RIO ZIM

RioZim Limited

ANNUAL REPORT 2019

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RIOZIM LIMITED is an integrated mining company with a diverse portfolio of resources in gold, base metals, diamonds, coal and chrome.

OVERVIEW

GOLD PRODUCTION

7% decline in gold production to 1.658 tonnes from 1.792 tonnes in 2018.

EBITDA

Generated EBITDA of ZWL$ 84.1 million.

ONE STEP MINE

Successfully opened One Step Mine hauling ore to Cam & Motor Mine.

CAPITAL EXPENDITURE

Capital expenditure amounting to ZWL$ 148.5 million was spent during the year.

BIOX PLANT

Commenced the multi-million dollar project in Q4 2019.

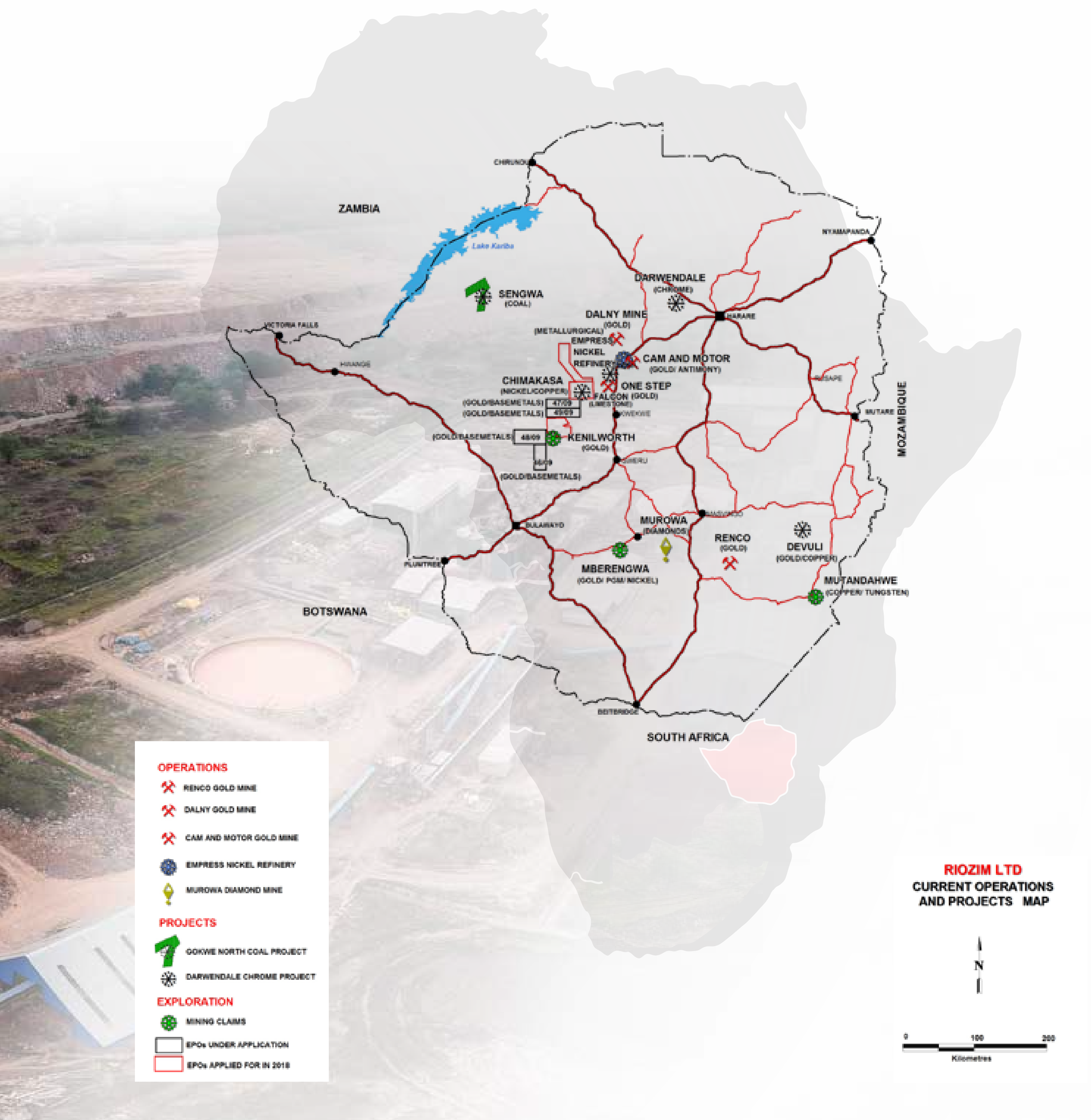
SOLAR POWER PROJECTS

Secured power generation licences paving way for development phase of the solar plants.

OUR OPERATIONS AT A GLANCE

COMPANY OPERATIONS

In the year under review the Group operated Renco Mine located in Masvingo, Dalny Mine based in Chakari, Cam & Motor Mine, One Step Mine and Empress Nickel Refinery in Kadoma. In addition, the Group holds 50% interest in Sengwa Colliery (Private) Limited, a company with coal assets located in Gokwe North and a 22.2% interest in RZM Murowa (Private) Limited a company with a diamond operation located in Zvishavane. The location of these operations as well as the Group's areas of interest are shown below:



MANAGEMENT STRUCTURE

Group

GROUP CHIEF EXECUTIVE OFFICER

B NKOMO
Advanced Management Programme (Harvard University),
CA (Z), CA (SA), B Comm -Acc, B Compt (Hons)

CHIEF FINANCE OFFICER

R SWAMI
ACA (India), ACS (India),CPA (USA),B.Com(Hons) (India)

CHIEF OPERATIONS OFFICER

M M SHAH
CA (India), Msc Accounting & Finance (UK), Alumni of Harvard University

CORPORATE AFFAIRS EXECUTIVE

Dr W GWATIRINGA
IOB (Z), IOB(SA),MBA, PHD

GENERAL COUNSEL AND COMPANY SECRETARY

T A CHIURAYI
LLBs (Hons) (UZ)

GROUP HUMAN RESOURCES MANAGER

J NJANIKE
Bsc Economics, IPMZ, LCCI Mngt, MBA

FINANCIAL CONTROLLER

C BENZA
CA (Z), CA (SA), BAcc (UZ), B Compt (Hons) (UNISA)

GROUP SUPPLY CHAIN MANAGER

L DUBE
HND Purchasing, Dip Bus Studies

CHIEF GEOLOGIST

P TAKAEDZA
Bsc Geology (UZ)

GENERAL MANAGER - Engineering Services

M MACHIKICHO
Bsc Mechanical Engineering (UZ)

SECRETARIES

RIOZIM MANAGEMENT SERVICES (PRIVATE) LIMITED

Division

GENERAL MANAGER - Empress Nickel Refinery (ENR)

C KARIWO
Bsc Metallurgy (UK), Dip Mgt Dev (UNISA)

GENERAL MANAGER - Cam & Motor Mine

T KADYAMUSUMA
Bsc Metallurgical Engineering (Hons) (UZ)

GENERAL MANAGER - Dalny Mine

S DHLAMINI
Bsc Geology (UZ), Post Grad Applied Geography (Canada)

GENERAL MANAGER - Renco Mine

T DUBE
Bsc Mining Engineering (Hons) UZ, Msc Mining Engineering (Wits

GENERAL MANAGER - RZM Murowa (Associate)

M NYAMHUNGA
Bsc Metallurgical Engineering (Hons) (UZ), MBA

GENERAL MANAGER - Rio - Energy

S MHURIRO
African Leadership Program (Oxford), Dip Food & Bev Management; Dip Hospitality Managent

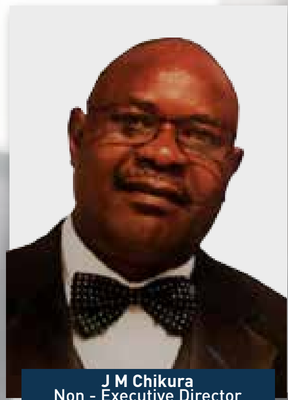
BOARD OF **DIRECTORS**


S R Beebeejaun
Non - Executive Chairman

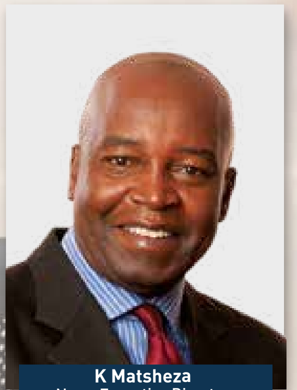

C Dengu
Non -Executive Deputy Chairman


B Nkomo
Group Chief Executive Officer


M M SHAH
Executive Director


J M Chikura
Non - Executive Director


G K Jain
Non - Executive Director


K Matsheza
Non - Executive Director


M T Sachak
Non - Executive Director


I M Sharma
Non - Executive Director

RioZim Limited

CHAIRMAN'S STATEMENT

S R Beebeejaun - Chairman

INTRODUCTION

The current year, 2019, was marked by various monetary and fiscal policy changes that had a significant impact on both the country's economy and the Company's business and operations. The operating environment continued to be challenging throughout the period, characterised by acute power supply deficits, foreign currency shortages and hyperinflation. After the discontinuance of the multi-currency system and the introduction of the Zimbabwean dollar as the mandatory sole legal tender within the country, the Zimbabwean dollar depreciated rapidly against other foreign currencies from then on, resulting in unmanageable escalation in the cost of local inputs. The acute shortage of foreign currency meant that certain purchases had to be made in Zimbabwe dollars at exorbitant prices.

The Company continued to receive only 55% of its gold receipts in USD whilst the remainder was paid in local currency at the inter-bank exchange rate. The foreign currency retention however falls short of the Company's operational and capital expenditure requirements considering that the Company is required to pay for electricity and fuel in USD over and above other local costs. Part of the salaries of employees are also paid in USD making it impossible to make ends meet. This means that the Company is perennially short of foreign currency to sustain its operations let alone growth. The interbank rates were lower than rates on the alternative markets throughout the period by wide margins ranging from 50% to 75%, whilst prices of local inputs followed rates in the alternative markets. The huge premium between the interbank market rates and alternative market rates had a huge knock on effect on the Company's margins, as most of its local inputs are sourced at the prevailing alternative market rates. The other material impact of this system is that the Company only received some 75%-80% of the world price for its products with the rest being passed to the Reserve Bank of Zimbabwe (RBZ) in the form of cheaper foreign currency.

GROUP PERFORMANCE

The Group's production performance declined by 7% to 1 658 kgs of gold against the prior year's production of 1 792 kgs. The low volumes were attributed to incessant power cuts of up to 18 hours per day, which hampered production at all of the Group's mines from Q2 2019. In addition to the power cuts, the Group also suffered from breakdowns on the mills section at its Cam & Motor plant. Consequently, revenue for the year was subdued at ZWL$577.1 million. The gold price was favourable throughout the period and averaged US$1,395/oz, 12% higher than an average price of US$1,247/oz recorded in the prior year. This partly cushioned the Group's reduced revenue due to lower production volumes. The Group's gross margin declined to 2% compared to 18% achieved in the prior year which is reflective of the heavy premiums borne by the Company as a result of the disparity between the local component of the Group's revenue which is received at interbank rate against prices of local inputs which are pegged at alternative market rates.

> The Company embarked on various capital raising initiatives during the year to fund the completion of the BIOX plant which holds the future of Cam & Motor mine.

CHAIRMAN'S STATEMENT (cont'd)

PRESENTATION CURRENCY

After the various currency changes during the year and the promulgation of SI 142 which put to an end the multi-currency regime and the mandatory use of the Zimbabwean dollar as the sole legal tender for all local transactions, the Company changed its presentation currency to Zimbabwean dollar (ZWL). The Group's functional currency however remained USD in line with IAS 21 "The Effect of Changes in the Foreign Exchange Rates" considerations. The Group used the interbank exchange rate (which is the only legal exchange rate in the country) to convert transactions and balances in foreign currencies to the Company's presentation currency, the Zimbabwean dollar (ZWL). The interbank rate however, did not meet the definition of a market exchange rate as per IAS 21. As a result, an adverse opinion has been issued by the Auditors. This was however, a nation-wide phenomenon and is not restricted to our Company alone.

GOLD BUSINESSES

Renco Mine – The mine produced 556kgs which is 6% lower than the comparative period production of 591kgs. The lower volumes are mainly as a result of inconsistent power supply to the mine which significantly reduced plant running time and throughput.

Dalny Mine – The mine experienced the worst power cuts losing up to 18 hours per day from Q2 2019. Resultantly, production regressed by 18% to 364kgs from 442kgs recorded in the same period in 2018. The mine carried out vigorous exploration within the Dalny Mining Complex and successfully opened new mining pits with higher grades, which lessened the effect of low throughput due to power cuts.

Cam & Motor Mine – The mine achieved 738kgs, a 3% decline from 759kgs achieved in 2018. This low performance was attributed to persistent mill breakdowns during the year which forced the mine to carry out major overhaul repairs including reworking the foundations of the mills in the second half of the year. The mine also exhausted its oxide ores at its pits during Q3 2019 which resulted in the shift of mining activities to the Group's One Step Mine and hauling ore to the Cam & Motor plant, a distance of around 50kms. Further, this was at lower grades which is characteristic of the ore composition at One Step Mine.

Ground breaking of One Step Mine operations


Mining activities at One Step Mine

Biological Oxidation (BIOX) Plant Project

The Company re-embarked on the US$17 million capital project to construct the BIOX plant at Cam & Motor mine during Q4 2019, which had been earlier stalled due to lack of funds. The use of the BIOX technology is expected to increase production by at least 50%. Civil works for the project have progressed to 30% as at reporting date. Structural steel fabrications are in progress after deposit payments were made during the year. Mechanical installations phase is scheduled to start during Q2 2020. The BIOX plant was expected to be commissioned in the fourth quarter of 2020. The commissioning timeline was however, highly dependent on the Company securing foreign currency, which is still the current biggest risk threatening the project.

The life of mineable resources at One Step to feed the Cam & Motor plant during the construction phase of the BIOX plant is around nine months, after which production at Cam & Motor will come to a complete halt if the BIOX plant is not commissioned within the set timelines. The Company is, however, looking at ways to continue exploration activities at One Step mine to extend the life of mineable resources and safeguard the going concern of the Group.

The Company embarked on various capital raising initiatives during the year to fund the completion of the BIOX Plant which holds the future of Cam & Motor Mine. Among these initiatives include approaching the Company's bankers and other financial institutions and financiers both local and foreign for possible USD funding. Negotiations were at varying levels as at year end. As at reporting date, all the fund raising activities that the Company was pursuing were not yet binding and hence remain uncertain. This is further complicated by the outbreak of COVID-19, which has forced lockdowns in South Africa and Zimbabwe.

At the last Annual General Meeting, the Company sought to increase its authorised share capital in order to raise capital in USD. This resolution was opposed by Old Mutual. Since then the Company has been working with Old Mutual to find a solution that would allow the Company to raise capital in USD but has not been able to arrive at any conclusion due to Old Mutual's inability to raise USD to fund the capital project and its probable hesitance to be diluted.

CHAIRMAN'S STATEMENT (cont'd)

Biological Oxidation (BIOX) Plant Project (cont'd)

Meanwhile, the Company's principal shareholders and their affiliates have funded the Company to the extent of US$11 million in the form of foreign currency loans which they are willing to convert to equity and bring further capital but are constrained by unavailability of sufficient authorised share capital as mentioned above. We continue to seek engagement with Old Mutual while factoring in the effects of this delay on the Company.

With the current foreign currency shortfalls bedeviling the Company due to inadequate foreign currency retention of only 55%, and the uncertainties on the BIOX funding, the Group's ability to fund its capital development and exploration activities at each mine is significantly in doubt. In this regard management prudently excluded the undeveloped resources in the estimation of the Life of Mines as at year end as these require funding for them to be brought to mineable reserves.

BASE METALS BUSINESS

The Empress Nickel Refinery (ENR) remained under care and maintenance throughout the year. Meanwhile engagements are continuing with various stakeholders for potential raw material offtake that can be effectively beneficiated at the Refinery. ENR continued with processing reverts into saleable matte and PGMs during the period so as to generate revenue to meet care and maintenance costs as well as continue preserving the integrity of the plant.

CHROME BUSINESS

During the period there was no progress regarding the legal cases relating to some of the Company's chrome claims in the Darwendale area, which were included in the cantonment area. The Company challenged the matter and it is still to be determined by the courts. The Company is currently pursuing closure of the legal cases, for it to be able to commence concrete mining plans after consideration of chrome prices.

DIAMONDS BUSINESS

RZM Murowa (Private) Limited recorded a 7% regression in production to 685 000 carats from 740 244 carats produced in the comparative period in 2018.

The low production was attributed to intermittent power supply which resulted in lost production running time. Despite the low volumes the Associate contributed positively to the Group with a share of profit from Associate of ZWL$22.9 million.

ENERGY BUSINESS

The Group remains focused on implementing its Power Projects to guarantee stable power supply to the Group's operations and supplement the national power supply deficits. The two major projects are the 178MW solar project and the Sengwa thermal power station.

178 MW Solar Project

After closure of an Engineering Procurement and Construction (EPC) partner in the prior year the Company is now focused on securing financial closure. The operating and economic environment has been very challenging making it difficult to attract long term funding and foreign direct investments into the country. The Company remains hopeful of reaching financial closure in the near future. Meanwhile ZERA has issued licences for the first phase of 75 MW.

2 800 MW Sengwa Power Station

During the year the Company was focused on completing all the regulatory approvals and obtaining the necessary prerequisites for the project. These activities include completion of a power demand analysis study of the region by the EPC Partner, renewal of the Grid Impact Study, developing of a Conceptual study for the Sengwa town and commissioning of the Environmental Impact Assessment.

SUSTAINABILITY

Mining is a highly competitive, capital and energy intensive, long-cycle industry that has major impacts, both positive and negative, on society and the environment. To deliver long-term sustainable success, the Group strives to meet its stakeholders' expectations by building mutually beneficial relationships with communities around its operations, protect the environment, and contributing positively to the fiscus. The Company through the RioZim Foundation Trust is engaged in several projects to ensure that the needs of the communities that we operate in are met.

A major focus point for the Trust during the period under review was the assistance in the form of donations and basic commodities given to the communities affected by Cyclone Idai.

OUTLOOK

The Group remains committed to pursuing growth opportunities which generate free cash flows and yield positive returns. To this end the Group will continue with its drive to invest in exploration activities and capital projects that will create long-term sustainable value for the Company.

