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## ZMDC's gold mining dream

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### ... as investor pours US\$26m in Sabi

THE Zimbabwe Mining Development Corporation, formed in 1982 to strengthen Government's hand in extractive industries, is in the market for three packages worth US\$45 million to recapitalise operations at Jena, Sabi and Elvington gold mines.

ZMDC wholly owns the gold mines.

There is optimism that Zvishavane-based Sabi gold mine is on the mend after recently securing an investor who will soon pour US\$26,1 million into the business.

The yet-to-be-named suitor has already bought some of the equipment needed for the mine.

When operating optimally, Sabi and Jena can treat a combined 900 tonnes of ore per month, while Elvington can produce upwards of 26kg of gold.

ZMDC general manager Mr Sydney Simango told The Sunday Mail Business that while Jena and Elvington mines were operational, they required further capitalisation to boost capacity.

“(In terms of) Sabi Gold Mine — the mine is under judicial management (and) Zimbabwe Mining Development Corporation is currently in discussion with a potential investor. Jena Gold Mines — the mine is operational, however recapitalisation is required and ZMDC is currently looking for funds to reequip the mine.

“Elvington Gold Mine — the mine is currently retreating gold dumps (and) Zimbabwe

Mining Development Corporation is looking for investors to restart underground mining.

“ . . . in terms of recapitalisation, Sabi (requires) US\$12,7million; Jena US\$18,5 million (and) Elvington US\$13,4 million,” said Mr Simango.

Sabi judicial manager Mr Wesley Sibanda of Welsa International Chartered Accountants confirmed last week that an investor had been found and a deal struck.

“Well, that is a big project as you know, so a lot of activities were taking place and we have ordered machinery which is trickling in. The plant has to be fixed first before operations resume.

“We have an investor who we signed an agreement with; the total amount agreed is US\$26,1 million which would be released in tranches.

“The equipment we ordered for the plant has been bought using part of the funds from the investor,” said Mr Sibanda.

Operations at Sabi, bought by ZMDC in 1984, were set to resume in February but delays in delivery of equipment pushed dates forward.

The gold mine was placed under judicial management in September 2014 after ceasing operations in 2011 due to working capital constraints.

At the time of closure it generated about US\$2 million per month.

The mine's asset are worth US\$11,6 million, while liabilities stand at over US\$27 million making it technically insolvent.

At its peak, the mine had over 450 employees and had capacity to treat 450 tonnes of ore per day.

## **Jena Gold Mine**

The push to invest in Jena in Silobela, Midlands province has been strengthened by the fact that it holds 546 000 tonnes of ore at 4,2 grammes of gold per tonne.

However, old equipment and erratic power supplies are crippling production.

Statistics from the Chamber of Mines of Zimbabwe show that the mine produced 309kg of gold in 2013.

With a capacity to treat 450 tonnes of ore per day. Jena used to employ more than 632

employees at its peak.

## **Elvington Gold Mine**

ZMDC believes that its Chegutu gold-producing unit, Elvington Mine, where operations were suspended in 2003, has potential to be profitable once funds are secured.

The mine has 21 blocs of mining claims stretching 437 hectares with potential monthly revenue of US\$2,4 million if fully exploited.

It is currently involved in dump retreatment while preparing for resuscitation of underground operations.

Before the shaft collapse in 2003, Elvington produced 45kg of gold per month.

Government has shifted its attention to gold mining in light of the falling prices for other commodities.

The country is targeting to produce more than 24 tonnes of gold this year after hauling in 18,3 tonnes worth US\$685 million last year.

Deputy Minister of Mines and Mining Development Engineer Fred Moyo said gold, as a store of value, was always favoured on international markets.

Zimbabwe's gold output peaked at 29 tonnes in 1999 before sliding to three tonnes in 2008 at the height of economic challenges, but it has since rebounded steadily since then to approach 19 tonnes last year.

Small-scale miners have been key to the revival and last year their contribution to total production rose to 40 percent from 25 percent in 2014.

To ensure viability of miners following the decline in international prices, Government reviewed downwards the royalty rate on gold produced by primary producers from seven percent to five percent in October 2014.

With prices expected to further slide this year, Minister Chinamasa proposed additional incentives to encourage gold production such as a reduced royalty rate of three percent on incremental output of gold "using the previous year's production as a base year" with effect from January 2016.

Controls are being improved at borders to reduce gold leakages.

Apart from ZMDC's mines, Government is also banking on improved gold deliveries from Vast Resources' Pickstone Peerless Mine in Chegutu and RioZim's Cam and Motor Mine in Kadoma.

ZMDC paid US\$400 million in dividends to Government between August 2011 and September 2012.

It is generally felt, however, that the company can contribute even more to the fiscus in view of its impressive claims portfolio.

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