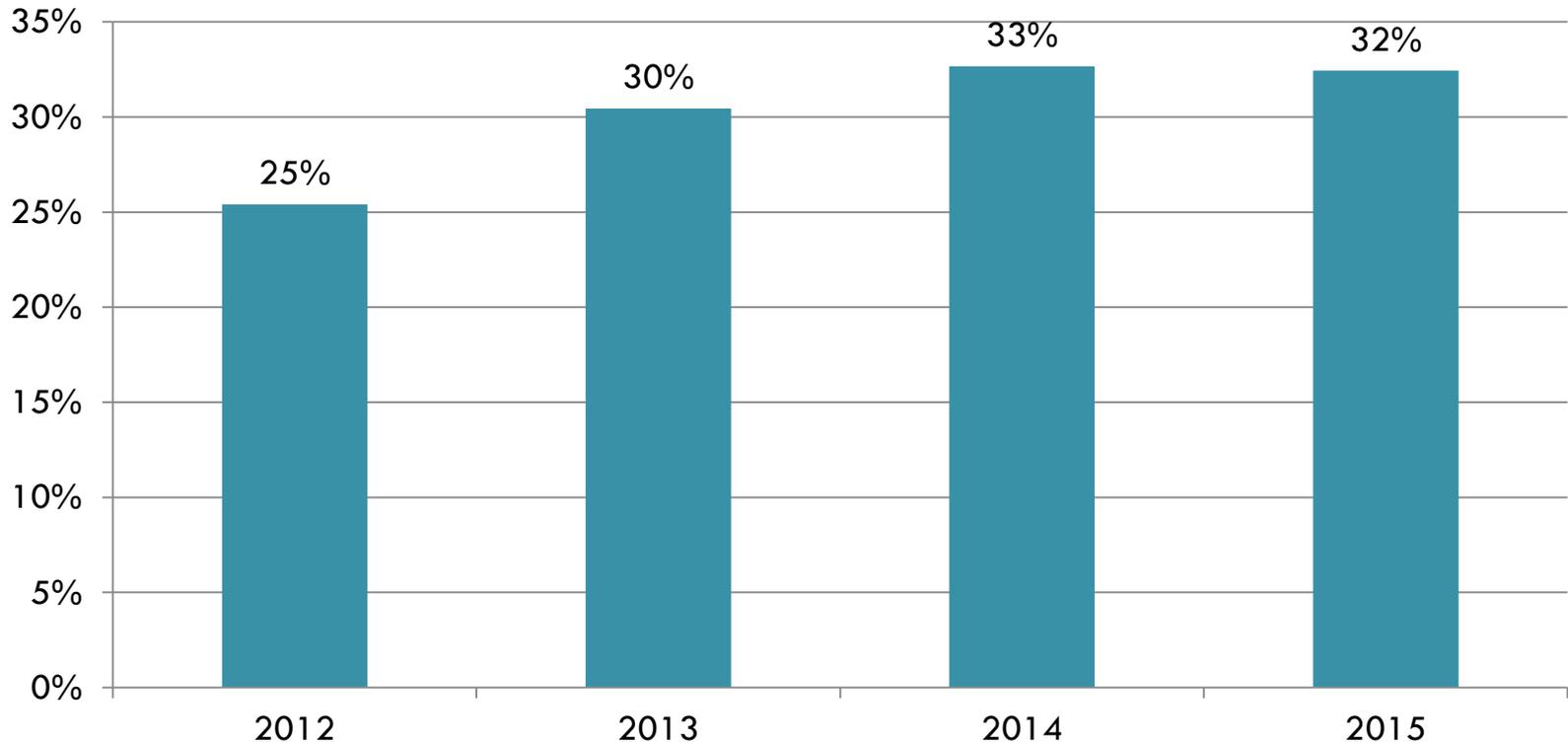
Contribution to GDP

- The sector directly accounts for 3.5% of GDP, which increases to 6.4% with multiplier effects.