The BIOX plant project at Cam & Motor Mine is underway and is scheduled to be commissioned in the fourth quarter, should the Company successfully secure the prerequisite foreign currency. Power supply deficit remains a key risk across the Group's operations in spite of the slight improvement in the power supply in Q1 2020. To mitigate this risk, the Company has invested in generators that will be commissioned at Dalny and Renco Mines. These generators are expected to fully complement power from the Power Utility by the end of Q2 2020.

In the long term, through its solar projects the Group is expected to be fully independent of the Power Utility.

CHAIRMAN'S STATEMENT (cont'd)


Part of the BIOX plant civil works project at Cam & Motor mine

COVID-19 ASSESSMENT

The Company has carried out a COVID-19 assessment to arrive at an understanding of its effects on our future business and cash flows. A probability weighted expected cash flow was worked out using four possible scenarios – positive, mild recession, medium recession and severe recession. It is prudent to bring to your attention that the results of this assessment shows that COVID-19 will have material negative effects on our future business prospects and revenue. Consequently, the Group's cash flows will come under severe stress going forward, however, the impact in monetary value terms is undeterminable and remains unknown.

Coupled with this is the fact that in addition to earning only 55% of our receipts in Nostro, remittances of the Company's Nostro receipts from RBZ are continuously delayed. We are constantly engaging them to ensure that payments are brought up-to-date but this is another factor that may put pressure on our already strained cash flows.

DIRECTORATE

Following the retirement of Mr Lovemore Pfupajena Chihota from the position of Chairman and Non-Executive Director of the Board on the 24th of June 2019, I was appointed as the Chairman effective that date. I want to thank Mr Chihota for his leadership, he left us an outstanding legacy to build on.

I would like to congratulate Mr Caleb Dengu on his appointment as Deputy Chairman of the Board on the 7th of August 2019. Mr Dengu has been a Non-Executive Member of the RioZim Board since 2014. The Board is confident that he will serve the Company with distinction.

I would also like to extend a warm welcome to Mr John Mafungei Chikura who was appointed to the Board as Non-Executive Member on the 23rd of April 2019 and Mr Manit Mukeshkumar Shah who was appointed to the Board as an Executive Director on the 7th of July 2019. The Board looks forward to benefitting from their contribution and wishes them all the best during their tenure on the Board.

APPRECIATION

I would like to express my sincerest gratefulness to my fellow Directors for their continued leadership and wise counsel in guiding the Company through the challenging economic and operating environment. The Company has remained a viable commercial enterprise under these difficult circumstances. On behalf of the Board, I would also like to extend our profound appreciation to our Management and Staff who have remained resolute in the face of innumerable challenges and have aligned themselves with the Company's vision.

S R Beebeejaun
Chairman
19 March 2020

Part of the heavy mobile equipment purchased during the year for Cam & Motor and One Step mines.

GROUP CHIEF EXECUTIVE OFFICER'S REVIEW

B Nkomo - Group Chief Executive Officer

INTRODUCTION

Dear Shareholders and the investing public. As I write this statement to you, the world is confronting one of the greatest threats of this generation. One that affects how we see the world, which reshapes our way of life as citizens and impacts the global economy at large. Our thoughts and prayers as RioZim are with all of humanity as we hold hands in fighting the debilitating Covid-19 pandemic.

I turn now to the performance of the Group in 2019.

The year 2019 was another turbulent year, as the operating environment remained volatile. The Company continued to carry out its business in a unique and difficult environment, characterised by both exogenous and endogenous factors. Severe power deficits coupled with inconsistent macro-economic policies, insufficient foreign currency and a high cost base summed up the year. These factors amongst other challenges weighed down the Company's performance for the year.

On the 22nd of February 2019, the Government promulgated Statutory Instrument 33 of 2019, introducing the Real Time Gross Settlement (RTGS) dollar as legal tender in the multi-currency basket. In line with SI 33 of 2019 the Government established an interbank market exchange rate between the RTGS dollar and the United States Dollars (USD) with a starting exchange rate of 2.5. This was a positive development for the mining sector as the industry had long suffered from the untenable 1:1 exchange rate on their local revenue component. The interbank rate however, remained subdued throughout the year, consistently trailing rates in the alternative market.

Subsequent to this, the Government on the 24th of June 2019 pronounced Statutory Instrument 142 of 2019, which proclaimed the Zimbabwean dollar (ZWL) as the sole legal tender within the country. This development triggered a rapid deterioration of the ZWL dollar against other major currencies and an unsustainable rise in the cost of local inputs, as suppliers pegged their prices against the USD at alternative market rates.

There was a 7% decline in gold production for the year to 1.658 tons compared to 1.792 tons achieved in the same period in 2018. This was mainly due to the impact of power supply challenges which incapacitated operations. Consequently, the Group reported a loss of ZWL$581.4 million for the year.

Notwithstanding these various challenges, notable milestones were achieved during the year which will sustain operations and propel the Company's growth prospects. An EBITDA of ZWL$84.1 million was generated during the year, which significantly contributed to funding for some key pieces of equipment as well as enabling continued investment in exploration activities. Through extensive exploration activities, there was successful delineation of sufficient resources to open the One Step Mine. Ores from this initiative, albeit at a lower grade, are the current ore source for the Cam & Motor plant following the depletion of the oxidised ores at the Cam & Motor open pit. Additionally, the multi-million-dollar Biological Oxidation (BIOX) Plant project commenced at the Cam & Motor mine, a project that had been postponed several times due to funding and foreign currency challenges.

GROUP CHIEF EXECUTIVE OFFICER'S REVIEW (cont'd)

OPERATIONS OVERVIEW

Renco mine

The mine produced 556kgs of gold in the year under review, a 6% decline compared to 591kgs of gold produced in the prior year. The reduced output was due to the persistent load shedding of up to 18 hours per day that was experienced during the third and fourth quarter. Consequently, mining shifts had to be re-arranged, which adversely affected ore generation and the entire mining operations. The grade achieved for the year remained consistent to that achieved in the prior year.

On the upside, the mine made huge strides in its resource upgrading work, which resulted in the acceleration of primary development. Future focus for the mine is on plant capacitation upgrades to enable the mine to process more volumes at lower grades. Investment in exploration activities remains key to guaranteeing ore availability and increasing ore reserves.

Exploration activities at Renco mine

Highlighted below is the Renco mine resource statement as at 31 December 2019.

Renco mine resource statement	Tonnes	Grade (g/t)	Content (kg)
Proved ore reserves as at 31 December 2018	52 460	**5.96**	**313**
Plus generated during the year	-	-	-
Less depleted by mining during the year	2 100	3.64	8
Proved ore reserves as at 31 December 2019	**50 360**	**6.06**	**305**
Probable ore reserves as at 31 December 2018	**240 497**	**5.91**	**1 421**
Plus generated during the year	-	-	-
Less depleted by mining during the year	6 620	3.31	22
Probable ore reserves as at 31 December 2019	**233 877**	**5.98**	**1 399**
Total ore reserves as at 31 December 2019	**284 237**	**5.52**	**1 569**
Measured mineral resources as at 31 December 2018	**143 980**	**5.38**	**775**
Measured mineral resources as at 31 December 2019	**143 980**	**5.38**	**775**
Indicated mineral resources as at 31 December 2018	**1 701 405**	**5.48**	**9 324**
Indicated mineral resources as at 31 December 2019	**1 875 505**	**5.38**	**10 090**
Inferred mineral resources as at 31 December 2018	**3 110 631**	**7.49**	**23 299**
Inferred mineral resources as at 31 December 2019	**2 870 767**	**7.89**	**22 650**

GROUP CHIEF EXECUTIVE OFFICER'S REVIEW (cont'd)

Cam & Motor mine

The mine produced 738kgs of gold in the year under review, a 3% regression from the 759kg of gold produced in the previous year. The reduction in production was a result of low processing throughput given the low plant availability and subsequent depletion of oxides at the Cam & Motor mining pits in the fourth quarter. The depletion of oxides had been anticipated given the unavailability of foreign currency to install the BIOX plant. As a measure to avoid placing the mine under care and maintenance an initiative to develop One Step mine, which is a resource with low grade oxide ores, was implemented and the Cam & Motor plant is now processing ores from this resource. Consequently, the Cam & Motor operation reported lower resource grades than the comparative period.

Implementation of the BIOX project commenced after the payment of deposits for various equipment manufacturing contracts and site civil works. The project is intended to enable the processing of the abundant, rich but refractory Cam & Motor resource. The major project constraint has been the unavailability of foreign currency funding for the project. This project has received further setbacks given lockdowns that were announced in the first quarter which resulted in most suppliers ceasing production to observe lockdown directives. However, on completion, the commissioning of the BIOX project will result in a significant increase in gold production, foreign currency earnings, as well as job creation and improve the Mine's capacity to support the communities in the area in which it operates.

Part of Cam & Motor plant

Detailed below is the Cam & Motor Mine Resource Statement as at 31 December 2019.

Cam & Motor mine resource statement	Tonnes	Grade (g/t)	Content (kg)
Proved ore reserves as at 31 December 2018	**2 639 662**	**6.01**	**15 864**
Plus generated during the year	-	-	-
Less depleted by mining during the year	260 449	3.34	870
Proved ore reserves as at 31 December 2019	**2 379 213**	**6.33**	**15 060**
Probable ore reserves as at 31 December 2018	**379 424**	**4.28**	**1 624**
Plus generated during the year	-	-	-
Less depleted by mining during the year	-	-	-
Probable ore reserves as at 31 December 2019	**379 424**	**4.28**	**1 624**
Total ore reserves as at 31 December 2019	**2 758 637**	**5.52**	**15 228**
Measured mineral resources as at 31 December 2018	**961 700**	**4.50**	**4 328**
Measured mineral resources as at 31 December 2019	**961 700**	**4.50**	**4 328**
Indicated mineral resources as at 31 December 2018	**679 880**	**2.99**	**2 033**
Indicated mineral resources as at 31 December 2019	**679 880**	**2.99**	**2 033**
Inferred mineral resources as at 31 December 2018	**650 960**	**2.28**	**1 484**
Inferred mineral resources as at 31 December 2019	**650 960**	**2.28**	**1 484**

GROUP CHIEF EXECUTIVE OFFICER'S REVIEW (cont'd)

Dalny mine

The mine's gold production for the year was 364kg against the 442kg production of the previous year. Of all the operations, Dalny mine was the most affected by load shedding with consistent power outages of more than 18 hours a day, which resulted in an 18% reduction in output.

In the coming year, the mine will continue with its exploration activities to increase ore body knowledge on the surface ore resources, which were delineated during the year. These will be the main source of plant feed going forward. Back-up generator sets were installed at the mine to counter the impact of load shedding and ensure stable production.

The table below is the Dalny mine resource statement as at 31 December 2019.

Back-up power generators at Dalny mine

Dalny mine resource statement	Tonnes	Grade (g/t)	Content (kg)
Proved ore reserves as at 31 December 2018	237 454	**4.94**	1 173
Plus generated during the year	-	-	-
Less depleted by mining during the year	-	-	-
Proved ore reserves as at 31 December 2019	**237 454**	**4.94**	**1 173**
Probable ore reserves as at 31 December 2018	**274 328**	**4.65**	**1 276**
Plus generated during the year	-	-	-
Less depleted by mining during the year	-	-	-
Probable ore reserves as at 31 December 2019	**274 328**	**4.65**	**1 276**
Total ore reserves as at 31 December 2019	**511 782**	**4.78**	**2 446**
Measured mineral resources as at 31 December 2018	**641 715**	**7.20**	**4 620**
Measured mineral resources as at 31 December 2019	**641 715**	**7.20**	**4 620**
Indicated mineral resources as at 31 December 2018	**976 698**	**4.46**	**4 356**
Indicated mineral resources as at 31 December 2019	**1 142 408**	**4.28**	**4 890**
Inferred mineral resources as at 31 December 2018	**427 810**	**4.21**	**1 801**
Inferred mineral resources as at 31 December 2019	**427 810**	**4.21**	**1 801**

Empress Nickel Refinery (ENR)

This operation remained under care and maintenance throughout the year. The Refinery produced 204tons of matte, 20tons of PGMs and 71tons of copper cathodes. Production was substantially less than the prior period's 595tons of matte and 65tons of copper cathodes respectively.

As part of the Group's drive to utilise this critical asset, efforts are being directed towards assessing various beneficiation projects that can employ the process circuits in the Refinery.

Part of ENR plant

GROUP CHIEF EXECUTIVE OFFICER'S REVIEW (cont'd)

Associate - RZM Murowa (Private) Limited

The associate faced operational challenges, which arose from load shedding and the depletion of high-grade K2 pit ore reserves. Nonetheless, the impact was partially mitigated by higher process recoveries. The improvement in recoveries was attributable to optimised process efficiency in crushing and blending. Resultantly, carat production for the year declined by 7% to 685 000 carats from the 740 244 carats produced in the prior year. The share of profit from the associate was ZWL$22.9 million.

The operation took advantage of the interim outage of the K2 pit to undertake deeper exploration drilling, whilst production was pulled to the K1 and K3 pits, which offer lower resource grades. To mitigate against the lower head grades, a multi-million-dollar low grade plant project was initiated. This project could be accelerated if the mine retained 100% of its foreign currency proceeds, given the shortages of foreign currency in the market. Once completed, the capacity upgrade will result in the extension of the life of mine thus preserving employment.

Part of RZM Murowa plant

Energy Projects – Solar

Generation licences were awarded for Phase 1 of the project, a total of 75MW, covering the four mining sites, being Cam & Motor, Dalny, Renco and RZM Murowa. Adjudication will now proceed to select an EPC contractor for the construction of the power plants. Submissions are on hand from several Tier 1 solar power companies from China, India, South Africa and Europe. Engagements have commenced for Project finance as well as an EPC letter of credit.

Energy Projects - Thermal

Together with PowerChina, it was agreed to pursue the project finance route rather than a corporate loan for Phase 1 of the project, the construction of a 700 MW plant.

A framework agreement for Sengwa Phase 2 of 2 100MW was signed with CGGC China. The agreement is subject to CGGC raising the funding and financing the development work for Sengwa Phase 2.The next steps in the development process are an updated grid impact assessment for Sengwa Phase 2.

Signing of the framework agreement for Sengwa project

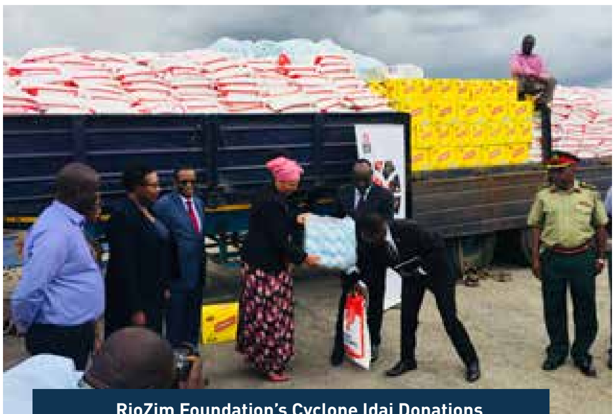
HUMAN RESOURCES

Our staff complement increased to 2 620 from the prior year's 2 468 representing a 6% growth. Our commitment remains to attract, nurture and retain talent across all our operations. In this harsh economic environment, RioZim continues to implement initiatives to cushion employees and prioritise local communities in employment opportunities.

CORPORATE SOCIAL RESPONSIBILITY

Despite the challenges faced during the year, the business continued to focus on assisting and improving the communities in which it operates. There were a myriad of initiatives undertaken during the year including infrastructure development through donation of a classroom block, donation of building materials, borehole repairs and borehole drilling as well as road rehabilitation.

The Company sustained its educational assistance programme, drivers' licence initiative for the youth and initiated a feeding programme for primary school children. A major highlight in the current year was the donations in food and basic commodities to the communities ravaged by Cyclone Idai.



RioZim Foundation's Cyclone Idai Donations

GROUP CHIEF EXECUTIVE OFFICER'S REVIEW (cont'd)

COVID-19 PANDEMIC

Subsequent to year end, COVID-19, was declared by the World Health Organisation as a global pandemic. As the virus spread throughout the world and still continues to spread at an unprecedented rate, many countries closed their borders and imposed national lock downs. Through Statutory Instrument 83 of 2020 Public Health (COVID19 Prevention, Containment and Treatment) Order, the Government instituted a national lockdown in response to the pandemic. The lockdown put a halt to most businesses, save for essential service providers such as health workers and food and grocery retailers who were allowed to continue operating.

The mining industry was exempted from the lockdown and was allowed to continue with business operations, subject to compliance with strict health and safety protocols.

Precautions were taken to safeguard the health and safety of our employees and the communities at large, by embarking on awareness campaigns and enforcing health and safety practices to the standards enunciated by the Ministry of Health and Child Care and the World Health Organisation.

Globally, many industries have been severely affected by COVID-19 pandemic and mining has not been spared. The pandemic has created uncertainties including possibility of supply chain disruptions due to mobility challenges of people and materials as well as uncertainty of business continuity of essential service providers used by the Group.

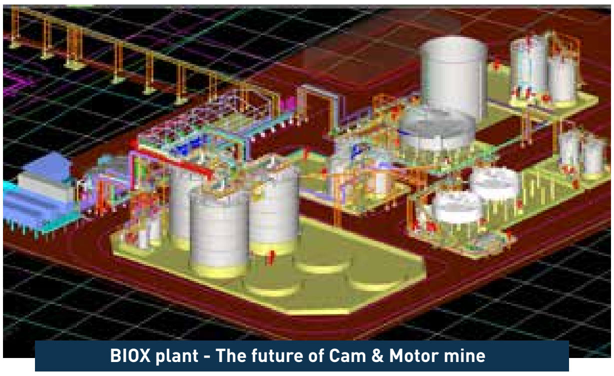
FUTURE PROSPECTS

Despite the challenges posed by the COVID-19 pandemic, the business remains steadfast to ensure that its people are protected while sustaining operations. The Company will continue to work with external authorities to lobby for fiscal and monetary policies that promote viability in the mining sector for the benefit of the nation.

The unstable local currency coupled with the pricing of consumables and other key inputs which are pegged at alternative market rates casts significant uncertainty on the Company's future viability. This is worsened by the current retention policy, as gold miners do not retain all the foreign currency generated from the sale of gold. Given the Company's foreign currency requirements, RioZim will continue to engage Government for a 100% retention of foreign currency proceeds in order to sustain operations and ensure that capital projects, which will increase production, are accelerated for the benefit of all stakeholders.

