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— ZIMBABWE: MINING RECOVERY —

NOT THE EASIEST COUNTRY, OPPORTUNITIES OUTWEIGH PITFALLS

The name of the country doesn't make you think of real good things. But for the more senior among us, the name Rhodesia brings back some better memories. It takes your mind back to waving corn fields, well-fed cattle herds, rich white farmers, tobacco fields, the big five, prosperity, tourism. Those were also the days of a flourishing mining industry, reaping the benefits of the country's vast natural resources and a significant contributor to what was then called the GNP.



I think it would be inappropriate to elaborate here on all the intricate developments that took place after Zimbabwe gained its independency in 1980. It should be enough to observe that times were difficult from the beginning. Years of internal power struggles, followed by a political coup by President Mugabe and his inner circles in 1987, led to the infamous land-reform in 2000, which 'sent' the whites off and the country into havoc and turmoil, driving the country's strong engines of agriculture, mining and tourism to a virtual standstill. The redistribution of land was an outright disaster, the leaving of white expertise and capital left the mines deserted, no sensible tourist would decide to travel to and in the beautiful country. A period of economic disarray and an almost unprecedented hyperinflation destroyed the economy during 2000-2008. A glorious history gone, its flaws remaining and growing more severe.....



But with these developments, also a very significant other change coincided. A revival of the opposition started to develop, starting with an unexpected surprising outcome of

the 2000 elections for Morgan Tsvangirai's MDC (Movement for Democratic Change) party. It was the first time since 1980 that the population dared to give so much support to an opposition party. Yet, it took until September 2008 that a 'government of unity' was formed between Mugabe's ZANU-PF and the MDC. Although the 'co-operation' still is a precious and fragile one, the trend for a better future is set. ▶

► It is still early stage but after the IMF described the Zimbabwean economy as "completing its second year of buoyant economic growth", there are ample signs that recovery has begun. The gold mining industry has been experiencing a revival, in particular since early 2009, when gold producers were allowed to sell their gold directly to the world markets and be paid in US dollars. It is anticipated that the mining industry will be one of the main drivers in a further recovery of the Zimbabwe economy.

GOLD MINING IN THE PAST

Zimbabwe has a glorious history in mining. Although its natural resources include coal, chromium ore, asbestos, gold, nickel, copper, iron ore, vanadium, lithium, tin, platinum group metals, uranium and diamonds, I will restrict myself to the aspects of gold mining as it is the subject of this report. Some time in the future, it is likely that I also will pay attention to the platinum group metals.

The estimates of former gold producing mines in the country range between 800 and 1,000 mines, clearly indicating how rich Zimbabwe is endowed with the favourite yellow metal. It also reflects the density of mining activities, whereby it should be noted that these counts only include the officially recorded mines and not the obvious artisanal mining activities.

Zimbabwe was once ranked as the 6th largest gold producer in the western world with a production of **18.6 tonnes (598,003 ounces) in 1975**. Despite circumstances of civil war, political turmoil and disruptive power shortages, production increased over the years to a record **29.7 tonnes (954,877 ounces) in 1999**, good enough to be the 16th largest gold producer of the world. However, due to the occurring factors described before, the gold mining activities slumped to produce a bottom of just **3.5 tonnes (112,527 ounces) in 2008**, to pick up marginally to **4.9 tonnes (157,538 ounces) in 2009** and to **8 tonnes (257,205 ounces) in 2010**. Production is expected to have reached **13 tonnes (417,960 ounces) in 2011**, reflecting the imminent recovery of the gold mining industry.

GOLD MINING AT PRESENT

The Zimbabwe gold mining industry is definitely in a period of noticeable transition, developing from a depressed and struggling industry into an inventive and enthusiastic new generation of miners. The example of some current gold producers, that have refurbished old mines and resumed production is being followed now, both by some national companies that have been dormant, and by several international companies that have succeeded in or are in the process of raising the necessary funds to buy and revive formerly producing mines. The dusting off, removing the mothballs, checking old machinery, refurbishing equipment and installing new processing plants are in progress and will come in fuller swing over the next few years.

