THE DARWENDALE PLATINUM PROJECT COLLAPSES
The US$3 billion Great Dyke Investments (GDI) platinum mega project has all but collapsed. Touted as a game changer and an indicator of progress in attracting investors, the project collapsed in 2021 due to a plethora of problems which include corruption, mismanagement, mistrust, and poor planning. Mining operations have since stopped as the Russian investor has stopped pumping money into the project.

The government of Zimbabwe commissioned the Darwendale platinum project in September 2014. Located on the mineral-rich Great Dyke of Zimbabwe, it the belt is one of the biggest Platinum Group Metals (PGM) deposits in the world. The project was being developed by a company called Great Dyke Investments, a joint venture between Russia’s Vi Holding and Zimbabwe’s Landela Mining Venture. A bankable feasibility study which was undertaken in 2017 by African Export-Import Bank (Afreximbank) showed that the project had a potential to contribute to the turnaround of Zimbabwe’s economy. The peak production of the mine was expected to be 860,000 ounces of platinum group metals a year, translating to almost US$1 billion. The total mine life expectancy is 40 years.

Mining preparatory works started in 2020 with establishment of two portals for the mine. Shortly afterwards, in 2021, the mining project stalled. Centre for Natural Resource Governance followed the developments at this much-hyped mining investment and identified lack of transparency as the chief cause of the collapse.

On 16th September 2014, then President, the late Robert Mugabe commissioned the “historic” US$3 billion platinum mining project in Darwendale with much expectation that it was going to stimulate growth in various sectors of the economy. The project was marked as the biggest joint venture the government entered into with a foreign investor in the history of independent Zimbabwe.1

The project, as a partnership between the Government of Zimbabwe and a Russian consortium (including arms conglomerate Rostec), was first mooted in 2014. In its second incarnation the project was structured in 3 phases. First phase was to run from 2014–2017, focusing on exploration and infrastructure development. The second phase was expected to run from 2018–2021 focusing on construction and commissioning of two underground mines and the second processing plant. Additional mines were to be constructed in the third stage (2022–2024).

At the commissioning ceremony, two financing agreements were signed. These were between Russia’s JSC Afromet and VB Bank and another agreement on staff training between GDI and Russia’s University of Science and Technology. It is not clear what happened to the JSC Afromet–VB Bank agreement of funding the project thereafter since there is evidence that the project now lacks funding barely three years after the commissioning. The details of the agreement were also never published.

Live link:
1. https://www.herald.co.zw/us3bn-project-commissioned/
In November 2017, Robert Mugabe was replaced by President Emmerson Mnangagwa whose mantra was ‘Zimbabwe is Open for Business’. In January 2019, President Mnangagwa visited Russia to lure investors and unlock the stalled Darwendale project. However, the visit to Russia and the return visit by Russian Foreign Minister Sergey Lavrov in March 2018 did not bring immediate results until October 2019 during the Russia-Africa Summit. During this summit, the First Deputy CEO of Vi Holdings, Alexander Ivanov, announced that the project was progressing to development phase. Then, a range of financial documents were signed between the government and Vi Holdings on the sidelines of the Forum. 3

The economic potential of GDI project

The GDI project was expected to create at least 8000 highly skilled jobs at its peak,4 and producing 4 million tonnes of ore per annum. According to GDI Vice Chair, Igor Higer,5 this turns to 860,000 oz. of PGMs per year, with an average annual revenue above US$350 million starting from 2023 onwards. This project was expected to significantly contribute to the US$12 billion mining industry economy by 2023.