Completion of the BIOX project remains a key objective to sustain Cam & Motor mine operations. To diversify the business and to buttress the Company's objectives of growth and returns, the resuscitation of ENR is a primary area of focus. RioZim will continue with its drive in exploration activities through robust internal exploration and acquisition of high-ranking prospects.

The Company continues to take important steps towards the realisation of the 2 800MW Sengwa Power Project and the 178MW Solar Power Project. All pertinent developments will be communicated to the public in due course.



BIOX plant - The future of Cam & Motor mine

APPRECIATION

I take this opportunity to thank the Board of RioZim for its guidance during the year, all staff members for their resilience and hard work, suppliers and bankers for their belief and support and our shareholders for their patience and commitment. I wish everyone health and safety during this challenging period.

B NKOMO
Group Chief Executive Officer

Harare
19 March 2020

Part of Renco mine

HEALTH, SAFETY & **ENVIRONMENT**

INTRODUCTION

The implementation of sustainable health and safety initiatives in the workplace is an integral and continuing journey of the Group in achieving its business objectives. The Group commits to the use of appropriate technologies and various initiatives focused on the improvement of workplace Health, Safety and Environmental conditions. The year under review, 2019, was no different in relation thereto.

HEALTH

The Group values the health of its employees and therefore targets zero harm on all occupational health cases. In light of this, the Group strives to mitigate all the potential threats and dangers to the health of its workforce associated with its mining activities.

During the year, medical surveillance programmes, respiratory surveillance programmes and all the prescribed examinations were conducted across all operations. Any cases of exposure that were identified were followed up and successfully rehabilitated.

During the year, Cam & Motor and Dalny mines held a week of employee and community wellness programmes focussed on promoting early screening of communicable and non-communicable diseases. The programmes included Vocational Counselling and Testing (VCT), awareness sessions on healthy lifestyles for the employees, their dependants and the community, cancer (cervical and breast) screening, sugar and diabetes testing, counselling and blood pressure examinations among others. These services were provided at no charge. The occasion was a success and was appreciated by the communities.

Renco mine successfully commemorated the World Aids Day whose theme was supporting the infected and remembering the adage "communities make the difference". The activities carried out were mainly focused on the local community as part of the engagement efforts.

The Group managed to participate in both the Zonal and National First Aid competitions that were held at Freda Rebecca Mine in Bindura and Zimasco in Kwekwe respectively. In-house Group First Aid competitions were also held at Dalny mine where all operations within the Group participated.

A new fully equipped RioZim ambulance for the mine and surrounding communities

SAFETY

During the year under review, there was no recorded fatality in all the operations. There was also an improvement in lost time injuries across the Group totalling 11 compared to 14 recorded in 2018. All the other leading indicators were within target specifications.

Several initiatives were undertaken to promote a safety culture across the operations with particular focus on the identification and development of departmental baseline risk registers and standard operating procedures.

All the operational units developed business continuity plans which are an integral part of the Group's response plan to emergencies. All the operating units have established robust first aid and firefighting teams.

Renco mine successfully carried refresher training for its rescue team which was conducted at the mine by the Chamber of Mines of Zimbabwe. The training also included a workload test which was successfully completed. The team is scheduled to go for a Heat Tolerance Test which is an essential emergency service for underground operations.

RioZim Wellness Days in Kadoma


Renco mine rescue team training

HEALTH, SAFETY & ENVIRONMENT(cont'd)

RioZim team at the national first aid competitions

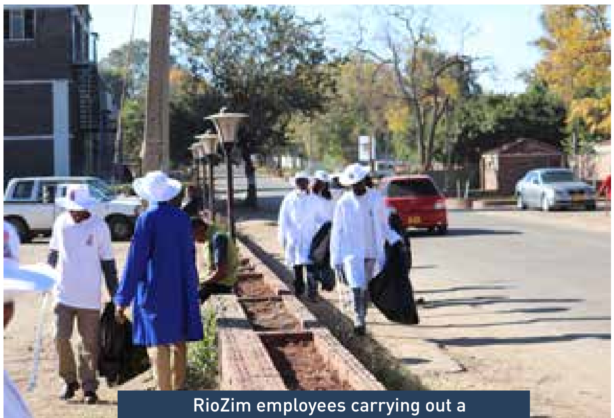
ENVIRONMENT

The Group remains cognisant of the need for continuous improvement of the work environment and the surrounding communities in which it operates. All the required occupational hygiene and monitoring programmes were conducted at mine locations for the different work environments and all the monitoring parameters were within the stipulated specification.

The Group complied with all the regulatory requirements including obtaining all the necessary licences for the various mining processes during the period under review. At Cam & Motor mine, an Environmental Impact Assessment (EIA) was carried out for the Biological Oxidation (BIOX) Project in compliance with the EMA Act. The assessment was approved and the operation was issued with an EIA certificate.

Clean-up campaigns were conducted across the communities surrounding the Group's operations as a response to the cholera outbreak as well as the Presidential Clean-up campaign on the 1st Friday of each month. The clean-up campaigns were aimed at ensuring that the communities are kept clean and to encourage the spirit of maintaining a clean environment.

All of the Group's sites managed to plant trees as part of the ongoing re-vegetation efforts and to combat the effects of global warming from our carbon footprint. The Group remains committed to the fight against global warming and this has resulted in the establishment of various fossil consumption reduction initiatives.



RioZim employees carrying out a clean-up campaign

SOCIAL PERFORMANCE & LABOUR PRACTICES

Hon Chadzamira, Minister for Masvingo Province, receiving the refurbished clinic from Mr Lovermore Chihota, the RioZim Foundation Chairman

Hand over of a dip tank in Nyajena constructed by RioZim Foundation

INTRODUCTION

Throughout 2019, the Group was very active in the host communities where a number of projects were implemented with a view to improve the socio-economic situation of citizens in those communities. Additionally, the Group also participated in relief efforts at national level, following some national disasters.

COMMUNITY PROJECTS

The Group invested in the construction and renovation of infrastructure covering healthcare, education, agriculture and road rehabilitation in all the communities that host the Group's mines.

An event to mark the official opening of Davira Clinic in Chivi was held after completion of renovations, electrification and donation of drugs.

CORPORATE SOCIAL INVESTMENT AT NATIONAL LEVEL

The Group participated in national relief efforts as follows:

Battlefields disaster

When tragedy visited artisanal miners who were illegally mining at One Step Mine in Battlefields,the Company worked with other companies in a search and rescue effort that resulted in the rescue of eight artisanal miners.

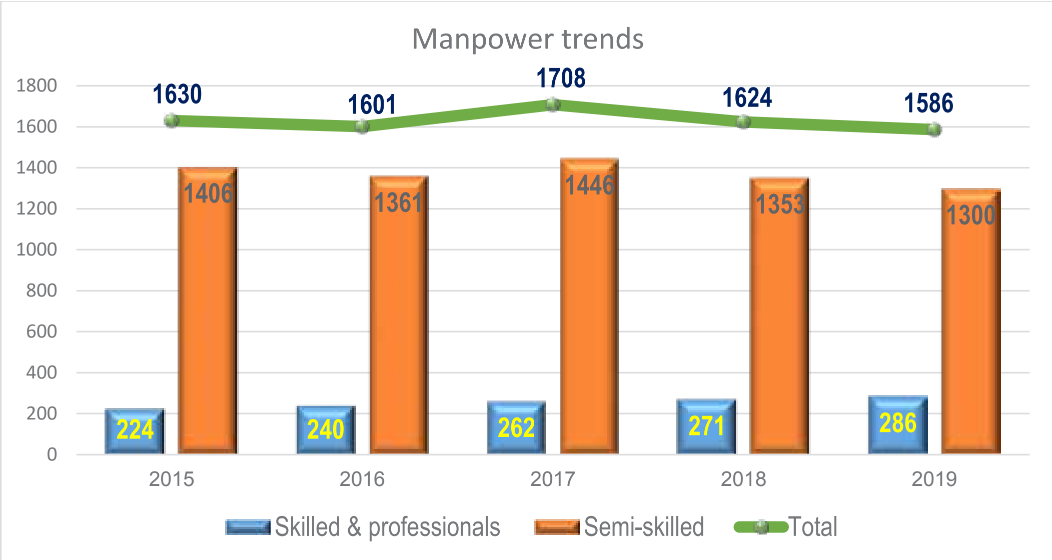
Cyclone Idai disaster

After Cyclone Idai ravaged the Chimanimani and Chipinge districts of Manicaland, the Group, through the RioZim Foundation, donated over 30 tonnes of foodstuffs to assist survivors of the cyclone.

The donation were handed over to the Deputy Minister of Local Government by the RioZim Group CEO on 9 April 2019 at Manyame Air Base.

RioZim Foundation Trust school development and education supporting activities

SOCIAL PERFORMANCE & LABOUR PRACTICES (cont'd)



LABOUR PRACTICES

The Company had a permanent employees complement which averaged 1 586 made up of 286 employees in the skilled labour category and 1 300 in the semi/unskilled labour category. In addition, the Group also had an average of 1 034 contract employees giving an average Group total complement of 2 620 compared to 2 468 in 2018.

The total complement for the Group increased due to fixed-term placements largely in the heavy mobile equipment section and technical staff for the Cam & Motor BIOX plant.

The Company continues to prioritise local recruitment and national skills development initiatives by giving work related attachment and learnership to students from tertiary institutions across Zimbabwe. The Group actively supervises these attachment students and guides them to be more entrepreneurial and innovative in a way that can address today's challenges.

HUMAN CAPITAL

Investing in our people

The Group provided a variety of training and development opportunities aimed at building employee capacity to deliver services, meet strategic needs and align with the Company's values, strategic plan, and overall mission.

To that end, the Company continued to support and second employees for development courses throughout the year as part of career, capacity and productivity enhancement.

The Company prides itself on its robust employee on the job training, skills development systems and graduate trainee programs. The Group in 2019 filled most of the supervisory roles which fell vacant with internal candidates that were a product of the organisation's manpower and career progression plan. This improved the morale of employees within the Group, while also protecting the integrity of the organisation's knowledge and culture.

Industrial Climate

The Group had a stable industrial relations climate throughout the period. Deliberate efforts were made to ensure involvement of employees in overall strategy formulation and continuous employee engagement on business continuity, employee welfare and resolution of grievances as they arose. During the year, the Chief Executive Officer engagement forums and respective Works Council platforms helped to foster a sound internal communication and dialogue system that increased employee engagement.

RioZim employees celebrating International Women's Day

REPORT OF THE **DIRECTORS**

The hardships brought about by the tough economic environment continued during the year with the Group facing unique challenges. The Group had to endure crippling power cuts, severe foreign currency shortages and unrelenting hyperinflation.

These amongst many other factors had a significant impact on production volumes and the profitability of the Group. It is with this background that the Directors hereby present their report, together with the consolidated and separate financial statements of RioZim Limited and its subsidiaries (together the "Group") for the year ended 31 December 2019.

FINANCIAL RESULTS

The Reserve Bank of Zimbabwe introduced the interbank exchange rate in February 2019 which put an end to the unsustainable parity exchange rate of 1:1 between the USD and the RTGS which had been disadvantaging the Group in the prior years. Even though this was a welcome development as it improved the revenues of the Group, the interbank rate remained depressed throughout the year as it lagged behind rates in the alternative markets by wide margins ranging between 50% to 80%. Considering that prices of local inputs follow rates in the alternative markets, the Group bore the heavy premiums arising from the mismatch between revenue which is paid at interbank rates and costs pegged at alternative rates. The combined effect of subdued production volumes as a result of power supply challenges coupled with rising costs of local inputs plunged the Group to a net loss of ZWL$581.4million as detailed in the extract of financial statements below.

GROUP FINANCIAL RESULTS

	31 December 2019 ZWL$ 000	31 December 2018 ZWL$ 000
Revenue	577 132	75 414
Operating (loss)/ profit	(652 911)	2 371
Loss before tax	(637 587)	(3 170)
Income tax credit	56 209	914
Loss for the year	**(581 378)**	**(2 256)**
Total comprehensive Profit /(loss) for the year	785 607	(2 533)
Dividends	-	-

Presentation currency

After the promulgation of SI 142/2019 in June 2019 which enforced the mandatory use of the Zimbabwean dollar as the sole legal tender for all local transactions, the Company changed its presentation currency to Zimbabwean dollar (ZWL$). The Group's functional currency however remained USD in line with IAS 21 "The Effect of Changes in the Foreign Exchange Rates" considerations.

The Group used the interbank exchange rates (which is the only legal exchange rate in the country) to convert transactions and balances in foreign currencies to the Company's presentation currency, the Zimbabwean dollar (ZWL) as more fully explained on note 4.13. The interbank exchange rate however, did not meet the definition of a market exchange rates as per the requirements IAS 21.

The prior year financial statements were presented in United States dollars, therefore the comparative amounts in the current year were converted from USD to ZWL at an exchange rate of 1:1 in compliance with SI 33/2019 which was effected on 22 February 2019 which prescribed that all assets and liabilities that were expressed in USD on or prior to the effective date were to be deemed to be valued in ZWL at an exchange rate of 1:1 with the USD.

Dividends

No dividends were declared during the period.

REPORT OF THE **DIRECTORS** (cont'd)

SHARE CAPITAL

	2019 No. of shares 000	2019 Nominal value ZWL$ 000	2018 No. of shares 000	2018 Nominal value ZWL$ 000
Authorised share capital				
Ordinary shares of US$0.01 each	140 000	1 400	140 000	1 400
Cumulative redeemable preference shares of US$0.01 each	10 000	100	10 000	100
Special dividend share of a nominal value of US$124 876	0.001	125	0.001	125
Total	**150 000**	**1 625**	**150 000**	**1 625**
Issued share Capital				
Ordinary shares of US$0.01 each	122 030	1 220	122 030	1 220
Cumulative redeemable preference shares of US$0.01 each*	10 000	100	10 000	100
Special dividend share of a nominal value of US$124 876**	0.001	125	0.001	125
Total	**132 030**	**1 445**	**132 030**	**1 445**

Notes:

*The cumulative redeemable reference shares have a coupon rate of 9% and are redeemable on or before their 5th anniversary of 22 January 2021.

**The entitlement to the Special Dividend expired 31 December 2013 and the share now ranks equally with other ordinary shares.

Unissued shares

	2019 No. of shares 000	2019 Nominal value ZWL$ 000	2018 No. of shares 000	2018 Nominal value ZWL$ 000
Ordinary shares of US$0.01 each	**17 970**	**180**	**17 970**	**180**

The Company has 17 970 000 (2018: 17 970 000) unissued shares. At the 63rd Annual General Meeting (AGM) the members renewed their authority to place 5% of the unissued shares under the control of the Directors until the next AGM. The Company will be seeking authority for renewal of the same resolution as contained in the Notice of shareholders convening the 64th AGM.

BORROWING POWERS

In terms of the Company's Articles of Association, the Company's borrowings should be limited at any given time to twice the value of the funds that are attributable to the shareholders and any excess should be sanctioned by the Company at a General Meeting. As at balance sheet date, the Company was within the prescribed borrowing powers.

AUDITORS

Ernst and Young Chartered Accountants (Zimbabwe) have indicated their willingness to continue as the auditors of RioZim Limited. Members will be requested to fix their remuneration for the past audit and confirm their re-appointment for the ensuing year at the 64th Annual General Meeting.

DIRECTORATE

Composition

Mr S R Beebeejaun was appointed Chairman of the Board on the 24th of June 2019 following the retirement of Mr Lovemore Pfupajena Chihota from the position of Chairman and Non-Executive Director of the Board. Meanwhile Mr Caleb Dengu was elevated to Deputy Chairman of the Board on the 7th of August 2019. Mr Dengu has been a Non-Executive Member of the RioZim Board since 2014.

Mr Manit Mukeshkumar Shah was appointed to the Board as an Executive Director on the 7th of July 2019.

The Group looks forward to their valuable contribution.

Director's remuneration

A resolution will be proposed at the Annual General Meeting to approve the Director's remuneration amounting to ZWL$1 386 000 for the period 1st January 2019 to 31st December 2019.

By order of the Board

RioZim Management Services (Private) Limited
(Secretaries)
Per T A Chiurayi
19 March 2020

DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

DIRECTORS' RESPONSIBILITIES

The Directors of RioZim Limited are responsible for preparing the financial statements and related information contained in this report in accordance with the applicable laws and regulations and International Financial Reporting Standards (IFRS). The financial statements should present fairly in all material respects, the financial position and the performance of the Group.

The Directors are required to:

- maintain internal controls that are necessary to enable the preparation of financial statements that are free from material misstatements whether due to fraud or error;
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed and;
- assess the going concern status of the Group.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time, the financial position of the Group and enable them to ensure that the financial statements comply with the Companies Act [Chapter 24.03]. The Directors also have the responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

COMPLIANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS), THE COMPANIES ACT AND ZIMBABWE STOCK EXCHANGE (ZSE) LISTING REQUIREMENTS

The accompanying consolidated financial statements, which have been prepared under the historical cost convention, are in agreement with the underlying books and records of the Company and the Zimbabwe Stock Exchange Listing Requirements. The Government issued SI 33 of 2019 on 22 February 2019 which prescribed an accounting treatment which was in conflict with International Financial Reporting Standards (IFRS) IAS 21 "Effects of changes in foreign exchange rates" and the Companies Act [Chapter 24:03]. SI 33 of 2019 prescribed an exchange rate of 1:1 for all assets and liabilities prior to or on the effective date between RTGS$ and the USD.

The prior year financial statements were presented in United States Dollars, therefore in compliance with SI 33 of 2019, the comparative amounts in the current year were converted from US$ to ZWL$ at an exchange rate of 1:1.

The Reserve Bank of Zimbabwe also introduced the interbank market which determines the spot exchange rates between the Zimbabwean Dollar and other foreign currencies from the 22nd of February 2019. The interbank exchange rates are the only official and legal rates in the country. The Group therefore, used the interbank exchange rates to convert transactions and balances from the Group's functional currency, the United States Dollar to the Group's presentation currency, the Zimbabwean Dollar (ZWL). The interbank exchange rates however, did not meet the definition of market exchange rates as per the requirements IAS 21.

GOING CONCERN

Subsequent to year end, the Group was in the process of installing back-up power generators at Dalny mine whilst deposits for generators for Renco mine were made. These initiatives are expected to guarantee power availability and safeguard consistent production across all the sites.