Contribution to exports

The sector is contributing 32% of total mineral revenues and 17% of national exports

Platinum contribution to total mineral exports



Platinum contribution to employment

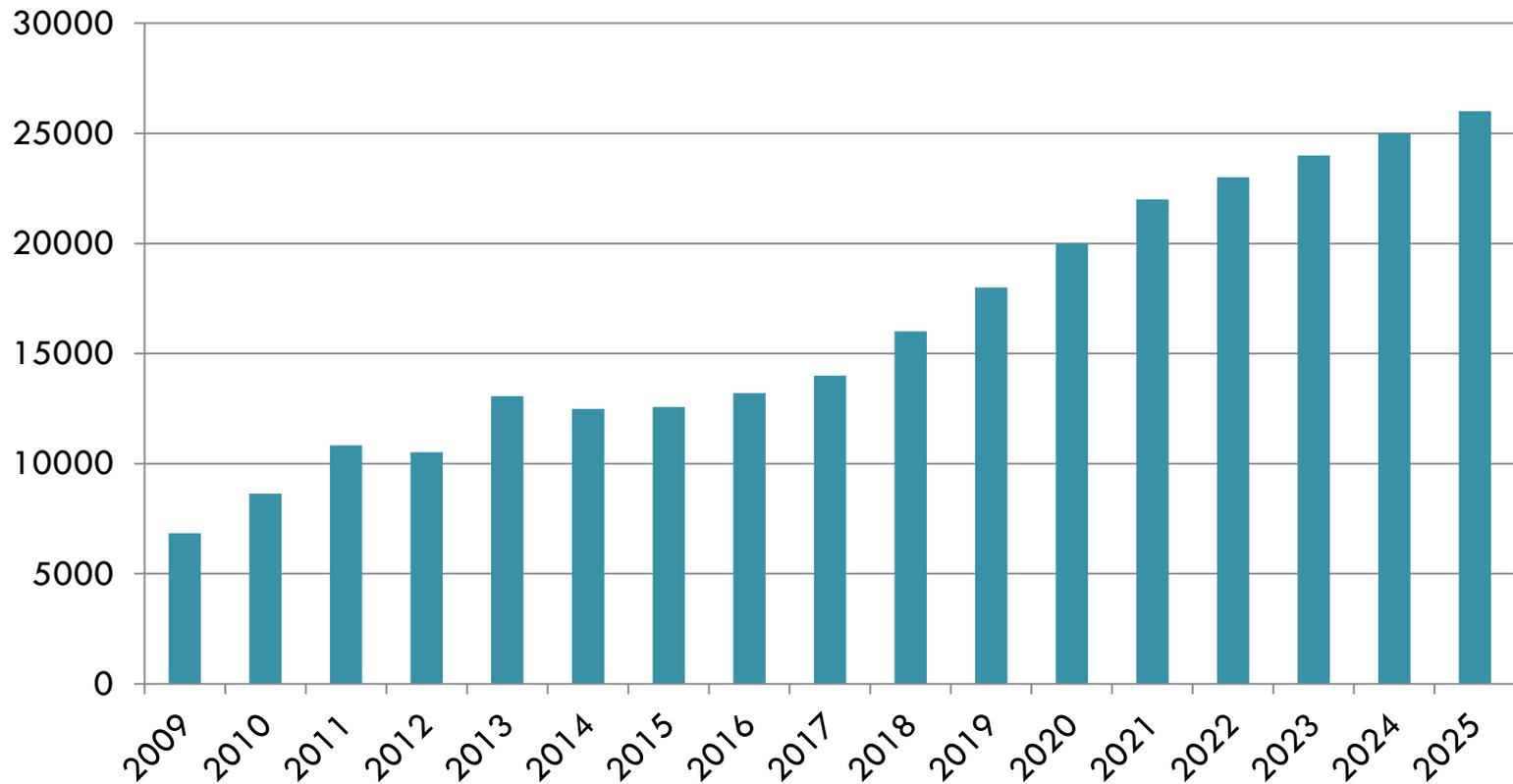
- Total employment in the platinum sector (including contracts) was at around 10 000 by end of 2015, representing around 25% of total formal mining employment.
- Since each 1 job creates 3 additional jobs in the value chain, the platinum sector has generated about 40 000 jobs on the mineral value chain.
- The social impact of platinum is very high, and given Zimbabwe's dependency ratio of 8:1, it means about 320 000 people directly depend for daily food on the jobs created by the platinum sector.

Potential growth of the platinum sector

- With the vast platinum reserve, the sector has potential to increase platinum output by the current producers from about 13 tons, to 20 tons by 2020 and 26 tons by 2025.
- If incorporates current projects and potential new entrants (GDI, Global Platinum etc) output could surge to as much as 30 tons by 2025.
- Mirroring growth in output, platinum annual revenue could increase to about US\$1.2 billion by 2020, and US\$1.6 billion by 2030, to become the single largest source of exports in Zimbabwe.

