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METALLON CORPORATION SUES THE GOVERNMENT OF ZIMBABWE FOR US\$132M FOR FAILING TO PAY FOR GOLD

Metallon Corporation (“Metallon”), the leading gold mining company in Zimbabwe, has served legal notice to the Reserve Bank of Zimbabwe (RBZ) and Fidelity Printers and Refiners Limited, (FPR) for lack of payment for gold produced. Metallon is demanding specific performance from the Governor of the RBZ and the FPR, including full payment of amounts owed.

“We have started legal proceedings against the Reserve Bank of Zimbabwe, particularly against the Governor, Dr John Mangudya, demanding specific performance. We are doing this because we feel the treatment we have received from the concerned authorities has been driven by corruption and a sense of impunity, for which we believe there is no end in sight.” said Mzi Khumalo, Chairman of Metallon.

Metallon has been forced to put its mines on care and maintenance because of the unsustainable costs of running them without proper compensation for its proceeds from the Government of Zimbabwe. Where payments were received, they would only amount to a third of the total owed. Between 2016 and 2019, Metallon lost US\$82m and Metallon is claiming for US\$132m for the lack of profit and procurement, including interest.

One of the key issues raised by Metallon in its notice to the Governor of the RBZ and the FPR is that while the Company issued its invoices in USD, the Foreign Currency Retention Scheme saw Metallon being paid in RTGS. The disparity in the purchasing power resulted in the corporation being unable to procure machinery, equipment and operational goods at competitive prices. This seriously affected the production capacity of its various mines, leading to huge losses and unemployment measures being taken in an already strained economy. More than 2000 employees have lost their jobs.

“The people who suffer most are Metallon employees who no longer have jobs. First, they were victims of hyper-inflation under the previous regime. And now they have lost their livelihoods. We had no other recourse but to take decisive action,” added Khumalo.

Metallon is also suing the Zimbabwe Ministry of Mines and Mining Development for the unlawful withholding of a mining lease that was approved by the Zimbabwean Mining Affairs Board in January 2019.

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