In assessing the going concern status of the Group, the Directors took into consideration the Group's budgets, forecasts, and the Group's investments in back-up power supply which will have a positive bearing on the future performance and cash flows of the Group. The forecasts show that the Group will be profitable and will generate positive cash flows.

The Company's shareholders, creditors and all other stakeholders also remain confident of the prospects of the Group and continue to offer their support. Therefore, the Group will continue to operate as a going concern, and preparation of the accompanying financial statements on a going concern basis is still appropriate.

COVID-19 ASSESSMENT

The COVID-19 pandemic worsened subsequent to year end, which saw the closing of borders and lockdowns being enforced across various countries in response to the spread of the virus.

DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING (cont'd)

The Government imposed a 21-day lockdown from the 30th of March 2019 which was further extended by 14 days upon expiry. During the lockdowns businesses were shut down except for essential services. As at date of approval of the financial statements there was no major impact on the Group's operations and cash flows as the Group was exempted from shutting down during the lockdown. An assessment carried out by the Directors taking into consideration all possible outcomes, shows that COVID-19 will have a negative impact on the Group's cash flows in the future, however it was impractical to determine the monetary value as the future remains uncertain. Therefore, no adjustments were made to the amounts and disclosures in the financial statements.

SIGNIFICANT ASSUMPTIONS AND ESTIMATES

Change in life of mine (LOM) estimate

In estimating the LOM the Directors consider both developed and undeveloped resources, together with the future cash flow generation forecast for each mine. In the current year Cam and Motor mine, the Group's major operation in production and cash flow terms ran out of oxide ores at its mining pits, resulting in migration of mining activities to One Step mine. The Life of Mine of resources at One Step is estimated at only nine months.

The BIOX plant which is the future of Cam & Motor mine was at 30% complete at year end requiring a further US$12 million to successfully commission the project. As at year end, all the funding raising initiatives remained uncertain. The Group's ability to fund exploration and development of its undeveloped resources at all the mines was therefore put in doubt. Consequently, in the current year the undeveloped resources were excluded from the LOM determination resulting in a change in LOM estimate from prior year. Refer to note 4.6 for detailed explanation.

Write-down of ENR metals (WIP) inventory

ENR continued on care and maintenance in the current year marking close to five years since the Refinery was placed under care and maintenance. The initiatives to secure raw material to bring the Refinery to full production were not successful in prior years and were still on-going at year end. Consequently, the metals WIP inventory can only be fully recovered when the Refinery is brought to full production.

After taking into consideration the time span the Refinery has been on care and maintenance and the uncertainty on securing raw material, the metals WIP inventory was written down to its net realisable value (NRV). The net realisable value was determined as the sale value of the metals in their current condition. This was a change in estimate in the current year, as in the prior years the NRV was determined based on the full recovery of the inventory. Refer to note 4.9 for the detailed explanation.

The Directors believe that reasonable and prudent judgements and estimates have been made in the preparation of the financial statements. The financial statements for the year ended 31 December 2019 which appear on pages 37-97 have been approved by the Board of Directors and are signed on their behalf by:

S R Beebeejaun
Board Chairman
19 March 2020

R Swami
Chief Finance Officer
19 March 2020

CORPORATE GOVERNANCE STATEMENT

RioZim Limited's governance framework is based on the principles of accountability, transparency, ethical management and fairness. A philosophy of sound governance is entrenched across our business. Our Board of Directors is committed to maintaining high standards of corporate governance practices within the Group and devotes considerable effort to identify and formalise best practices. We believe that sound and effective corporate practices are fundamental to the smooth, effective and transparent operation of a company and its ability to attract investment, protect the rights of shareholders and stakeholders, and enhance shareholder value. This approach to value creation emanates from our belief in a sound governance system as laid out in the National Code on Corporate Governance Zimbabwe and the Securities and Exchange (Zimbabwe Stock Exchange Listing Requirements) Rules.

The Board and management endeavour to ensure that the highest standard of ethical and responsible conduct are met throughout the organisation. It is also the Board and management's belief that through adherence to these principles, they will be able to carry out their responsibilities effectively, faithfully and in the best interests of shareholders and the public.

BOARD OF DIRECTORS

Overview

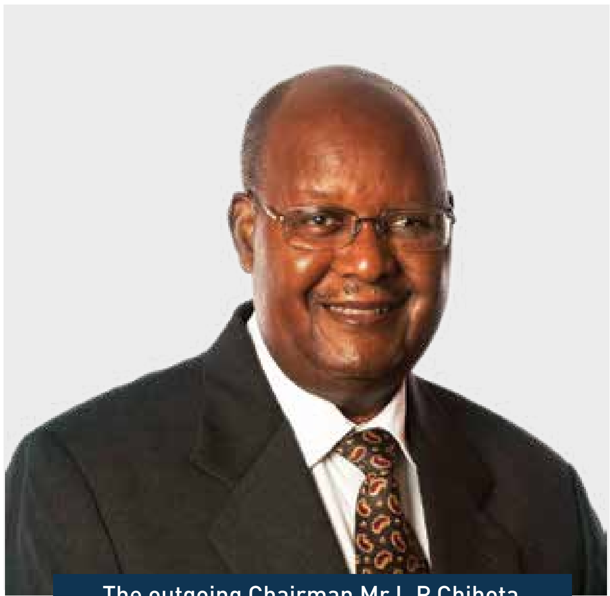
The primary role of the Board is to protect and enhance long-term shareholder value. It sets the overall strategic direction for the Company and supervises executive management. The Board also ensures that good corporate governance policies and practices are being implemented within the Company. In the course of discharging its duties, the Board acts in good faith, with due diligence and care, and in the best interests of the Company and its shareholders. The Board currently comprises nine (9) members.

Management is closely monitored by the Board, and is accountable for the performance of the Company as measured against the corporate goals and business targets set by the Board. Directors are also invited to visit the Company's operational facilities from time to time and to meet with the management with a view to better understand the business operations. Furthermore, the Board has separate and independent access to the senior management and the Company Secretary at all times.

With prior request to the Company Secretary, the Board is given access to independent professional advice at any time. Appropriate liability insurance for Directors has been arranged for indemnifying their liabilities arising out of corporate activities. This insurance coverage is reviewed on an annual basis.

The posts of Chairman and Chief Executive Officer of the Company are separate to ensure a clear distinction between the Chairman's responsibility to manage the Board and the Chief Executive Officer's responsibility to manage the Company's business.

The number of Non-Executive Directors remained at seven with the appointment of Mr John M Chikura on 23 April 2019 who replaced Dr Cosmas Kanhai. Following the retirement of Mr Lovemore P Chihota on the 24th June 2019, Mr Saleem Beebeejaun was appointed as Board Chairman effective on the same date. The Chief Operations Officer, Mr Manit Shah was also appointed as an Executive Director on 7th July 2019 bringing the number of Executive Directors to two.



The outgoing Chairman Mr L.P Chihota

CORPORATE GOVERNANCE STATEMENT (cont'd)

The table below details Directors' attendance at the Board meetings for the year ended 31 December 2019. In 2019 the Board met six times, with an additional strategy meeting held post year end.

Board Attendance

L P Chihota	Non-Executive Chairman	4/4
S R Beebeejaun*	Non-Executive Chairman	4/6
C Dengu**	Non-Executive Deputy Chairman	6/6
J M Chikura	Non-Executive Director	4/4
G K Jain	Non-Executive Director	2/6
C Kanhai	Non-Executive Director	1/2
K Matsheza	Non-Executive Director	6/6
M T Sachak	Non-Executive Director	6/6
I M Sharma	Non-Executive Director	2/6
B Nkomo	Chief Executive Officer	6/6
M M Shah	Executive Director	1/2

*** Chair**
**** Deputy Chair**

Skills, Expertise and Competencies of the Board of Directors

The Board is highly structured to ensure a high degree of diversity by age, education qualifications, professional background, sector expertise, special skills, nationality and geography. The Board of Directors have, based on the recommendations of the Remuneration and Nomination Committee, identified the following core skills, expertise and competencies of Directors as required in the context of the businesses, and sectors of the Company, for its effective functioning:

BOARD COMMITTEES

In order to allocate due time and consideration to its vast responsibilities, the Board delegates its powers and authorities from time to time to committees in order to ensure that operational efficiency and specific issues are being handled with relevant expertise within the Group. Four specialised Board committees have been established and each of them has its specific duties and authorities set out in its own terms of reference which include membership requirements, duties and reporting procedures. At the end of each committee meeting, highlights of the proceedings are prepared by the Company Secretary for circulation and discussion in the main Board meeting. The effectiveness of these committees is evaluated by the Board on an annual basis.

Audit and Risk Committee

The audit and risk committee is a statutory committee of the Board appointed in terms of Section 73(5) of Statutory Instrument 134 of 2019 Securities and Exchange (Zimbabwe Stock Exchange Listing Requirements) Rules. It has duties assigned to it by the Board over and above its statutory duties. Specific responsibilities include providing oversight in respect of the effectiveness of the Group's finance function.

CORPORATE GOVERNANCE STATEMENT (cont'd)

BOARD COMMITTEES (cont'd)

Audit and Risk Committee (cont'd)

Some of the responsibilities include the review of internal controls, with reference to the findings of both internal and external auditors, the review of important accounting issues, establishing appropriate risk and control policies to areas of risk identified by management, assuring the integrity and reliability of financial statements. The committee comprises three non-executive Directors and is chaired by Mr Kurai Matsheza, who is a non-executive Director. Executive Directors and the head of the internal audit department may attend the meetings as invitees. The external auditors have unrestricted access to this committee.

Finance and Investment Committee

The Finance and Investment Committee comprises four non-executive Directors with the Chief Executive Officer as ex officio member. Mr Mustafa T Sachak chairs the committee which meets quarterly. The committee's main objective is to provide strategic and tactical review of the Company's finance and investment projects. Such reviews are cognisant of prevailing economic conditions and agreed internal performance targets.

Remuneration and Nominations Committee

The Remuneration and Nominations Committee comprises three non-executive members. The Chief Executive Officer, Chief Finance Officer and other management personnel may attend meetings as invitees.

Mr Mustafa T Sachak is the chairman of the committee which meets not less than twice a year. The Committee ensures the Company has a competitive remuneration policy and governance framework which is aligned with the Company's strategic and organisational performance objectives. The policy is transparent with a pay framework that clearly differentiates between occupational levels of work and pay grades that facilitate remuneration benchmarking for each job within a skill pool.

Sustainable Development Committee

The objective of the Sustainable Development Committee is to oversee, on behalf of the Board, policies, processes, and strategies designed to manage safety, health, environment, socio-political and supply chain practices. Its aim is to ensure that the Company is compliant with sustainable development responsibilities and strives to be a global leader in sustainable mining.

The Committee comprises four non-executive Directors and is chaired by Mr Kurai Matsheza. It meets not less than twice a year. All Mine Managers attend the meetings as well as the Corporate Affairs Executive.

Sustainability within the RioZim Group spans all aspects of our business, but for clarity the Committee provides specific oversight of risks and opportunities in the following areas:

- **Safety** – the attainment of zero harm in our operations and for those affected by our operations including surrounding communities;
- **Health and wellbeing** – occupational hygiene, community health, and the health and wellbeing of our employees, contractors and members of the surrounding community;
- **Environment** – protection of the environment, material stewardship, long term mine closure liabilities, management of legacy issues, water management and climate change;
- **Social impact management and socio-economic development** – relationships with communities, community development, human rights, resettlement and housing;
- **Socio-political issues** – contributions to national socio-political development, permitting, long term economic development and land access;
- **Supply chain** – local and inclusive procurement, supplier assurance and the impact of procurement decisions on human health and the environment.

CORPORATE GOVERNANCE
STATEMENT (cont'd)

BOARD COMMITTEES ATTENDANCE

The chart below details the attendance of Directors within the four (4) committees.

NAME	AUDIT AND RISK	FINANCE AND INVESTMENT	REMUNERATION AND NOMINATIONS	SUSTAINABLE DEVELOPMENT
S R BEEBEEJAUN NON-EXECUTIVE CHAIRMAN	N/A	N/A	N/A	N/A
C DENGU NON-EXECUTIVE DEPUTY CHAIRMAN	4/4	5/5	3/3	N/A
J M CHIKURA NON-EXECUTIVE DIRECTOR	N/A	N/A	N/A	1/2
G K JAIN NON-EXECUTIVE DIRECTOR	N/A	1/2	N/A	N/A
K MATSHEZA NON-EXECUTIVE DIRECTOR	3/3	5/5	3/3	2/2
B NKOMO CHIEF EXECUTIVE OFFICER	4/4	5/5	3/3	2/2
M T SACHAK NON-EXECUTIVE DIRECTOR	3/4	4/5	2/2	1/2
M M SHAH EXECUTIVE DIRECTOR	N/A	N/A	N/A	N/A
I M SHARMA NON-EXECUTIVE DIRECTOR	N/A	N/A	N/A	1/2

DECLARATION OF DIRECTORS OR EMPLOYEE INTERESTS

i) As provided by statute and in accordance with the principle of transparency, the Company observes a closed period from one month prior to the end of the relevant accounting period, to the announcement of the interim or year-end results, as the case may be. During the closed period neither the Directors nor officers of the Company may deal, either directly or indirectly, in the shares of the Company.

ii) Outside of the closed periods, Directors and officers of the Company must obtain prior written approval of the Company in order to deal in its shares.

iii) Directors and officers of the Company are obligated to declare any material interest they may have that may be deemed to be in conflict with their appointments.

During the year under review the following declarations were submitted:-

In accordance with section 182 of the Companies Act [Chapter 24:03], and as detailed in the Direct and Indirect Shareholding of Directors page 31 of this report, Messrs C Dengu and K Matsheza declared that they directly held shares in the Company. Mr M Sachak declared that he held shares both directly and indirectly in the Company.

iv) In accordance with section 182 (2) of the Companies Act, the Directors declared their other directorships including those held in subsidiaries of RioZim Limited.

v) In accordance with section 186 of the Companies Act, Mr C Dengu declared his interest as investment advisor for the Sengwa Power Project and the solar power projects, in terms of the contract entered into between RioZim and CDFT Capital, a Mauritian based company for which he is a non-resident shareholder and managing director.

DIRECT AND INDIRECT SHAREHOLDING OF DIRECTORS

As at 31 December 2019

Director's name	No. of Shares as at 31 December 2019
C Dengu	187
K Matsheza	3 040
M Sachak*	51 441
Total	**54 668**

*Mr M Sachak holds 51 441 shares in his personal capacity and an indirect shareholding through Triedward Investments (Private) Limited which owns 68 368 ordinary shares in RioZim Limited.

There were no changes in the above direct and indirect shareholding of Directors as at 29 April 2019, the date of publication of these financial statements.

As at 31 December 2018

Director's name	No. of Shares as at 31 December 2018
C Dengu	187
K Matsheza	3 040
M Sachak*	51 441
Total	**54 668**

*Mr M Sachak held 51 441 shares in his personal capacity and an indirect shareholding through Triedward Investments (Private) Limited which owns 68 368 ordinary shares in RioZim Limited.

Building a better working world

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Independent Auditor's Report

To the Shareholders of RioZim Limited

Report on the Audit of the Consolidated and Separate Financial Statements

Adverse Opinion

We have audited the consolidated and separate financial statements of RioZim Limited and its subsidiaries (the group) and company, as set out on pages 13 to 92, which comprise the consolidated and separate statement of financial position as at 31 December 2019, and the consolidated and separate statement of comprehensive income, consolidated and separate statement of changes in equity and consolidated and separate statement of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies and other explanatory notes.

In our opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of our report, the accompanying consolidated and separate financial statements do not present fairly the financial position of the group and company as at 31 December 2019, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Adverse Opinion

Non-compliance with International Financial Reporting Standards IAS 21- The Effects of Changes in Foreign Exchange Rates in Prior Period and Inappropriate Application of IAS 8

As explained in note 4.12 to the consolidated and separate financial statements, the group and company's functional currency is the United States Dollar (US$) and presentation currency is the Zimbabwean Dollar (ZWL). The latter was changed during the reporting period and the prior year financial statements reflected a USD presentation currency.

Zimbabwe witnessed significant monetary and exchange control policy changes in 2016 and increasingly through to 2019. The Reserve Bank of Zimbabwe (RBZ) together with the Ministry of Finance and Economic Development promulgated a series of exchange control operational guidelines and compliance frameworks during this period. Specifically, there was a requirement for banks to separate out FCA RTGS Accounts from the FCA Nostro US$ Accounts during October 2018. Although the rate was legally pegged at 1:1, multiple pricing practices and other transactions observed and reported publicly indicated exchange rates other than 1:1 between RTGS and the US$ amounts. In February 2019 there was a Monetary Policy statement which introduced the RTGS Dollar (RTG$) and the interbank foreign exchange market. Furthermore, Statutory Instrument 142 of 2019 specified that for all domestic transactions, the Zimbabwe Dollar (which comprises RTGS$, Bond notes and Bond Coins) was the sole legal tender effective 24 June 2019.

We believe that events in the market and subsequent promulgation of the ZWL as a formal currency evidenced that transactions in the market indicated a different rate between the two currencies despite the legal 1:1 ZWL: US$ exchange rate and this occurred effective 1 October 2018.

The consolidated and separate financial statements of the group and company included balances and transactions denominated in ZWL/ RTGS that were not converted to US$ at a ZWL/RTGS: US$ exchange rate that reflects the economic substance of its value as required by IFRS as the entity continued to use the 1:1 rate after 1 October to convert ZWL/RTGS transactions which were included in all expense items in the consolidated and separate Statement of Comprehensive Income and all Current Assets, Current Liabilities and Non-Current Liabilities stated on the consolidated and separate Statement of Financial Position along with the consequential impacts to Accumulated Profits and Non-Controlling Interest.

In respect of the above matter we issued an adverse opinion in the prior year as the effects of the departure from IFRS were pervasive to the consolidated and separate financial statements but could not be quantified owing to the nature of the matter.

Management did not make retrospective adjustments to the consolidated or separate financial statements (prior period errors) in terms of *International Financial Reporting Standards – IAS 8 – Accounting Polices, Changes in Accounting Estimates and Errors.*

Therefore, management has not restated the opening balances to resolve the matters which resulted in the adverse audit report in the prior period and therefore the matter is continuing.

As a result of these matters:

- Corresponding numbers relating to Current Assets, Current Liabilities, Non-Current Liabilities, Accumulated Profit and Non-Controlling Interest remain misstated on the Statements of Financial Position; all expenses line items on Statements of Comprehensive income and amounts shown for Cash Flows Profit and Changes in Equity. Our opinion on the current period's consolidated and separate financial statements is therefore also modified because of the possible effects of the above matter on the comparability of the current period's figures and the corresponding figures.