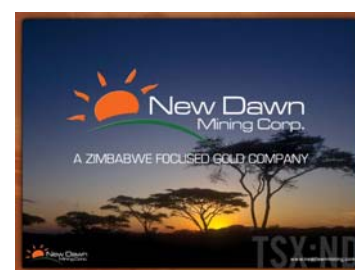
PRODUCTION

Looking at a selection of gold producers, the privately-held **Metallon Gold** is the largest with a contribution of about 50% of Zimbabwe's total production. The company, having 5 mines on stream, has a lot greater potential, if only the repeating power failures could be solved. ►



▶ Also privately held is **Duration Gold** which intends to build its 5 core assets into a 350,000 ounce per year producer, based on 5 bankable feasibility studies to be completed by 2014. Details about current progress of the plans to produce 100,000 ounces in 2012 are not available. Another company that has stayed in Zimbabwe all along and kept supporting their former employees financially during the period the mine was idle, is **Caledonia Mining Corp.** (TSX:CAL, AIM:CMCL) that has been operating its **Blanket Mine** since 2009. Having produced 35,826 ounces in 2011, production is estimated to be 40,000 ounces in 2012. AIM-listed **Mwana Africa** (MWA) is operating the **Freda Rebecca Gold Mine** since acquiring it from Ashanti Gold in 2004 and has produced 27,240 ounces of gold in 2011.

A very good showcase of how mines can be rebuilt is **New Dawn Mining Corp.** (TSX:ND), a company that I have covered in the past and will update a bit later in the year. The company started with bringing its **Turk and Angelus Mines** back to production and is now **operating a total of 11 mills at 4 gold producing sites in three separate gold camps**. It will be expanding its consolidated annualized gold production to a targeted 60,000 ounces by the end of this year and increasing annualized gold production to **100,000 ounces by the end of 2014**. As part of its expansion plans, New Dawn acquired 89% of Central African Gold, bringing 4 more mines and nicely expanding New Dawn's production potential. The company is run by Ian Saunders, born/raised/domiciled in Zimbabwe, who has great expertise and knows the sector in and out. The company's listing in Toronto should give it an edge in finding support from international investors.



EXPLORATION

In the gold exploration sector it is buzzing with activity, inflicted by the generally better circumstances, the continuing relative high gold prices, and a definitely improved availability of international investors that have the vision of what is eventually going to happen to mining in Zimbabwe. Existing companies show revived energy and new-to-Zimbabwe companies come to participate.

A company that has a history in Zimbabwe and has been around during the difficult years is **African Consolidated Resources** (AIM:ACR). Since 2004, it has assembled an impressive asset base, including 5 gold projects. Focus is on the **Pickstone Gold Project** to achieve cash generative, first phase production in mid 2012 and drilling at the Gazema Gold Project that resulted in a resource of 27Mt at 1.2 g/t, containing 1.03 million ounces; target is to define a total resource of 2 million ounces by Q4 2012.

One of the few major mining companies that has joined the renewed elan for mining in Zimbabwe is **DRD Gold** (NYSE, JSE:DRD) that has taken a 50% interest in a joint-venture with **Chizim Investments** in 2010 to explore 32 contiguous claims spread over 550 hectares. *Knowing DRD as real smart operators, I find it very encouraging that they are part of the game.* Also in 2010, the Australian company **Cape Range** (ASX:CAG) acquired an option to acquire up to 90% in **Ox Mining**, operating the producing **Inez Gold Mine** and exploring some other gold projects. In 2011, privately held **Bilboes Holdings** got a financial injection of \$6 million from the new **Baker Steel Resources Trust**, part of the London-based ▶

▶ Baker Steel group of funds. The proceeds will be used at the 4 previously producing oxide mines containing JORC compliant resources totaling 778,000 ounces. Baker Steel feels there is a good opportunity to significantly expand these resources through drilling of the underlying sulphide mineralisation which is underway.