In January 2021, the government awarded GDI a 5-year tax holiday through SI26/2021. The tax holiday was backdated to January 2020. The tax holiday was expected to incentivise and retain the investor. The decision by government to award the tax incentive was widely challenged by civil society as unconstitutional, unreasonable, and undermining domestic resource mobilisation efforts. Despite the tax holiday, GDI was expected to pay royalties to the government based on gross revenue. In Zimbabwe, the platinum sector pays 10% of gross revenue to the government as royalties. However the contract between the Government of Zimbabwe (GoZ) and GDI has never been available for public scrutiny to determine how the project’s fiscal regime is expected to benefit the country in the long run. But the near collapse of the GDI project, despite a 5-year tax holiday, indicates deep structural challenges in Zimbabwe’s investment climate. The outlook is even more negative when one considers the fact that Russia, alongside China are considered friendly nations to Zimbabwe, hence their investments are expected to be protected. Nevertheless, the collapse of the deal confirms Zimbabwe as an investment sinkhole that must do more to create a conducive environment in order to lure serious investors.

Brighton Murisa was a poultry farmer in Darwendale area. However, he lost land and his US$780,000 poultry investment to GDI mining. Portal 1 box cut of the mine sits on Murisa’s farm and less than 50m from his homestead. Murisa was forced to leave his land without compensation.

According to the EIA report conducted by Black Crystal Consulting Pvt Ltd, 38 farmers were to be affected by the project. Out of these 38 farmers, 25 are to lose 100% of their land and are supposed to be relocated to an alternative land. Five farmers would co-exist with the mine but paid for their losses. When GDI started works at the mine in February 2020, none of the farmers had been resettled or paid for their losses. The resettlement plan was also not available.

In March 2022, EMA suspended GDI’s EIA certificate for failure to comply with the conditions of the EIA of relocating and compensating affected farmers before the project commenced.
In March 2021, Munashe Shava, the GDI Chief Operations Officer said, there was estimated creation of 4,000 jobs.

Contrary to Mr. Shava’s projections, investigations by CNRG showed that at its peak, GDI employed 380 employees. Observations by CNRG in the first quarter of 2022 revealed that the mine site has been deserted, save for Imalock security company guards manning the premises and the box cuts. The skeleton technical staff that had stayed behind hoping for capital injection to breathe life into the project started leaving the mine from end of 2021. By the 1st of April 2022 they had all left, including the security guards.

In November 2018, appearing before the Parliamentary Portfolio Committee on Mines, Mr. Shava refused to provide information on GDI’s ownership structure. He directed the question to the government of Zimbabwe. However, the Zimbabwe Mining Development Corporation (ZMDC) board chairperson Peter Chimboza told the Parliamentary Portfolio Committee on Mines and Mining Development during the same inquiry that the army has 30% shareholding in the Great Dyke Investment (GDI) mining company.

In Oct. 2019, Landela Mining Ventures acquired 50% stake in GDI, as a local investor. Then in December 2019 GDI sold a 4.4% stake to Fossil Mining, led by Obey Chimuka to raise US$30 million to develop the mine. Obey Chimuka sits in the GDI board and is the CEO of Fossil Holdings, a subsidiary of Kuda Tagwirei’s Sakunda Holdings. That left Landela Mining with 47.8% stake in the mining venture. The other stake (47.8%) is owned by Russia’s Vi Holdings. The Landela Mining Ventures’ stake in the GDI venture is listed under Kuvimba Mining House portfolio of assets. Kuvimba Mining House, in which the government allegedly owns 65% shareholding, was established in 2020, and since then the company has been acquiring lucrative mining assets in Zimbabwe.

Before Landela Mining Ventures appeared in the GDI picture, the platinum concession was owned by the Zimbabwe National Army and ZMDC. In 2014, the military, Nine years after the commissioning of the platinum project, there has been little progress towards getting the ore out of the ground, which was targeted to start in 2021. The company already spent over US$100 million on geological exploration and construction of two box cuts and surface infrastructure according to Ivanov. Afreximbank was expected to provide about US$500 million to fund the initial mining phase.

Investigations by CNRG revealed that Portal 2 was left incomplete while Portal 1, though completed, collapsed at the stage of drilling the decline shafts. The collapse of Portal 1 raised a lot of questions about the competency of the engineers who designed the mine plan. The engineers carried out secondary studies on the geology of the area and concluded that the ground condition was poor and unstable hence not suitable for underground mining. Rather, opencast mining was recommended. With a lot of safety fears, all excavation operations to proceed with making the declines literally hit a wall. According to internal sources, delays in the project scheduling and budget creeps caused fatigue in the Russian investor who had anticipated that mining would have started by 2021. No further funds were injected into the project thereafter.