- As opening balances enter into the determination of cash flows and performance our current year opinion is modified in respect of the impact of these matters on the Statements of Cash Flows, Expenses on the Statements of Profit or Loss and Statements of Changes in Equity.

<u>Exchange rates used in current year (Non-compliance with IAS 21)</u>

During the year management translated ZWL denominated transactions into the functional currency using the interbank rate. As in the prior year this impacted the closing amounts for Current Assets, Current Liabilities and Non-Current Liabilities on the consolidated and separate Statements of Financial Position at year end and all expense amounts on the consolidated and separate Statements of Comprehensive Income. In addition, at year end 31 December 2019 group management translated the consolidated and separate financial statements from the functional (USD) to presentation (ZWL) currency using these rates. This final matter would impact all amounts on the consolidated and separate financial statements.

The exchange rates used for the translations do not meet the definition of a spot exchange rate as per IAS.

The IFRS interpretations Committee concluded in their September 2018 paper that the closing rate is the rate to which an entity would have access at the end of the reporting period through a legal exchange mechanism.

We therefore believe that the exchange rates for transactions and balances between the US$ and the RTGS$/ZWL used by the group and company did not meet the criteria for appropriate exchange rates in terms of IFRS as defined above. Had the correct rate been used all balances and amounts would have been materially different owing to the combination of both matters impacting all balances, amounts and disclosed items. The quantum of this cannot be determined owing to the lack of information as to the rates being available.

The effects of the above departures from IFRS are therefore material and pervasive to the consolidated and separate financial statements.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further descried in the *Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements* section of our report. We are independent of the group and company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Zimbabwe, and we have fulfilled our ethical responsibilities in accordance with these requirements and IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse opinion.

Key Audit Matters

Except for the matters described in the Basis for Adverse Opinion section, we have determined that there are no other key audit matters to communicate in our report.

Other information

The directors are responsible for the other information. The other information comprises the Chairman's Statement, The Chief Executive Officer's Business Report, the Directors' Report and the Statement of Corporate Governance and Responsibility, but does not include the consolidated and separate financial statements and our auditor's report thereon. Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon. The Chairman's Statement, The Chief Executive Officer's Business Report, the Directors' Report and the Statement of Corporate Governance and Responsibility is expected to be made available to us after the date of this auditor's report.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. As described in the Basis for Adverse Opinion section above, the group and company did not comply with the requirements of IAS 21 – Effects of Changes in Foreign Exchange Rates. We have concluded that the other information is materially misstated for the same reason with respect to the amounts or other items in the Directors' Report affected by the failure to comply with the referred standard.

Responsibilities of the Directors for the Consolidated and Separate Financial Statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act (Chapter 24:03), and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the group and company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group and company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group and company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group and company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group and/or company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated and separate financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion section of our report, the accompanying consolidated and separate financial statements have not in all material respects, been properly prepared in compliance with the disclosure requirements of and in the manner required by the Companies Act (Chapter 24:03).

The engagement partner on the audit resulting in this independent auditor's report is Walter Mupanguri (PAAB Practicing Certificate Number 367).

Ernst & Young

Ernst & Young
Chartered Accountants (Zimbabwe)
Registered Public Auditors

Harare

Date: 29 April 2020

STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	GROUP 2019 ZWL$ 000	GROUP 2018 ZWL$ 000	COMPANY 2019 ZWL$ 000	COMPANY 2018 ZWL$ 000
Revenue	6	577 132	75 414	577 132	75 414
Cost of sales		(562 926)	(62 000)	(562 926)	(62 000)
Gross profit		**14 206**	**13 414**	**14 206**	**13 414**
Distribution and selling costs		(268)	(116)	(268)	(116)
Administrative expenses		(691 399)	(25 399)	(633 618)	(24 633)
Profit on disposal of property, plant and equipment		-	3 985	-	5 111
Other income	8	24 550	10 487	24 550	10 487
Operating (loss)/profit		**(652 911)**	**2 371**	**(595 130)**	**4 263**
Net finance costs		**(7 584)**	**(7 056)**	**(5 049)**	**(6 669)**
Finance income	9	1 188	35	1 188	35
Finance costs	10	(8 772)	(7 091)	(6 237)	(6 704)
Share of profit from an associate	11	22 908	1 515	-	-
Loss before tax		**(637 587)**	**(3 170)**	**(600 179)**	**(2 406)**
Income tax credit	12	56 209	914	44 054	666
Loss for the year		**(581 378)**	**(2 256)**	**(556 125)**	**(1 740)**
Loss for the year attributable to:					
Owners of the parent		(581 030)	(2 224)	(556 125)	(1 740)
Non-controlling interests	22	(348)	(32)	-	-
		(581 378)	**(2 256)**	**(556 125)**	**(1 740)**
Loss per share (cents):					
Basic	13	(476.14)	(1.82)	(455.73)	(1.43)
Diluted basic	13	(476.14)	(1.82)	(455.73)	(1.43)

STATEMENT OF OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	GROUP 2019 ZWL$ 000	GROUP 2018 ZWL$ 000	COMPANY 2019 ZWL$ 000	COMPANY 2018 ZWL$ 000
Loss for the year		(581 378)	(2 256)	(556 125)	(1 740)
Other comprehensive income/(loss) to be reclassified to profit or loss:					
Foreign currency translation exchange gain		1 370 852	-	1 156 879	-
Fair value gain on other comprehensive income investments	17.1	486	7	486	7
Income tax effect		(24)	(2)	(24)	(2)
Net other comprehensive income to be reclassified to profit or loss		1 371 314	5	1 157 341	5
Other comprehensive income/(loss) not to be reclassified to profit or loss:					
Re-measurement losses on defined benefit plans	27	(4 329)	(282)	(4 329)	(282)
Net other comprehensive loss not to be reclassified to profit or loss		(4 329)	(282)	(4 329)	(282)
Total other comprehensive income/(loss) for the year net of tax		1 366 985	(277)	1 153 012	(277)
Total comprehensive income/(loss) for the year		785 607	(2 533)	596 887	(2 017)
Total comprehensive profit/(loss) attributable to:					
Owners of the parent		781 412	(2 501)	596 887	(2 017)
Non-controlling interests	22	4 195	(32)	-	-
		785 607	(2 533)	596 887	(2 017)

The Company changed its presentation currency from USD to ZWL during the year after the promulgation of SI 142 which ended the multi-currency system and enforced the mandatory use of the Zimbabwean dollar as a sole legal tender. The change in the presentation currency resulted in a significant change to the Group's other comprehensive income compared to prior year. As a result, the Group has presented the statement of Profit or loss and Other comprehensive income separately to provide more reliable and relevant information to the users of the financial statements.

STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	GROUP 2019 ZWL$ 000	GROUP 2018 ZWL$ 000	COMPANY 2019 ZWL$ 000	COMPANY 2018 ZWL$ 000
ASSETS					
Non - current assets					
Property, plant and equipment	14	957 601	70 753	755 139	55 769
Exploration, evaluation and development assets	15	118 631	18 315	101 493	17 249
Right of use assets	16	809	-	809	-
Investment in subsidiaries	17.2	-	-	2 784	166
Investment in associate company	11	187 891	5 135	134 848	8 041
Fair value through other comprehensive income investments	17.1	664	178	664	178
Loans and receivables	17.3	1 251	-	1 251	-
Deferred tax assets	12	61 626	7 291	51 049	7 019
Total non-current assets		**1 328 473**	**101 672**	**1 048 037**	**88 422**
Current assets					
Inventories	18	277 560	40 411	267 214	39 754
Trade and other receivables	19	196 728	19 896	260 371	26 798
Loans and receivables	17.3	75	8	75	8
Cash and cash equivalents	20	32 467	117	32 436	113
Total current assets		**506 830**	**60 432**	**560 096**	**66 673**
Total assets		**1 835 303**	**162 104**	**1 608 133**	**155 095**
EQUITY & LIABILITIES					
Shareholders' equity					
Share capital	21.3	1 345	1 345	1 345	1 345
Share premium	21.3	20 789	20 789	20 789	20 789
Foreign currency translation reserve		1 366 310	-	1 156 879	-
Fair value through other comprehensive income reserve	21.4	608	146	608	146
Accumulated losses	21.5	(596 678)	(11 319)	(573 564)	(13 110)
Equity attributable to equity holders of the parent		**792 374**	**10 961**	**606 057**	**9 170**
Non-controlling interests	22	3 464	(731)	-	-
Total equity		**795 838**	**10 230**	**606 057**	**9 170**
Non-current liabilities					
Cumulative redeemable preference shares	23	33 434	33 434	33 434	33 434
Interest bearing loans and borrowings	24	5 072	6 396	5 072	6 396
Provisions	25	77 674	2 765	36 447	1 216
Other payables	26.1	507 437	30 259	507 437	30 259
Fixed term payables	26.2	-	7 900	-	7 900
Deferred tax liabilities	12	-	1 850	-	-
Employee benefit liability	27	4 352	947	4 352	947
Lease liabilities	26.3	301	-	301	-
Total non-current liabilities		**628 270**	**83 551**	**587 043**	**80 152**
Current liabilities					
Trade and other payables	26.1	331 686	45 595	335 524	43 045
Fixed term payables	26.2	-	996	-	996
Interest-bearing loans and borrowings	24	78 571	21 732	78 571	21 732
Lease liabilities	26.3	938	-	938	-
Total current liabilities		**411 195**	**68 323**	**415 033**	**65 773**
Total liabilities		**1 039 465**	**151 874**	**1 002 076**	**145 925**
Total liabilities and shareholders' equity		**1 835 303**	**162 104**	**1 608 133**	**155 095**

These financial statements were approved by the Board of Directors on 19 March 2020 and signed on its behalf by:

S R BEEBJAUN
Chairman

Harare
19 March 2020

R SWAMI
Chief Finance Officer

Harare
19 March 2020

STATEMENT OF **CHANGES IN EQUITY**

FOR THE YEAR ENDED 31 DECEMBER 2019

GROUP

	Attributable to equity holders of the parent							
	Share capital [Note 21.3] ZWL$ 000	Share premium [Note 21.3] ZWL$ 000	Fair value through other comprehensive income reserve [Note 21.4] ZWL$ 000	Foreign currency translation reserve ZWL$ 000	Accumulated losses [Note 21.5] ZWL$ 000	Total ZWL$ 000	Non controlling interest [Note 22] ZWL$ 000	Total equity ZWL$ 000
Balance as at 1 January 2018	1 345	20 789	141		(8 813)	13 462	(699)	12 763
Loss for the year	-	-	-	-	(2 224)	(2 224)	(32)	(2 256)
Other comprehensive income/(loss) net of tax	-	-	5	-	(282)	(277)	-	(277)
Total comprehensive income/(loss)	-	-	5	-	(2 506)	(2 501)	(32)	(2 533)
Balance as at 31 December 2018	1 345	20 789	146	-	(11 319)	10 961	(731)	10 230
Loss for the year	-	-	-	-	(581 030)	(581 030)	(348)	(581 378)
Other comprehensive income/(loss) net of tax	-	-	462	1 366 310	(4 329)	1 362 443	4 543	1 366 986
Total comprehensive income/(loss)	-	-	462	1 366 310	(585 359)	781 413	4 195	785 608
Balance as at 31 December 2019	1 345	20 789	608	1 366 310	(596 678)	792 374	3 464	795 838

COMPANY

	Share capital [Note 21.3] ZWL$ 000	Share premium [Note 21.3] ZWL$ 000	Foreign currency translation reserve ZWL$ 000	Fair value through other comprehensive income reserve [Note 21.4] ZWL$ 000	Accumulated losses [Note 21.5] ZWL$ 000	Total equity ZWL$ 000
Balance as at 1 January 2018	1 345	20 789		141	(11 088)	11 187
Loss for the year	-	-	-	-	(1 740)	(1 740)
Other comprehensive income/(loss) net of tax	-	-	-	5	(282)	(277)
Total comprehensive income/(loss)	-	-	-	5	(2 022)	(2 017)
Balance as at 31 December 2018	1 345	20 789	-	146	(13 110)	9 170
Loss for the year	-	-	-		(556 125)	(556 125)
Other comprehensive income/(loss) net of tax	-	-	1 156 879	462	(4 329)	1 153 012
Total comprehensive income/(loss)	-	-	1 156 879	462	(560 454)	596 887
Balance as at 31 December 2019	1 345	20 789	1 156 879	608	(573 564)	606 057

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	GROUP 2019 ZWL$ 000	GROUP 2018 ZWL$ 000	COMPANY 2019 ZWL$ 000	COMPANY 2018 ZWL$ 000
Cash flows from operating activities					
Operating (loss)/profit		(652 911)	2 371	(595 130)	4 263
Adjustments to add/(deduct) non-cash items:					
Depreciation of property, plant and equipment	14	295 887	5 458	254 703	4 645
Impairment of property, plant and equipment	14	49 951	-	49 951	-
Write-down of inventory	7	211 987	-	211 987	-
Amortisation of exploration evaluation and development assets	15	158 914	1 320	158 264	1 311
Depreciation on right of use of asset	16	606	-	606	-
Profit on disposal of property, plant and equipment	7	-	(3 985)	-	(3 985)
Unrealised exchange gain		-	(107)	-	(107)
(Decrease) / Increase in mine rehabilitation provision	25	18 556	(117)	3 645	(138)
Sundry income	8	(19 878)	-	(19 878)	-
Net interest (income)/cost on defined benefit fund	7	(924)	(35)	(924)	(35)
Other non-cash (expenses)/income		(9 942)	(2 243)	10 803	5 381
Working capital adjustments:					
Change in inventories		(449 136)	846	(439 447)	845
Change in trade and other receivables		(176 832)	1 903	(233 573)	(7 899)
Change in trade and other payables		735 817	5 071	761 061	6 201
Net cash flows from operating activities		**162 095**	**10 482**	**162 068**	**10 482**
Cash flows from investing activities					
Investment in exploration and evaluation assets	15	(26 357)	(2 249)	(26 357)	(2 249)
Additions to property, plant and equipment	14	(122 146)	(10 514)	(122 146)	(10 514)
Proceeds on disposal of property, plant and equipment		-	95	-	95
Proceeds from sale of investments		-	40	-	40
Net cash used in investing activities		**(148 503)**	**(12 628)**	**(148 503)**	**(12 628)**
Cash flow from financing activities					
Inflows from borrowings		6 635	8 614	6 635	8 614
Repayment of borrowings		(12 920)	(6 347)	(12 920)	(6 347)
Repayment of lease liability		(176)	-	(176)	-
Interest paid		(3 971)	(1 279)	(3 971)	(1 279)
Net cash (used)/generated from financing activities		**(10 432)**	**988**	**(10 432)**	**988**
Net increase/(decrease) in cash and cash equivalents		3 160	(1 158)	3 133	(1 158)
Unrealised exchange gains on foreign currency balances		29 190	-	29 190	-
Cash and cash equivalents at beginning of period		117	1 275	113	1 271
Cash and cash equivalents at 31 December	20	**32 467**	**117**	**32 436**	**113**

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE YEAR ENDED 31 DECEMBER 2019

1. GENERAL INFORMATION

RioZim Limited ('the Company') and its subsidiaries (together'the Group') are involved in mining and metallurgical operations in different locations in Zimbabwe. The Group has mining operations and a metallurgical plant.

The Company is a limited liability company incorporated and domiciled in Zimbabwe. The address of its registered office is 1 Kenilworth Road, Highlands, Harare.

The Company is listed on the Zimbabwe Stock Exchange. These financial statements were authorised for issue by the Board of Directors on 19 March 2020.

The principal accounting policies applied in the preparation of these consolidated and separate financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2. BASIS OF PREPARATION

2.1 Statement of compliance

The Government issued SI 33 of 2019 on 22 February 2019 which prescribed an accounting treatment which was inconsistent with International Financial Reporting Standards (IFRS) IAS 21 (*Effects of changes in foreign exchange rates*) and the disclosure requirements of the Companies Act (Chapter 24:03). The Government also issued SI 41 of 2019 which prescribed that where IFRS is not aligned to local laws, then local laws take precedence. Accordingly, in compliance with the requirements of SI 33 of 2019, it was impractical to comply with the full requirements of International Financial Reporting Standards which is the Group's reporting framework, due to non - compliance with IAS 21 (refer to Note 3.2). The consolidated and separate financial statements have been prepared on a historical cost basis, except for certain financial assets that have been measured at fair value.

The consolidated and separate financial statements are presented in Zimbabwean Dollars (ZWL$), and all values are rounded to the nearest thousand (ZWL$000), except where otherwise indicated.

Prior period error

In the prior year, the Group presented an incomplete set of its separate financial statements in error, as it only presented the Statement of Financial position and the statement of changes in equity. The full set should comprise the Statement of Financial position, the Statement of Profit or loss and other comprehensive income, Statement of changes in equity, Statement of Cash flows and Notes to the financial statements.

The Group has included the full set of its separate financial statements in the current year including prior year comparatives. The inclusion of the additional statements did not affect any amount previously presented in the prior year financial statements.

2.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of RioZim Limited and its subsidiaries as at 31 December 2019. Subsidiaries are entities controlled by the Group. Control exists when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if, and only if, the Group has all of the following:
- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee;
- Rights arising from other contractual arrangements;
- The Group's voting rights and potential voting rights.

The relevant activities are those which significantly affect the subsidiary's returns. The ability to approve the operating and capital budget of a subsidiary and the ability to appoint key management personnel are decisions that demonstrate that the Group has the existing rights to direct the relevant activities of a subsidiary.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. (Refer to note 22 for detailed disclosure on the Group's non-controlling interests). When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

2 BASIS OF PREPARATION (cont.d)

2.2 Basis of consolidation (cont.d)

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Investment in associate

An associate is an entity over which the Group has significant influence, generally accompanying a shareholding of between 20% and 50% of the voting rights. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The considerations made in determining significant influence are similar to those necessary to determine control over subsidiaries.

The Group's investments in its associate are accounted for using the equity method. Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate since the acquisition date (Refer to note 11 for detailed disclosure on the Group's associate). Goodwill relating to the associate is included in the carrying amount of the investment and is not tested for impairment separately.

The statement of profit or loss reflects the Group's share of the results of operations of the associate. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The aggregate of the Group's share of profit or loss of an associate is shown on the face of the statement of profit or loss outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate.