A very recent entry in the Zimbabwe gold scene came just early this month by Australian-based **EIDore Mining Corp.** (ASX:EDM) with the acquisition of the **Lonely Gold Mine** for \$4.4 million. The mine is situated near Bulawayo in the gold-producing Bubi greenstone belt and was the country's largest single gold producer until its closure in the mid-1990's. EIDore plans to determine the potential to restart operations at the mine along with discovering the size and scale of operations and exploration prospects.

OBSERVATION

It should be noted that all the new activities in the Zimbabwe gold mining industry are taking place in the presence of the Indigenisation and Empowerment Act, introduced by the Zimbabwe government in 2010 along with a substantial increase of levies on production and license fees. It remains to be seen whether this new regulation will indeed be enforced as introduced and interesting observations have already been made by several mining insiders, including the Chamber of Mines, about its implementation and consequences. It is obvious that the good prospects of an involvement in Zimbabwe's mining industry outweigh any new regulation.

SPECIAL ATTENTION for a new SUPPORTING COMPANY

In the mailing of the link to my January **GOLDVIEW** I mentioned a new addition to The Centre's group of SUPPORTING COMPANIES. I have the pleasure to introduce to you a company that just recently has joined the revival of the gold mining industry in Zimbabwe.

Mayfair Mining & Minerals Inc., a US company with its management in the U.K., recently signed a contract with **Conquest Resources** (TSXV:CQR), whereby it acquired 4 mineral projects in Zimbabwe's most prospective greenstone belt, consisting of three former gold producing mines, the **Babs Gold Mine**, the **Beehive Gold Mine**, the **Piper Moss Mine** and the **Eva exploration property**. The consideration for the acquisition was \$2.0 million, payable by 20 million fully paid common shares, **thus giving Conquest an approximate interest of 36.4%** in Mayfair.

The ultimate objective of management is to get all 4 projects to the production stage in the shortest possible time. To that effect, Mayfair is now designing a **first working program** to inspect, organize and evaluate the properties, including a pre-exploration program, initial sampling and testing, investigating the possibility to process the extensive quantities of tailings, bringing the present reserves up to NI43-101 standards and starting up the refurbishing of the existing mines.



Mayfair Mining & Minerals

Another priority is, to prepare and initiate a listing of the company shares on a recognized stock exchange or automated quotation system in Canada. In the past the shares were trading at the OTCBB, but management has reasons not to repeat that. Discussions with some other choices have begun.

▶ Although Mayfair is a public company by definition, the shares are mainly in private hands. As said above, that will change somewhere in the next few months when the shares will be listed. **So at this time, you can not buy the shares unless.....you are interested in participating in the Private Placement that the company is currently undertaking.**

FINANCING

Mayfair Mining & Minerals is seeking an initial financing by issuing Units to a total amount of \$500,000. The price of each Unit shall be \$0.10 and each Unit shall consist of one share of the company's restricted Common Stock and one warrant to purchase an additional common share during a period of two years from the date of the issue at a subscription price of \$0.15 per Unit. The proceeds of the issue will be used to enable the company to start up its first exploration and refurbishing program and to get the shares listed. *Should you be interested in this first financing, you are most welcome to contact us and we will be pleased to provide more information or refer you to the company.*

Over the next few months, Mayfair's management will analyze re-evaluate all the available geological documentation on the 4 projects and prepare a detailed plan of the next steps that should be proposed. A mature financing, possibly coinciding with another listing on a major exchange, will be needed then to commence the necessary work that should bring the properties closer to the production stage.

I am excited about the possibilities that exist in the Zimbabwe gold mining sector, despite the presence of some of the known pitfalls. The opportunities outweigh those. The entry of more good companies and the influx of international capital into the industry are encouraging and telling me something. Having examined the assets that Mayfair acquired and having known the Mayfair management for many years, I am pleased to have the company as a supporter of my ongoing efforts to inform you and at the same time, be a supporter of theirs. In my view, **Mayfair represents "a new venture on historically known resources" and a "ground-floor opportunity" for investors to become involved.** ●●●

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