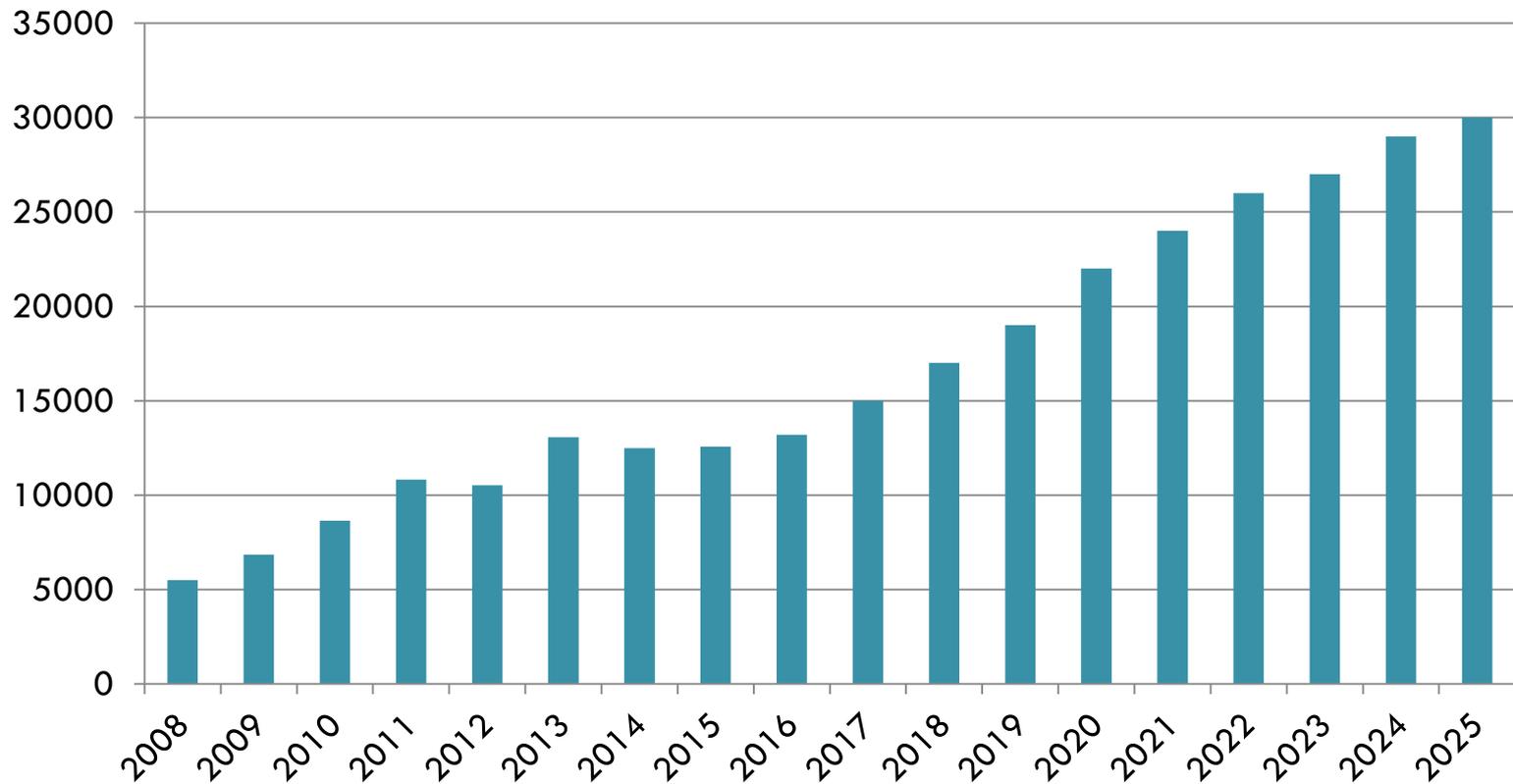
Potential output growth by existing producer

- Existing producers have potential to produce 20 tons by 2020 and 25 tons by 2025.