The financial statements of the associate are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and then recognises the loss within 'Share of profit of an associate' in the statement of profit or loss.

Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

3.2 Foreign currencies

The Group's consolidated financial statements are presented in Zimbabwean Dollars, which is the Group's presentation currency. The Group's functional currency is the United States Dollars (refer to note 4.12 for the detailed description on the Group's functional currency). The Group does not have any foreign operations.

Transactions denominated in other currencies are initially recorded by the Group's entities in the Group's functional currency at the spot rates at the date the transaction first qualifies for recognition (refer to note 4.13 for the detailed description on exchange rates). Monetary assets and liabilities denominated in other currencies are translated at the functional currency spot rates of exchange at the reporting date. All exchange differences are taken to profit or loss.

Non-monetary items that are measured at historical cost in other currencies are translated using the exchange rates at the dates of the initial transaction. Non-monetary items measured at fair value in other currencies are translated using the exchange rates at the date when the fair value was determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

In determining the spot exchange rate to use on initial recognition of the related asset and expense (or part of it) on the derecognition of a non-monetary asset, the date of the transaction is the date on which the Group initially recognises the non-monetary asset. If there are multiple payments, the Group determines the transaction date for each payment.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.d)

3.2 Foreign currencies (cont.d)

At the reporting date, the Group translates its items of income and expenses and financial position into the presentation currency using the following procedures:

- assets and liabilities for each statement of financial position presented including comparatives is translated at the closing rate;
- income and expenses for each statement of comprehensive income including comparatives is translated at exchange rates at the dates of the transactions;
- all resulting exchange differences are recognised in other comprehensive income.

The comparatives were converted from US$ to ZWL$ at an exchange rate of 1:1 in compliance with Statutory Instrument 33 of 2019 which was effective from the 22nd of February 2019 which prescribed that all assets and liabilities that were expressed in USD on or prior to the effective date were deemed to be valued in ZWL$ at an exchange rate of 1:1 with the US$.

3.3 Property, plant and equipment

i) Initial Recognition

Construction in progress is stated at cost, net of accumulated impairment losses, if any. Upon completion of the mine construction phase, the assets are transferred into "Property, plant and equipment". Items of property, plant and equipment and producing mine are stated at cost, less accumulated depreciation and accumulated impairment losses.

The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, the initial estimate of the rehabilitation obligation, and, for qualifying assets (where relevant), borrowing costs. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset. The capitalised value of a right of use asset is also included in property, plant and equipment.

When a mine construction project moves into the production phase, the capitalisation of certain mine construction costs ceases, and costs are either regarded as part of the cost of inventory or expensed, except for costs which qualify for capitalisation relating to mining asset additions, improvements or new developments, underground mine development or mineable reserve development.

When significant parts of plant and equipment are required to be replaced at intervals, the Group depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met. Refer to significant accounting judgements, estimates and assumptions (Note 4) and provisions (Note 25) for further information about the recognised decommissioning provision.

ii) Subsequent measurement

Land and buildings comprise factories, staff houses and offices. Land is not depreciated. Development costs are amortised over the life of the mine concerned. Depreciation on other assets is calculated using the straight-line method over their estimated useful lives, as follows:

Furniture and fittings	3 - 8 years
Heavy mobile equipment	4 years
Motor vehicles	3 - 5 years
Plant and equipment	shorter of economic life of asset and life of mine
Freehold buildings	100 years

No depreciation is charged when the carrying amounts of items of property, plant and equipment are equal or less than their residual values or when the item has not yet been brought into use (e.g. capital work in progress). An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss when the asset is derecognised.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

3.4 Stripping (waste removal) costs

As part of its mining operations, the Group incurs stripping (waste removal) costs both during the development phase and production phase of its operations. Stripping costs incurred in the development phase of a mine, before the production phase commences (development stripping), are capitalised as part of the cost of constructing the mine and subsequently amortised over its useful life using a Unit of Production (UOP) method. The capitalisation of development stripping costs ceases when the mine/component is commissioned and ready for use as intended by management.

Stripping activities undertaken during the production phase of a surface mine (production stripping) are accounted for as set out below:

After the commencement of production, further development of the mine may require a phase of unusually high stripping that is similar in nature to development phase stripping. The cost of such stripping is accounted for in the same way as development stripping (as outlined above).

Production stripping is generally considered to create two benefits, being either the production of inventory or improved access to the ore to be mined in the future. Where the benefits are realised in the form of inventory produced in the period, the production stripping costs are accounted for as part of the cost of producing those inventories. Where the benefits are realised in the form of improved access to ore to be mined in the future, the costs are recognised as a non-current asset, referred to as a 'stripping activity asset', if the following criteria are met:

- future economic benefits (being improved access to the ore body) are probable.
- the component of the ore body for which access will be improved can be accurately identified.
- the costs associated with the improved access can be reliably measured.

If any of the criteria are not met, the production stripping costs are charged to profit or loss as operating costs as they are incurred.

In identifying components of the ore body, the Group works closely with the mining operations personnel for each mining operation to analyse each of the mine plans. Generally, a component will be a subset of the total ore body, and a mine may have several components. The mine plans, and therefore the identification of components, can vary between mines for a number of reasons. These include, but are not limited to: the type of commodity, the geological characteristics of the ore body, the geographical location, and/or financial considerations. Given the nature of the Group's operations, components are generally either major pushbacks or phases and they generally form part of a larger investment decision which requires Board approval.

The stripping activity asset is accounted for as an addition to, or an enhancement of, an existing asset, being the mine asset, and is presented as part of 'Exploration, evaluation and development assets' in the statement of financial position. This forms part of the total investment in the relevant cash generating unit(s), which is reviewed for impairment if events or changes of circumstances indicate that the carrying value may not be recoverable.

The stripping activity asset is subsequently amortised using the UOP method over the life of the identified component of the ore body that became more accessible as a result of the stripping activity. Economically recoverable reserves, which comprise proven and probable reserves, are used to determine the expected useful life of the identified component of the ore body. The stripping activity asset is then carried at cost less amortisation and any impairment losses.

3.5 Exploration, evaluation and development expenditure

3.5.1 Exploration and evaluation expenditure

Exploration and evaluation activity involves the search for mineral resources, the determination of technical feasibility and the assessment of commercial viability of an identified resource. The application of the Group's accounting policy for exploration and evaluation expenditure requires judgement to determine whether future economic benefits are likely, from either future exploitation or sale, or whether activities have not reached a stage that permits a reasonable assessment of the existence of reserves.

Exploration and evaluation activity includes:
- Researching and analysing historical exploration data.
- Gathering exploration data through geophysical studies.
- Exploratory drilling and sampling.
- Determining and examining the volume and grade of the resource.
- Surveying, transportation and infrastructure requirements.
- Conducting market and finance studies.

License costs paid in connection with a right to explore in an existing exploration area are capitalised and amortised over the term of the permit. Once the legal right to explore has been acquired, exploration and evaluation expenditure is charged to profit or loss as incurred, unless the Directors conclude that a future economic benefit is more likely than not to be realised. These costs include materials and fuel used, surveying costs, drilling costs and payments made to contractors.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

3.5 Exploration, evaluation and development expenditure (cont'd)

3.5.1 **Exploration and evaluation expenditure (cont'd)**

In evaluating whether the expenditures meet the criteria to be capitalised, several different sources of information are used. The information that is used to determine the probability of future benefits depends on the extent of exploration and evaluation that has been performed.

If a project does not prove viable, all irrecoverable costs associated with the project are written off. When it is decided to proceed with development, any provisions made in previous years are reversed to the extent that the relevant costs are recoverable. If an undeveloped project is sold, any gain or loss is included in operating profit, such operations being a normal part of the Group's activities. Exploration and evaluation expenditure is capitalised net of proceeds from the sale of ore extracted during the exploration and evaluation phase. Where these proceeds exceed the exploration and evaluation costs, any excess income is recognised in profit or loss.

Exploration and evaluation assets are subsequently measured at cost less accumulated impairment losses, up until the mine starts producing, after which the cost less any accumulated impairment losses will be amortised over the life of the mine concerned.

3.5.2 **Development expenditure**

If a project proves viable after completion of exploration and evaluation work and the future development of a mine receives appropriate approvals, all subsequent expenditure on the construction, installation or completion of infrastructure facilities including purchase cost of any machinery and equipment and any costs directly attributable to bringing the machinery and equipment into operation (freight, duties and taxes not recoverable from the tax authorities) are capitalised under 'Capital Work in Progress'.

Upon completion of the mine construction phase, the assets are transferred to 'Property, plant and equipment' if tangible, or to 'Exploration, evaluation and development assets' if intangible. The items of property, plant and equipment and development costs are stated at cost, less accumulated depreciation/amortisation and accumulated impairment losses. The initial cost of the mine assets comprises purchase price or construction cost, any costs directly attributable to bringing the asset into operation, the initial estimate of the rehabilitation obligation, and, for qualifying assets (where relevant), borrowing costs.

3.6 **Impairment of non-financial assets**

The Group assesses, at each reporting date, whether there is an indication that an asset or cash generating unit (CGU) may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's or CGU's recoverable amount. The recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets.

When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses are recognised in profit or loss in expense categories consistent with the function of the impaired asset.

In calculating value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of at least five years or the expected useful life of the asset or CGU.

An assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised.

The reversal is limited so that the carrying amount of the asset does not exceed either its recoverable amount, or the carrying amount that would have been determined, net of accumulated depreciation/amortisation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)
FOR THE YEAR ENDED 31 DECEMBER 2019

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

3.7 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

i) Financial assets

Initial recognition and measurement
Financial assets are classified, at initial recognition, and subsequently measured at amortised cost, fair value through OCI, or fair value through profit or loss.

The classification of financial assets at initial recognition that are debt instruments depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient for contracts that have a maturity of one year or less, are measured at the transaction price.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest' (SPPI) on the principal amount outstanding. This assessment is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e. the date that the Group commits to purchase or sell the asset.

The Group's financial assets include cash and cash equivalents, trade and other receivables, long term receivables and fair value through OCI investments.

Subsequent measurement
For purposes of subsequent measurement, financial assets are classified in four categories:
- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through profit or loss
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)

Financial assets at amortised cost (debt instruments)
Financial assets at amortised cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is recognised as part of finance income in the statement of profit or loss and other comprehensive income. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

This category is the most relevant to the Group. The Group's financial assets at amortised cost includes loans, government treasury bills, trade and other receivables (not subject to provisional pricing) and cash and cash equivalents which are classified under current assets except for maturities greater than 12 months after the reporting date which are classified under non-current assets.

Cash and cash equivalents
Cash and short-term deposits in the statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the Statement of Financial Position. For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

3.7 Financial instruments (Cont'd)

i) Financial assets (Cont'd)

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value i.e. where they fail the SPPI test. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term.

Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in profit or loss.

This category applies to the Group`s trade receivables with provisional pricing (quotational period). The "Quotational Period (QP)" is the period after the physical shipment of goods during which the sales price is subject to change based on fluctuations in quoted commodity market prices up to the date of final settlement. The QP can be between one to six months.

Given the exposure to the commodity price, these provisionally priced trade receivables will fail the SPPI test. As a result, these receivables are measured at fair value through profit or loss from the date of recognition of the corresponding sale, with subsequent movements being recognised in 'fair value gains/losses on provisionally priced trade receivables' in the statement of profit or loss. Changes in fair value over, and until the end of, the QP, are estimated by reference to updated forward market prices as well as taking into account relevant other fair value considerations as set out in IFRS 13, including interest rate and credit risk adjustments.

Financial assets designated at fair value through OCI (equity investments)

The Group's financial assets designated at fair value through OCI comprise equity investments. The Group elected to classify irrevocably its non-listed equity investments under this category.

After initial measurement, this category of financial assets is subsequently measured at fair value with unrealised gains or losses recognised in OCI. Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired or;
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either: (a) the Group has transferred substantially all the risks and rewards of the asset; or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

The Group did not have any arrangements involving partial transfer of its rights to receive cash flows from a financial asset nor entered into any pass-through arrangements during the year.

Impairment of financial assets

The Group assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An allowance for expected credit losses (ECLs) is recognised when an impairment exists. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL). When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment including forward-looking information.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

3.7 Financial instruments (Cont'd)

i) Financial assets (Cont'd)

Impairment of financial assets (Cont'd)

Default events may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial re'organisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is credit-impaired when one or more default events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. An impairment loss is adjusted directly on the carrying amount of the financial asset when there is no reasonable expectation of recovering all the contractual cash flows. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

Financial assets designated at fair value through OCI (equity investments)

Equity instruments designated at fair value through OCI are not subject to impairment assessment.

ii) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, or financial liabilities at amortised cost net of directly attributable transaction costs.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at amortised cost

The Group's loans and borrowings comprise interest-bearing loans and borrowings, cumulative redeemable preference shares and trade and other payables.

Loans and borrowings are subsequently measured at amortised cost using the effective interest rate (EIR) method. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in profit or loss.

Fees paid on establishment of facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. To the extent that there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

Cumulative redeemable preference shares are non – current liabilities as the issuer cannot demand settlement within twelve months of the reporting date.

Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. Trade payables are subsequently measured at amortised cost using the effective interest rate method.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

3.7 Financial instruments (Cont'd)

i) Financial liabilities (Cont'd)

Derecognition

A financial liability is derecognised when the associated obligation is discharged, cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in profit or loss.

3.8 Inventories

Gold, nickel, copper, cobalt, Platinum Group of Metals (PGMs) in concentrate, metal and minerals in circuit and ore stockpiles are physically measured or estimated and valued at the lower of cost and net realisable value. Net realisable value is the estimated future sales price of the product the entity expects to realise when the product is processed and sold, less estimated costs to complete production and bring the product to sale. Write downs to net realisable value and inventory losses are expensed to profit or loss in the period in which they occur.

Cost is determined by using the weighted-average method and comprises direct purchase costs and an appropriate portion of fixed and variable overhead costs, including depreciation and amortisation incurred in converting materials into finished goods, based on the normal production capacity. The cost of production is allocated to joint products using a ratio of weights at each month end. Separately identifiable costs of conversion of each metal are specifically allocated.

Materials and supplies are valued at the lower of cost or net realisable value. Any provision for obsolescence is determined by reference to specific items of stock. A regular review is undertaken to determine the extent of any provision for obsolescence.

3.9 Taxation

i) Current tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. Taxable profit or assessed loss differs from profit/loss as reported in profit or loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The tax rates and tax laws used to compute current tax are those that are enacted or substantively enacted, at the reporting date.

Current income tax relating to items recognised directly in equity is recognised in equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

ii) Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arragements, where the timing of the reversal of the temporary differences can be controlled by the parent, investor or venturer and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of deductable temporary differences associated with investments in subsidiaries, associates and interests in joint arragements, where the timing of the reversal of the temporary differences can be controlled by the parent, investor or venturer and it is probable that the temporary differences will not reverse in the foreseeable future.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

3.9 Taxation (Cont'd)

ii) Deferred tax (Cont'd)

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

iii) Value Added Tax (VAT)

Revenues, expenses and assets are recognised net of the amount of VAT except:

- Where the VAT incurred on a purchase of assets or services is not recoverable from the tax authorities, in which case the VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables are stated with the amount of VAT included. The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

3.10 Employee benefits

Pension and other post-employment benefits

The Group has both defined benefit and defined contribution pension schemes. The schemes are generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The contributions are recognised as an employee benefit expense when they are due.

A defined benefit plan is a pension plan that is not a defined contribution plan. Typically defined benefit plans define an amount of pension benefit that an employee shall receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The cost of providing benefits under the defined benefit plan is determined annually by independent actuaries using the projected unit credit method.

Re-measurements, comprising of actuarial gains and losses, the effect of the asset ceiling, (excluding amounts included in net interest on the net defined benefit liability) and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognised immediately in retained earnings through OCI in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognised in profit or loss on the earlier of:

- The date of the plan amendment or curtailment, and
- The date that the Group recognises restructuring-related costs.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognises the following changes in the net defined benefit obligation under 'cost of sales' and 'administration expenses' in profit or loss:

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements.
- Net interest expense or income

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

3.11 Provisions

i) General

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in profit or loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pretax rate that reflects where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as part of finance cost.

ii) Rehabilitation provision

Mine rehabilitation costs will be incurred by the Group either while operating, or at the end of the operating life of the Group's facilities and mine properties. The Group assesses its mine rehabilitation provision at each reporting date. The Group recognises a rehabilitation provision where it has a legal and constructive obligation as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount of obligation can be made. The nature of these restoration activities includes: dismantling and removing structures; rehabilitating mines and tailings dams; dismantling operating facilities; closing plant and waste sites; and restoring, reclaiming and revegetating affected areas.

The obligation generally arises when the asset is installed or the ground/environment is disturbed at the mining operation's location. When the liability is initially recognised, the present value of the estimated costs is capitalised by increasing the carrying amount of the related mining assets to the extent that it was incurred as a result of the development/construction of the mine. Any rehabilitation obligations that arise through the production of inventory are recognised as part of the related inventory item.

Additional disturbances which arise due to further development/construction at the mine are recognised as additions or charges to the corresponding assets and rehabilitation liability when they occur. Costs related to restoration of site damage (subsequent to start of commercial production) that is created on an ongoing basis during production are provided for at their net present values and recognised in profit or loss as extraction progresses.

Changes in the estimated timing of rehabilitation or changes to the estimated future costs are dealt with prospectively by recognising an adjustment to the rehabilitation liability and a corresponding adjustment to the asset to which it relates, if the initial estimate was originally recognised as part of an asset measured in accordance with IAS 16.

Any reduction in the rehabilitation liability and, therefore, any deduction from the asset to which it relates, may not exceed the carrying amount of that asset. If it does, any excess over the carrying value is taken immediately to profit or loss. If the change in estimate results in an increase in the rehabilitation liability and, therefore, an addition to the carrying value of the asset, the Group considers whether this is an indication of impairment of the asset as a whole, and if so, tests for impairment. If, for mature mines, the estimate for the revised mine assets net of rehabilitation provisions exceeds the recoverable value that portion of the increase is charged directly to expense.

Over time, the discounted liability is increased for the change in present value based on the discount rates that reflect current market assessments and the risks specific to the liability. The periodic unwinding of the discount is recognised in profit or loss as part of finance costs. For closed sites, changes to estimated costs are recognised immediately in profit or loss.