In December 2020, there were signs that the momentum at the mine had slackened, and from May 2021, there were virtually no activities at the mine and operations were placed under care and maintenance. Contractors such as JR Goddard, KW Blasting, Dific Mining Contractors, Static Strata, Esor Construction and Intrachem withdrew and workers were retrenched. By the end of 2021, the Russians had started to strategically pull out of the mine site.

Conclusively, although lack of funding was the visible cause of the failure of the project, underlying this cause were signs of mismanagement and mistrust between the Russian investors and their local partners.

Who owns GDI?

Army has 30% shareholding

50% as local investor

4.4% sold to Fossil Mining subsidiary of Sakunda Holdings

47.8% owned by Landela

47.8% owned by Vi Holdings
through its company called Pen East Pvt Ltd partnered ZMDC to form GDI. Great Dyke Investments became a joint venture with a Russian consortium comprising VI Holdings, Rostec and Vnesheconombank. In 2019, President Mnangagwa announced that the army had sold their stake to a local investor. There were speculations that the military’s involvement in the project was scaring away investors. The military has been under sanctions, and this stifled access to lines of credit.

Kuvimba Mining House, which owns Landela Mining Venture, is technically owned by Kuda Tagwirei. In August 2020 Kuda Tagwirei was slapped with sanctions by the US government for masterminding grand corruption and using political influence to win lucrative state deals in Zimbabwe. The face of Tagwirei in the GDI picture has affected access to funding for this mining project at a time when GDI requires additional capital injection. Impala Platinum, a South African company, had been courted to join the GDI consortium but turned down the offer over lack of transparency in the shareholding structure and fear of being implicated in the sanctions. Impala Platinum has assets in Canada and listed in the US, hence compelled to conform to the US Treasury sanctions on Tagwirei. Until 2008, Impala Platinum owned the Darwendale platinum concession, but the company had to relinquish much of its mining concessions in the country under pressure from Robert Mugabe’s government.

Although the Zimbabwean government claims that it controls Kuvimba Mining House, its assets are the same as those held by Sotnic International, which is also linked to Kuda Tagwirei. The lack of transparency on who is the owner of Kuvimba Mining House has negatively affected efforts to attract a new funding partner for the Darwendale mine. Investors fear that Kuvimba Mining House is being used to mask the face of the military in the project.

Like in many resource-rich African countries, natural resources benefit the powerful ruling elites at the expense of the people. Militarization, politicization and securitization of natural resources forms the bedrock of Zimbabwe’s decades-old political strife and underdevelopment. Lack of transparency and accountability in allocating mining rights and identification of investors has seen a rise in illicit financial flows and failure by government to deliver social goods to the populace. However, the involvement of powerful political elites and military has not only frightened potential investors but has reduced the effectiveness of democratic institutions such as parliament and Zimbabwe Anti-Corruption Commission to execute their mandate to oversee policy implementation, access critical information and pushing the executive to be more accountable and transparent.

**Way forward**

- **Government should cancel the current Darwendale agreement and restart the process of identifying the investor(s), in a transparent manner.**
- **For the GDI platinum deposit to benefit the people of Zimbabwe, the government should conduct stakeholder engagement and allow for access to information.** A competent, technical, and experienced team should be set up to study all the relevant geological data available and advise government on how best to maximize value from the Darwendale resource.
- **Civil society should continue to lobby parliament and other stakeholders to hold the Ministry of Mines and Mining Development accountable for the Darwendale platinum reserves.**
- **Legislators should exercise their oversight role in the awarding of contracts and mining licences, investigating corruption and operation of state businesses.** Parliament should be able to conduct field visits to new mining projects such as the Darwendale project to try and establish if the national interests have been secured and whether the rights of on local communities have been considered.