Potential output growth by existing players plus new entrants

- *The platinum industry has potential to produce 30 tons by 2025*



Impact of platinum growth to the economy

	Current Contribution of the Sector to the economy	Potential Contribution of the platinum sector
Contribution to GDP	6.4%	13%
Contribution to Total Exports	17%	35%
Contribution to Fiscal Revenue	3.2%	10%
Employment Number	40 600	60 000
Contribution to Foreign Direct Investment	37%	45%

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Critical success factors for growth

- The following are required to facilitate growth of the sector:
 - ▣ Capital
 - ▣ Power and infrastructure
 - ▣ Skills and technology

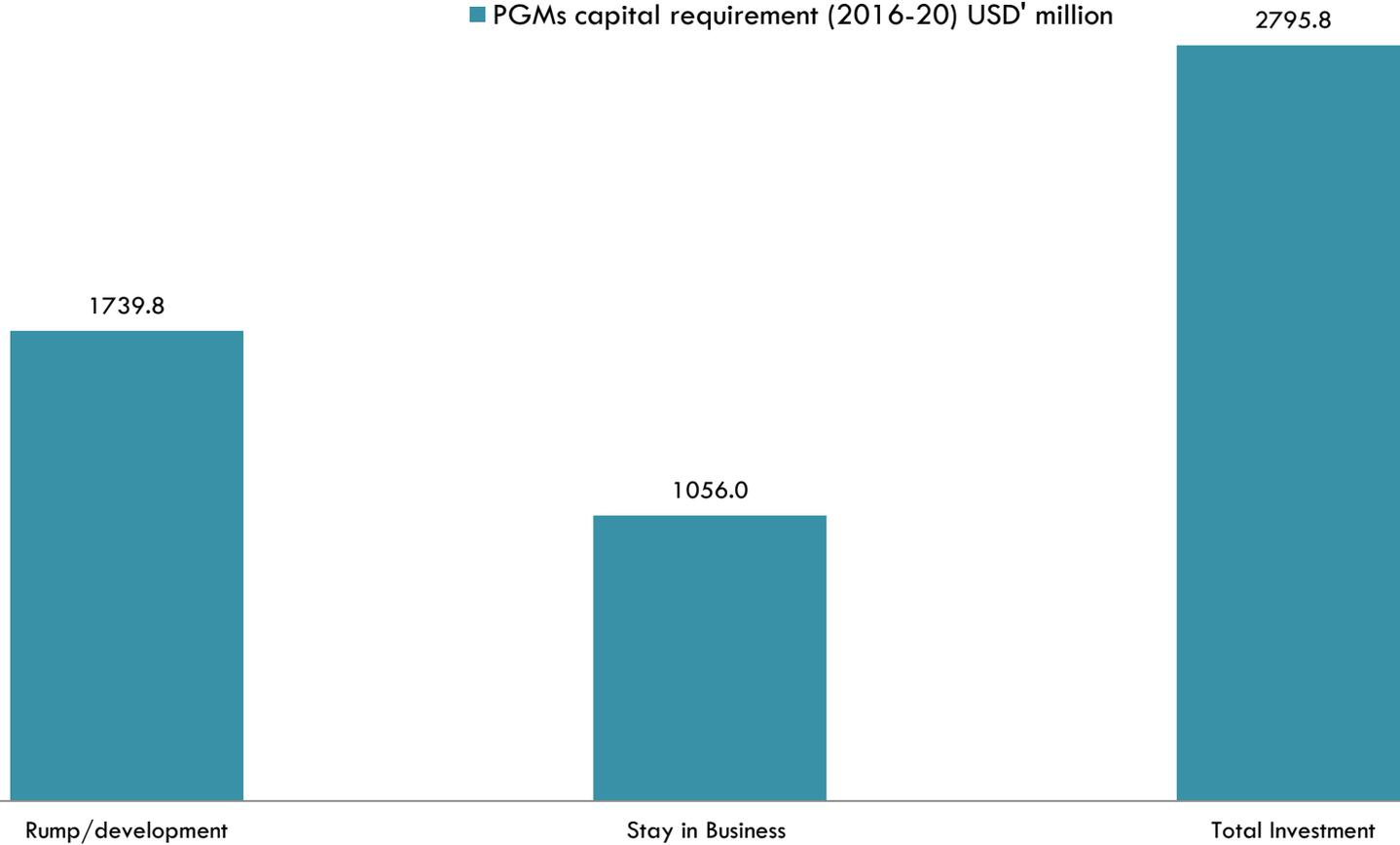
Critical success factors

Capital

- The industry requires around US\$2.8 billion over the next 5 years to ramp up and sustain operations and achieve 20 tons of platinum.
- US\$1.6 billion relates to ramping up of production while US\$1.2 billion is sustenance capital.