3.12 Revenue from contracts with customers and other income

The Group is involved in mining and metallurgical operations and produces gold and metals. Revenue is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. Control of goods or services is transferred generally when the product is physically loaded onto a vessel, train or other delivery mechanisms.

The Group has generally concluded that it is the principal in its revenue arrangements, because it typically controls the goods or services before transferring them to the customer.

a) Gold bullion sales

Revenue from gold bullion sales is brought to account when control of the gold bullion has been transferred to the buyer and selling prices are known or can be reasonably estimated. The Company sells all its gold bullion to a local buyer, therefore revenue is recognised when the gold bullion is physically delivered to the buyer.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE YEAR ENDED 31 DECEMBER 2019

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

3.12 Revenue from contracts with customers and other income (Cont'd)

b) Nickel, copper and other minerals in concentrate sales

The Group produces nickel, copper and other minerals in concentrate for sale to third parties. Metal sales are measured at the price agreed between RioZim and the buyer. Price negotiations begin at London Metals Exchange (LME) market prices prevailing on the day. For the Group's metal in concentrate sales, the performance obligations are the delivery of the concentrate which is satisfied on the shipment date. The revenue is measured at the consideration to which the Group expects to be entitled in exchange for those metals.

Contract terms for the Group's sale of metal in concentrate to third parties allow for a price adjustment based on final assay results of the metal in concentrate by the customer to determine the final content. These are referred to as provisional pricing arrangements, and are such that the selling price for metal in concentrate is based on prevailing spot prices on a specified future date after shipment to the customer (the quotation period (QP)). The provisional pricing arrangements based on initial assays give rise to variable consideration.

The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty relating to the final assays is subsequently resolved. The Group estimates the amount of consideration to which it will be entitled in exchange for transferring metals in concentrate to the customer using provisional assays agreed by both parties. Adjustments to the sales price are done based on the final assays after final processing of the metal by the customer i.e. at the end of the QP. The period between provisional invoicing and final settlement can be between one to six months.

Revenue is recognised when control passes to the customer, which occurs at a point in time when the metal in concentrate is physically transferred onto a vessel, train, conveyor or other delivery mechanism. The revenue is measured at the amount to which the Group expects to be entitled, being the estimate of the price expected to be received at the end of the QP, and a corresponding trade receivable is recognised. The Group applies the practical expedient to not adjust the promised consideration for the effects of a significant financing component as the period between transfer of the metals to a customer and when the customer pays for the metals is one year or less.

For these provisional pricing arrangements, any future adjustments to the sales price based on movements in quoted market prices up to the date of final settlement over the QP are embedded within the provisionally priced trade receivables and are, therefore, within the scope of IFRS 9 and not within the scope of IFRS 15.

3.13 Other income

a) Interest income

For all financial assets measured at amortised cost, interest income is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial asset or a shorter period, where appropriate, to the net carrying amount of the financial asset. Interest income is included in finance income in profit or loss.

b) Rental income

Rental income arising from operating leases on property, plant and equipment is accounted for on a straight-line basis over the lease terms and is included in other income in profit or loss

c) Export incentives

Export incentives are recognised when gold and metal sales are completed and the export proceeds have been received by the Company. The incentives are a percentage of all export receipts and are paid by the Central Bank.

3.14 Fair value measurement

The Group measures financial instruments such as certain financial assets at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability.
  Or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

3.14 Fair value measuremen (Cont'd)

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest-level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 — Valuation techniques for which the lowest-level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 — Valuation techniques for which the lowest-level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest-level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities based on the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

3.15 Current versus non-current classification

The Group presents assets and liabilities in the statement of financial position based on current or non-current classification.

An asset is current when it is either:
- Expected to be realised or intended to be sold or consumed in the normal operating cycle.
- Held primarily for the purpose of trading.
- Expected to be realised within 12 months after the reporting period.
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

All other assets are classified as non-current

A liability is current when either:
- It is expected to be settled in the normal operating cycle.
- It is held primarily for the purpose of trading.
- It is due to be settled within 12 months after the reporting period.
- There is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period.

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

3.16 Leases

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset (or assets) and the arrangement conveys a right to use the asset (or assets), even if that asset is (or those assets are) not explicitly specified in an arrangement.

Group as a lessee
The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

i) Right-of-use assets
The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets (refer to note 3.3 for useful lives of the Group's category of assets). If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

3.16 **Leases** (Cont'd)

ii) Lease liabilities
At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

iii) Short-term leases and leases of low-value assets
The Group applies the short-term lease recognition exemption to all its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the low-value assets lease recognition exemption to all its assets that are considered to be low value.

Lease payments on short-term leases and leases of low value assets are recognised as an expense on a straight-line basis over the lease term.

Group as a lessor
Leases in which the Group does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

3.17 **Borrowing costs**
Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

3.18 **Share capital**
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax from the proceeds. Where any Group company purchases the company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the company's equity holders until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects is included in equity attributable to the company's equity holders.

3.19 **Adoption of new and revised accounting standards**

i) New and amended standards and interpretations
The Group applied several other amendments and interpretations for the first time, which are effective for annual periods beginning on or after 1 January 2019. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. Several other amendments and interpretations applied for the first time in 2019, but did not have an impact on the consolidated and separate financial statements of the Group and, hence, have not been disclosed.

IFRS 16 Leases
The Group's accounting policy for the period up to 31 December 2018 applied the recognition and measurement principles as per IAS 17 Leases.

A lease was classified at the inception date as a finance lease or an operating lease. A lease that transferred substantially all the risks and rewards incidental to ownership to the Group was classified as a finance lease. Finance leases were capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments.

A finance lease asset was depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset was depreciated over the shorter of the estimated useful life of the asset and the lease term.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

3.19 Adoption of new and revised accounting standards (Cont'd)

IFRS 16 Leases (Cont'd)

All other leases other than a finance lease were classified as operating leases. Operating lease payments were recognised as an operating lease expense in the statement of profit or loss on a straight-line basis over the lease term.

The Group adopted IFRS 16 using the modified retrospective method of adoption, with the date of initial application of 1 January 2019. The Group elected to use the transition practical expedient to not reassess whether a contract is, or contains, a lease at 1 January 2019. Instead, the Group applied the standard only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option (short-term leases), and lease contracts for which the underlying asset is of low value (low-value assets).

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the statement of financial position. Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 does not have an impact for leases where the Group is the lessor.

Upon adoption of IFRS 16, the Group applied a single recognition and measurement approach for all leases for which it is the lessee, except for short-term leases and leases of low-value assets.

The Group recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application i.e. 1 January 2019.

As at 1 January 2019:

- Right of use assets of ZWL$1 415 000 were recognised and presented separately in the statement of financial position.
- Lease liabilities of ZWL$1 415 000 were recognised and presented separately in the statement of financial position.
- There was no impact on retained earnings

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018, as follows:

	ZWL$ 000
Operating lease commitments as at 31 December 2018	**195**
Weighted average incremental borrowing rate as at 1 January 2019	10%
Discounted operating lease commitments as at 1 January 2019	**155**
Add: Lease payments relating to renewal periods not included in operating lease commitments as at 31 December 2018	1 261
Lease liabilities as at 1 January 2019	**1 415**

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

3.19 Adoption of new and revised accounting standards(Cont'd)

i) New and amended standards and interpretations (Cont'd)

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 Income Taxes. It does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances?

The Group determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty.

The Group applies significant judgement in identifying uncertainties over income tax treatments. Upon adoption of the Interpretation, the Group considered whether it has any uncertain tax positions, particularly those relating to transfer pricing. The Group determined, based on its tax compliance and transfer pricing study, that it is probable that its tax treatments (including those for the subsidiaries) will be accepted by the taxation authorities.

The Interpretation did not have an impact on the consolidated financial statements of the Group.

Amendments to IFRS 9: Prepayment Features with Negative Compensation

Under IFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of an event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

These amendments had no impact on the consolidated financial statements of the Group.

Amendments to IAS 19 : Plan Amendment, Curtailment or Settlement

The amendments to IAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to determine the current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event. An entity is also required to determine the net interest for the remainder of the period after the plan amendment, curtailment or settlement using the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event, and the discount rate used to remeasure that net defined benefit liability (asset).

The amendments had no impact on the consolidated financial statements of the Group as it did not have any plan amendments, curtailments, or settlements during the period.

Amendments to IAS 28: Long-term interests in associates and joint ventures

The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in IFRS 9 applies to such long-term interests. The amendments also clarified that, in applying IFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognised as adjustments to the net investment in the associate or joint venture that arise from applying IAS 28 Investments in Associates and Joint Ventures.

These amendments had no impact on the consolidated financial statements as the Group does not have long term interests in its associate.

Annual Improvements 2015-2017 Cycle

IFRS 3 Business Combinations

The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation. An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted.

These amendments had no impact on the consolidated financial statements of the Group as there is no transaction where joint control is obtained.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

3.19 Adoption of new and revised accounting standards(Cont'd)

i) New and amended standards and interpretations (Cont'd)

Annual Improvements 2015-2017 Cycle(Cont'd)

IAS 12 Income Taxes
The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognises the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where it originally recognised those past transactions or events. An entity applies the amendments for annual reporting periods beginning on or after 1 January 2019, with early application permitted. When the entity first applies those amendments, it applies them to the income tax consequences of dividends recognised on or after the beginning of the earliest comparative period.

The Group has not declared dividends in current and prior year, therefore the amendment had no impact on the consolidated financial statements of the Group.

IAS 23 Borrowing Costs
The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete. The entity applies the amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019, with early application permitted. Since the Group's current practice is in line with these amendments, they had no impact on the consolidated financial statements of the Group.

ii) Standards issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

Amendments to IFRS 3: Definition of a Business
In October 2018, the IASB issued amendments to the definition of a business in IFRS 3 Business Combinations to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test. New illustrative examples were provided along with the amendments.

Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

Amendments to IAS 1 and IAS 8: Definition of Material
In October 2018, the IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.'

The amendments to the definition of material is not expected to have a significant impact on the Group's consolidated financial statements.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities at the date of the consolidated financial statements. Estimates and assumptions are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

In particular, the Group has identified the following areas where significant judgements, estimates and assumptions are required. Further information on each of these areas and how they impact the various accounting policies are described below and also in the relevant notes to the financial statements.

4.1. Going concern

The Directors assess the ability of the Group to continue as a going concern at the end of each financial year. The assessment involves making assumptions in the budgets and forecasts. Refer to note 34 for more details.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (Cont'd)

4.2. Ore reserve and mineral resource estimates

Ore reserves are estimates of the amount of ore that can be economically and legally extracted from the Group's mining properties. The Group estimates its ore reserves and mineral resources based on information compiled by appropriately qualified persons relating to the geological and technical data on the size, depth, shape and grade of the ore body and suitable production techniques and recovery rates. Such an analysis requires complex geological judgements to interpret the data.

The estimation of recoverable reserves is based upon factors such as estimates of foreign exchange rates, commodity prices, future capital requirements and production costs along with geological assumptions and judgements made in estimating the size and grade of the ore body. The Group estimates and reports ore reserves in line with the principles contained in the Australasian Code for Reporting Exploration Results, Mineral Resources and Ore Reserves (December 2012), which is prepared by the Joint Ore Reserves Committee (JORC) of the Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia, known as the "JORC Code".

The JORC Code requires the use of reasonable investment assumptions, including:

- Future production estimates — which include proved and probable reserves, resource estimates and committed expansions.
- Expected future commodity prices, based on current market price, forward prices and the Group's assessment of the long-term average price.
- Future cash costs of production, capital expenditure and rehabilitation obligations.

Consequently, management will form a view of forecast sales prices, based on current and long-term historical average price trends. For example, if current prices remain above long-term historical averages for an extended period of time, management may assume that lower prices will prevail in the future. As a result, those lower prices would be used to estimate reserves under the JORC Code. Lower price assumptions generally result in lower estimates of reserves.

As the economic assumptions used may change and as additional geological information is produced during the operation of a mine, estimates of reserves may change. Such changes may impact the Group's reported financial position and results which include:

- The carrying value of exploration and evaluation assets, mine properties, property, plant and equipment, and goodwill may be affected due to changes in estimated future cash flows.
- Depreciation and amortisation charges in profit or loss may change where charges are determined using the useful life of the related assets.
- Provisions for rehabilitation and environmental provisions may change where changes to the reserve estimates affect expectations about when such activities will occur and the associated cost of these activities.
- The recognition and carrying value of deferred income tax assets may change due to changes in the judgements regarding the existence of such assets and in estimates of the likely recovery of such assets.

4.3. Exploration and evaluation expenditure

The application of the Group's accounting policy for exploration and evaluation expenditure requires judgement to determine whether future economic benefits are likely, from either future exploitation or sale, or whether activities have not reached a stage that permits a reasonable assessment of the existence of reserves. The determination of a JORC resource is itself an estimation process that involves varying degrees of uncertainty depending on how the resources are classified (i.e., measured, indicated or inferred). The estimates directly impact when the Group defers exploration and evaluation expenditure. The deferral policy requires management to make certain estimates and assumptions about future events or circumstances, in particular, whether an economically viable extraction operation can be established. Estimates and assumptions may change if new information becomes available. If, after expenditure is capitalised, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalised is written off in profit or loss in the period when the new information becomes available. Refer to note 15 for the carrying amount of exploration, evaluation and development assets.

4.4. Depreciation and amortisation

The Group's management determines the useful lives, residual values and related depreciation charges for its property, plant and equipment. This estimate is based on projected lives of these assets. Estimated economically recoverable reserves are used in determining the depreciation and/or amortisation of mine specific assets. This results in a depreciation/amortisation charge proportional to the depletion of the anticipated production over the remaining life of mine. Each item's life, which is assessed annually, has regard to both its physical life limitations and present assessments of economically recoverable reserves of the mine property at which the asset is located. These calculations require the use of estimates and assumptions, including the amount of recoverable reserves and estimates of future capital expenditure. Changes in estimates are accounted for prospectively. Refer to note 14 for the carrying amount of property, plant and equipment and accounting policy note 3.3 for the useful lives of property, plant and equipment.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (Cont'd)

4.5. Mine rehabilitation provision

The Group assesses its mine rehabilitation provision at each reporting date. Significant estimates and assumptions are made in determining the provision for mine rehabilitation as there are numerous factors that will affect the ultimate amount payable. These factors include estimates of the extent and costs of rehabilitation activities, technological changes, regulatory changes, cost increases as compared to the inflation rates (3% (2018: 2.75%)), and changes in discount rates (10% (2018: 10%)). These uncertainties may result in future actual expenditure differing from the amounts currently provided. The provision at reporting date represents management's best estimate of the present value of the future rehabilitation costs required. Refer to note 25 for the carrying amount of the provision for mine rehabilitation.

4.6. Life of Mine (LOM)

The Group estimates the LOM for its individual mines at each reporting date taking into consideration the reserves, measured and indicated resources, and specific circumstances of each mine. Inferred resources are specifically excluded from the LOM determination. Management also considers the cash flows for each mine and each mine's ability to fund and develop measured and indicated resources into minable reserves for this category to be included in the LOM. Therefore, there is a possibility that changes in circumstances for the different mines in each reporting period will impact the actual and future cash flow projections for each mine, which may impact the LOM estimation.

During the year, Cam & MotorMine, the Group's flagship operation exhausted its oxide ores at its pits, leaving the Mine with predominantly refractory sulphides resources, which require the Biological Oxidation (BIOX) plant for processing. As at the reporting date, the BIOX plant project was at 30% complete and required a further US$12million to successfully commission the project. Management's efforts to secure funding to complete the BIOX project were still in progress as at year end, and the outcome of the various initiatives to secure the funding were uncertain. Meanwhile Cam & Motor is currently hauling ore from the Group's nearby One Step Mine as a gap bridging arrangement to when the BIOX plant is commissioned. The life of the delineated mineable ores at One Step is for a period of nine months. The completion of the BIOX project within the required timelines i.e. before the One Step resource is exhausted remained doubtful as at period end.

Due to the funding constraints which exist for the BIOX plant, the ability to mine the sulphide resources is uncertain and therefore the LOM for Cam & Motor is estimated based on the delineated resources at One Step Mine.

Considering the uncertainties with the funding and completion of the BIOX Plant at Cam & Motor the availability of cash flow synergies from Cam & Motor which ordinarily provided support on the exploration and development for the other mines is significantly in doubt. Therefore, as at reporting date, there was no reasonable expectation based on the cash flow forecast for Renco Mine and Dalny Mine that sufficient cash flows will be available to develop resources into mineable ores. Consequently, the LOM for Dalny Mine and Renco Mine have been based primarily on reserves as at the reporting date.

The LOM for each mine have therefore been estimated as below:

- 1.5 years for Renco Mine (2018: 14.7years)
- 0.75 year for Cam & Motor Mine (2018: 7.4years)
- 2.14 years for Dalny Mine (2018: 8.8years).

The effect of the change in LOM on the statement of profit or loss is as below:

	ZWL$ 000
Accelerated depreciation of property, plant and equipment (refer to note 14)	207 121
Accelerated amortisation of exploration and development assets (refer to 15)	75 941
Accretion of rehabilitation provision (Refer to note 25)	18 556

4.7 Impairment of non-financial assets

Impairment assessments require the use of estimates and assumptions such as long-term commodity prices (considering current and historical prices, price trends and related factors), discount rates, operating costs, future capital requirements, closure and rehabilitation costs, exploration potential, reserves and operating performance (which includes production and sales volumes). These estimates and assumptions are subject to risk and uncertainty. Therefore, there is a possibility that changes in circumstances will impact these projections, which may impact the recoverable amount of assets and/or CGUs. In such circumstances, some or all of the carrying amount of the assets/CGUs may be further impaired or the impairment charge reduced with the impact recognised in profit or loss.