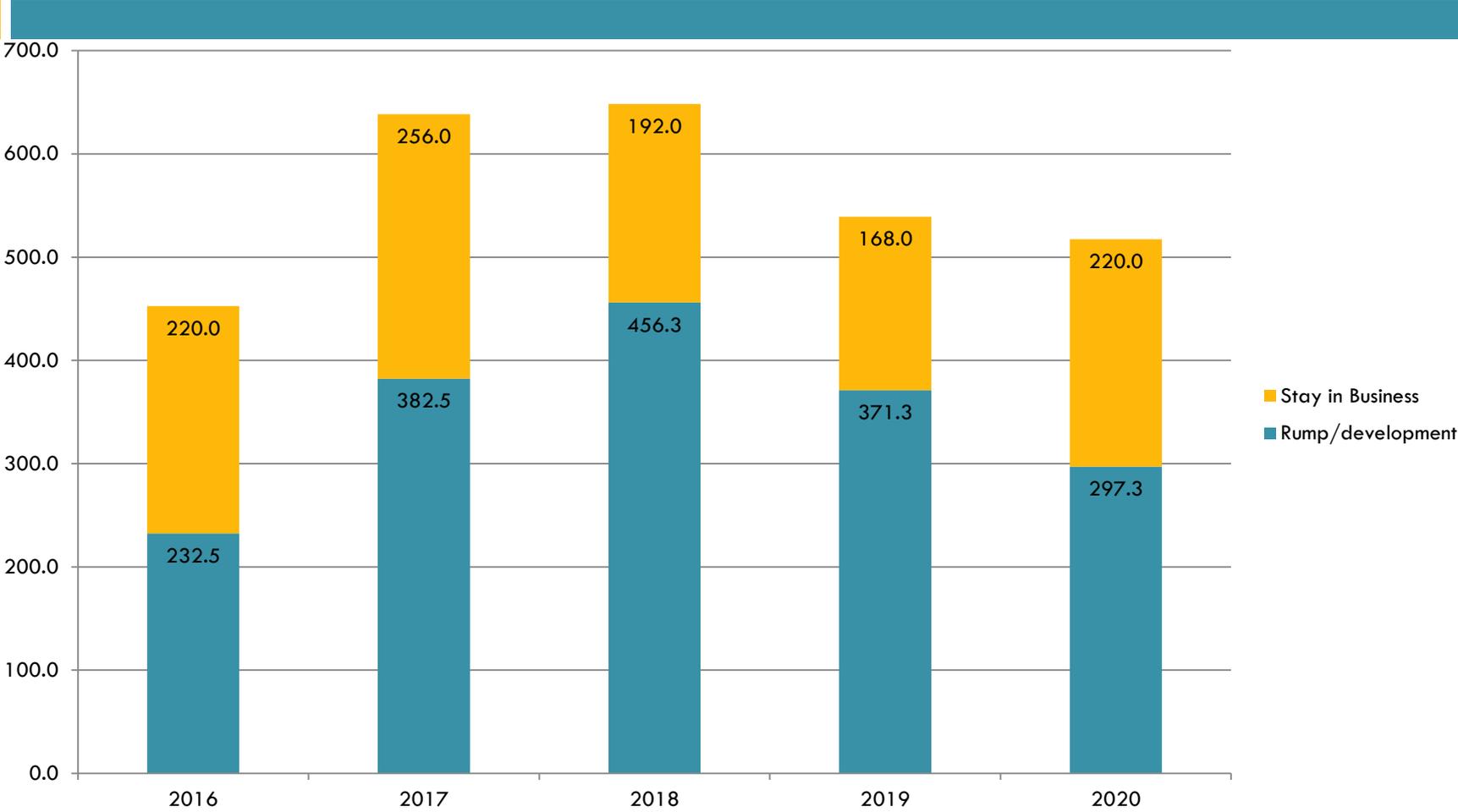
PGMs capital requirement (2016-20) USD' million

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PGMs capital requirement (2016-20) USD' million



Power

- Stability of power supply is vital especially given beneficiation and value addition projects.
- The cost of power should be competitive.

Skills

- There is need to address the skills relevance in light of beneficiation and value addition.

What needs to be done

Attract adequate capital

- Address the investment policies and doing business reforms to mobilisation adequate capital depends on the investment environment.
- Bottlenecks that undermine capital inflows include clarity on indigenisation, lack of policy clarity and inconsistencies.

Address power challenges

- Power shortages should be addressed in light of beneficiation and value addition.
- The cost of power should be rationalised.

Skills development

- There is need for address the skills relevance in light of beneficiation and value addition.

Policy consistency

- There is need for an enabling fiscal policy framework

Thank You

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