The assumptions made in calculating the value in use include:

- A forecast period which is linked to the life of mine (LOM) (refer to note 4.6):
- Average prices for the next ten years: Gold - US$1 300 per ounce, Nickel- US$12 500 per ton, Copper -US$7 000 per ton.
- Discount rate of 10% per annum.
- Inflation rate of 3% per annum.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (Cont'd)

4.8 Recovery of deferred tax assets

Judgement is required in determining whether deferred tax assets should be recognised in the statement of financial position. Deferred tax assets, including those arising from unutilised tax losses, require management to assess the likelihood that the Group will generate sufficient taxable earnings in future periods, in order to utilise recognised deferred tax assets. Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. These estimates of future taxable income are based on forecast cash flows from operations (which are impacted by production and sales volumes, commodity prices, reserves, operating costs, closure and rehabilitation costs, capital expenditure and other capital management transactions) and judgement about the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Group to realise the net deferred tax assets recorded at the reporting date could be impacted. In addition, future changes in tax laws in the jurisdictions in which the Group operates could limit the ability of the Group to obtain tax deductions in future periods. Refer to note 12 for the carrying amount of deferred tax asset recognised

4.9 Inventories

Net realisable value tests are performed at each reporting date and represent the estimated future sales price of the product the entity expects to realise when the product is processed and sold, less estimated costs to complete production and bring the product to sale. Where the time value of money is material, these future prices and costs to complete are discounted. Stockpiles are measured by estimating the number of tonnes added and removed from the stockpile, the number of contained gold ounces is based on assay data, and the estimated recovery percentage is based on the expected processing method. Stockpile tonnages are verified by periodic surveys. Refer to Note 18 for the carrying amount of inventory.

Empress Nickel Refinery (ENR) has metal inventory in various stages of production. In process metal inventory quantities are determined by estimating the volumes of metal bearing material in the plant and applying the estimated contained metal percentages determined through assaying techniques. Estimation of the volumes is carried out by the Group's metallurgical department and assaying is done by the Chemists using methods that are believed to be appropriate for the different metals. At each reporting period management engages an external independent expert to corroborate the quantity and assays of the contained metals as determined by the internal metallurgists. Management therefore places reliance on the work done by the external experts to determine the final quantities and assays of the metals. The determination of both the volumes and the assays involves the exercise of significant professional judgement and the use of estimates. The plant has remained under care and maintenance and inventory from prior years has remained.

As at the reporting date, in process metal inventory amounting to ZWL$211 987 000 was written down and charged to profit or loss. The detailed breakdown of the write down is explained as per table below.

	ZWL$ 000	Comment
Quantity losses	(77 132)	**Quantity written-off was a result of:** • Seepage of metal solutions into the ground due to a torn poly-lining of the holding pond for the solutions. • Over estimation of solids in the holding pond which was only discovered after emptying the solutions to another new constructed pond. • Both of the issues explained above were a result of information obtained in the current year after the original holding pond was emptied to a new pond, therefore the adjustments have been treated as a change in estimate in the current year.
Write down to net realisable value	(134 855)	**Basis of write down:** • The metals require the Refinery to be fully operational to recover the full value. • Efforts to secure raw material to bring the Refinery to full production were unsuccessful since 2015 and remain uncertain at year end, casting doubt on the recoverability of full value of the metals. • Alternatively, the Refinery require investment in additional plant upgrade to process and recover full value of the metals such as an induction furnace. The Group's current cash flows are not able to support and fund the plant upgrades. • Therefore, the metals were written down to the value that can be recovered when the metals are sold in their current condition. The internal technical metallurgists estimated the recoverable metals to be an average of 25% of the estimated existing quantities.
Total write down	(211 987)	

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (Cont'd)

4.10 Pension benefit

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. In determining the appropriate discount rate, management considers the interest rates of corporate bonds in currencies consistent with the currencies of the post-employment benefit obligation. IAS 19 requires that the discount rate is set based on the market yield on high quality corporate bonds, or government bonds. In countries where there is no deep market in such bonds, the market yields (at the end of the reporting period) on government bonds shall be used. Zimbabwe does not have an active liquid market for corporate bonds or government bonds. However, recent bonds issued during 2016-2019 were subscribed for yields of ranging from 5% per annum to 10% per annum. A discount rate of 7% was therefore used. Other key assumptions for pension obligations are based in part on current market conditions. Refer to Note 27 for the carrying amount of the defined benefit obligation and more information on the estimates and assumptions used.

4.11 Contingencies

By their nature, contingencies will only be resolved when one or more uncertain future events occur or fail to occur. The assessment of the existence, and potential quantum, of contingencies inherently involves the exercise of significant judgement and the use of estimates regarding the outcome of future events. Refer to note 32.

4.12 Functional currency

The Reserve Bank of Zimbabwe (RBZ) introduced the Zimbabwean Dollar (ZWL) in February 2019 to be part of the basket of legal currencies operating in Zimbabwe. The RBZ also introduced the interbank market which determines the exchange rate between the Zimbabwean dollar and other currencies. The Government put to an end the multi-currency system from 24 June 2019 and the Zimbabwean Dollar became a mono currency for all local domestic transactions. However certain transactions (with a significant bearing to Group) were exempted and continued to be settled in United States Dollars. All the foreign currencies can only be legally used for foreign transactions. The Group's revenue continues to be settled in the proportion of 55% in United States Dollars and 45% in Zimbabwean Dollars. The determination of the Group's functional currency under this dynamic environment requires significant judgement.

The Group takes into consideration IAS 21: "The Effects of Changes in Foreign Exchange Rates" - the currency that mainly influences sales prices for goods and services (this will often be the currency in which sales prices for its goods and services are denominated and settled); the currency of the country whose competitive forces and regulations mainly determine the sales prices of its goods and services; and the currency that mainly influences labour, material and other costs of providing goods or services (this will often be the currency in which such costs are denominated and settled).

The Group determined that its functional currency remained USD.

4.13 Exchange rates

The Reserve Bank of Zimbabwe introduced the interbank market which determines the spot exchange rates between the Zimbabwean Dollar and other currencies from the 22nd of February 2019. The interbank market exchange rates are the only official and legal rates in the country. The prices of local inputs however, indicated exchange rates on the alternative unofficial markets which were significantly higher than the interbank exchange rates. The Group adopted the interbank exchange rates for conversion of all transactions and balances from the Group's functional currency, the United States Dollar to the Group's presentation currency, the Zimbabwean Dollar.

4.14 Determination of material partly-owned subsidiaries

The Group holds 50% interest in Sengwa Colliery (Private) Limited which is located in Gokwe North. RZM Murowa Holding (Private) Limited holds the remaining 50% interest. The Group has the majority representation on the board as well as the management contract.

Furthermore, the Group's approval is required for all operational decisions and based on this, management determined that in substance, the Group controls this entity with RZM Murowa Holding (Private) Limited constituting the non-controlling interest. Refer to Note 22 for the information on the material partly-owned subsidiaries.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (Cont'd)

4.15 Stripping (waste removal) costs

Significant judgement is required to distinguish between development stripping and production stripping and to distinguish between the production stripping that relates to the extraction of inventory and that which relates to the creation of a stripping activity asset.

Once the Group has identified its production stripping for each surface mining operation, it identifies the separate components of the ore bodies for each of its mining operations. An identifiable component is a specific volume of the ore body that is made more accessible by the stripping activity. Significant judgement is required to identify and define these components, and also to determine the expected volumes (e.g., in tonnes) of waste to be stripped and ore to be mined in each of these components.

These assessments are undertaken for each individual mining operation based on the information available in the mine plan. The mine plans and, therefore, the identification of components, will vary between mines for a number of reasons. These include, but are not limited to, the type of commodity, the geological characteristics of the ore body, the geographical location and/or financial considerations.

Judgement is also required to identify a suitable production measure to be used to allocate production stripping costs between inventory and any stripping activity asset(s) for each component. The Group considers that the ratio of the expected volume (e.g., in tonnes) of waste to be stripped for an expected volume (e.g., in tonnes) of ore to be mined for a specific component of the ore body, is the most suitable production measure.

Furthermore, judgements and estimates are also used to apply the UOP method in determining the depreciable lives of the stripping activity asset(s).

4.16 Incremental borrowing rate

The incremental borrowing rate (IBR) is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available for similar transactions or when they need to be adjusted to reflect the terms and conditions of that particular transaction.

The Group estimates the IBR using observable market interest rates on its interest bearing borrowing with financial institutions.

The Group cannot readily determine the interest rate implicit in its lease transactions, therefore, it uses the IBR.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE YEAR ENDED 31 DECEMBER 2019

5. OPERATING SEGMENT INFORMATION

Management has determined the Group's operating segments based on the information reviewed by the Board for the purpose of allocating resources and assessing performance. The revenue, operating profit, assets and liabilities reported to the Board are measured consistently with those in the reported consolidated financial statements.

Gold segment
This operating segment develops and mines gold that is ultimately sold as gold bullion.

Base metals segment
This operating segment comprise base metals refining facilities.

The Group management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements. However, the Group's financing (finance costs and finance income) and income taxes are managed on a Group basis and are not allocated to operating segments.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties

Year ended 31 December 2019

	Gold ZWL$ 000	Base Metals ZWL$ 000	Adjustments and eliminations ZWL$ 000	Consolidated ZW$ 000
Revenue				
External customers	568 404	8 728	-	577 132
Total revenue	**568 404**	**8 728**	**-**	**577 132**
Results				
Depreciation *(note i)*	(292 842)	(562)	(2 483)	(295 887)
Impairment (note i)	(49 951)	-	-	(49 951)
Amortisation of development costs *(note i)*	(158 914)	-	-	(158 914)
Segment loss *(note ii)*	**(328 765)**	**(221 371)**	**(102 775)**	**(652 911)**
Net finance cost	-	-	-	(7 584)
Share of associate profit	-	-	-	22 908
Income tax credit	-	-	-	56 209
Loss for the year	**-**	**-**	**-**	**(581 378)**
Segment assets *(note iii)*	954 626	541 774	338 903	1 835 303
Segment liabilities *(note iv)*	45 365	594 934	399 166	1 039 465
Investment in an associate	-	-	187 891	187 891
Other disclosures				
Capital expenditure *(note v)*	139 300	4 435	4 768	148 503

i) Represents depreciation, impairment of property, plant and equipment and amortisation of development costs.
ii) Loss for each operating segment does not include net finance costs of ZWL$7 584 000.
iii) Segment assets do not include deferred tax assets of ZWL$61 626 000, subsidiary assets of ZWL$19 708 000, and Head office assets of ZWL$257 569 000 as these assets are managed on a Group basis.
iv) Segment liabilities do not include interest-bearing loans and borrowings of ZWL$117 077 000 and other payables of ZWL$ 282 089 000 as these liabilities are managed on a Group basis.
v) Capital expenditure consists of additions to property, plant and equipment, exploration, evaluation and development assets.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE YEAR ENDED 31 DECEMBER 2019

5. OPERATING SEGMENT INFORMATION (Cont'd)

Year ended 31 December 2018

	Gold ZWL$ 000	Base Metals ZWL$ 000	Adjustments and eliminations ZWL$ 000	Consolidated ZWL$ 000
Revenue				
External customers	72 003	3 411		75 414
Total revenue	**72 003**	**3 411**	**-**	**75 414**
Results				
Depreciation *(note i)*	(4 445)	(803)	(210)	(5 458)
Amortisation of development costs *(note i)*	(1 320)	-	-	(1 320)
Segment profit / (loss) *(note ii)*	**10 898**	**(4 707)**	**(3 820)**	**2 371**
Net finance cost				(7 056)
Share of associate profit				1 515
Income tax credit				914
Loss for the year				**(2 256)**
Segment assets *(note iii)*	86 900	40 412	34 792	162 104
Segment liabilities *(note iv)*	26 962	43 600	81 312	151 874
Investment in an associate	-	-	5 135	5 135
Other disclosures				
Capital expenditure *(note v)*	12 635	-	128	12 763

i) Represents depreciation of property, plant and equipment and amortisation of development costs.
ii) Profit /(loss) for each operating segment does not include net finance costs of ZWL$7 056 000.
iii) Segment assets do not include deferred tax assets of ZWL$7 291 000, subsidiary assets of ZWL$807 000, and Head office assets of ZWL$26 694 000 as these assets are managed on a Group basis.
iv) Segment liabilities do not include interest-bearing loans and borrowings of ZWL$61 562 000 and other payables ZWL$ 19 660 000 as these liabilities are managed on a Group basis.
v) Capital expenditure consists of additions to property, plant and equipment, exploration, evaluation and development assets.

Geographic information and information about major customers

All the Group's operations are located in Zimbabwe and they are situated in two geographic locations, Masvingo Province and Mashonaland West Province.

Revenue in the gold segment is generated from one customer and amounted to ZWL$568 404 000 (2018:ZWL$72 003 000) and revenue from customers in the base metals segment amounted to ZWL$8 728 000 (2018: ZWL$3 411 000).

Revenues from external customers based on the locations of the customers:
The bulk of the base metals are purchased by the European market. Base metal sales to local buyers were nil (2018: Nil). Gold is solely purchased by Fidelity Printers and Refineries (Private) Limited of Zimbabwe.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE YEAR ENDED 31 DECEMBER 2019

5. OPERATING SEGMENT INFORMATION (Cont'd)

	GROUP 2019 ZWL$ 000	GROUP 2018 ZWL$ 000	COMPANY 2019 ZWL$ 000	COMPANY 2018 ZWL$ 000
Zimbabwe	568 404	72 003	568 404	72 003
External customers				
Europe	8 728	3 411	8 728	3 411
Total revenue per consolidated statement of comprehensive income	**577 132**	**75 414**	**577 132**	**75 414**

6. REVENUE

	GROUP 2019 ZWL$ 000	GROUP 2018 ZWL$ 000	COMPANY 2019 ZWL$ 000	COMPANY 2018 ZWL$ 000
Gold	568 404	72 003	568 404	72 003
Copper	-	73	-	73
Matte	2 078	2 709	2 078	2 709
Cobalt	-	905	-	905
Fair value gain / (loss) on provisionally priced trade receivables	6 650	(276)	6 650	(276)
Total revenue	**577 132**	**75 414**	**577 132**	**75 414**

7. OPERATING PROFIT

	GROUP 2019 ZWL$ 000	GROUP 2018 ZWL$ 000	COMPANY 2019 ZWL$ 000	COMPANY 2018 ZWL$ 000
Operating profit is stated after (charging)/ crediting:				
Employee benefits:				
-Salaries and wages	(61 557)	(18 535)	(61 557)	(18 535)
-Pension costs	(2 134)	(1 537)	(2 134)	(1 537)
-Other	(35 466)	(4 233)	(35 466)	(4 233)
Audit remuneration:				
-Current year	(179)	(25)	(179)	(25)
-Prior year	(1 517)	(156)	(1 517)	(156)
Exploration and claims costs	(2 618)	(315)	(2 618)	(315)
Net interest income on defined benefit fund	924	35	924	35
Directors' emoluments	(1 386)	(204)	(1 386)	(204)
Minimum lease payments recognised as an operating lease expense	(38 228)	(183)	(38 228)	(183)
Write down of inventory (Note 4.9)	(211 987)	(375)	(211 987)	(375)
Depreciation (Note 14)	(295 887)	(5 458)	(254 703)	(4 645)
Amortisation (Note 15)	(158 914)	(1 320)	(158 264)	(1 311)
Depreciation on right of use asset (Note 16)	(606)	-	(606)	-
Profit on sale of property, plant and equipment	-	3 985	-	3 985
Net unrealised foreign exchange gain	-	107	-	107
Impairment (Note 14)	(49 951)	-	(49 951)	-

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE YEAR ENDED 31 DECEMBER 2019

8. OTHER INCOME

	GROUP		COMPANY	
	2019 ZWL$ 000	2018 ZWL$ 000	2019 ZWL$ 000	2018 ZWL$ 000
Income from rentals, clinic and clubs	3 788	286	3 788	286
Export incentives	884	7 796	884	7 796
Sundry income	19 878	2 405	19 878	2 405
	24 550	**10 487**	**24 550**	**10 487**

9. FINANCE INCOME

Interest income from defined benefit plans	924	35	924	35
Interest income from other receivables	264	-	264	-
	1 188	**35**	**1 188**	**35**

10. FINANCE COST

Interest on loans and borrowings	419	2 178	419	2 178
Interest on lease liability	137	-	137	-
Interest on cumulative redeemable preference shares	3 561	3 318	3 561	3 318
Interest on fixed term payables	126	673	126	673
Unwinding of discount on mine rehabilitation provision	4 529	262	1 994	123
Interest on other payables	-	660	-	412
	8 772	**7 091**	**6 237**	**6 704**

11. INVESTMENT IN ASSOCIATE

The Group has a 22.2% (2018: 22.2%) interest in RZM Murowa (Private) Limited an unlisted diamonds mining company operating in Zimbabwe.

The Group's interest in RZM Murowa (Private) Limited is accounted for using the equity method in the consolidated financial statements

Summarised financial information of RZM Murowa (Private) Limited:

	2019 ZWL$ 000	2018 ZWL$ 000
Summarised statement of financial position:		
Non-current assets	1 082 369	57 138
Current assets	594 949	32 400
Current liabilities	(605 967)	(47 715)
Non-current liabilities	(309 148)	(18 634)
Equity	**762 203**	**23 189**
Group's share of net assets (22.2%)	169 209	5 148
Reconciliation of carrying amount of investments to share of net assets:		
Share of net assets	169 209	5 148
Unrealised profit on disposals	-	(1 127)
Impact of deemed cost on currency conversion	18 682	1 114
Carrying amount of the investment	**187 891**	**5 135**

11. INVESTMENT IN ASSOCIATE (Cont'd)

Summarised financial information of RZM Murowa (Private) Limited: (Cont'd)

	2019 ZWL$ 000	2018 ZWL$ 000
Summarised statement of profit or loss:		
Revenue	643 086	83 861
Cost of sales	(359 467)	(47 202)
Administrative and selling & distribution expenses	(297 685)	(20 928)
Finance income/(costs)	142 069	(3 223)
Profit before tax	**128 003**	**12 508**
Income tax expense	(24 814)	(5 684)
Profit for the year	**103 189**	**6 824**
Other comprehensive income	-	-
Total comprehensive profit	**103 189**	**6 824**
Group's share of profit for the year (22.2%)	22 908	1 515
Reconciliation of carrying amount of the investment:		
At 1 January	**5 135**	**4 747**
Unrealised profit on disposals	-	(1 127)
Foreign currency translation exchange gain	159 848	
Share of profit for the year	22 908	1 515
At 31 December	**187 891**	**5 135**

Investment in associate is accounted for at cost at company level at a value of ZWL$ 134 848 000 (2018:ZWL$ 8 041 000). This treatment is consistent with prior year.

The Group has performed an impairment assessment of its investment in associate and concluded that the investment is not impaired.

12. INCOME TAX

The major components of income tax expense are as follows :

	GROUP		COMPANY	
	2019 ZWL$ 000	2018 ZWL$ 000	2019 ZWL$ 000	2018 ZWL$ 000
Profit or loss				
Deferred tax:				
Relating to origination and reversal of temporary differences	(56 209)	(914)	(44 054)	(666)
Income tax credit reported in profit or loss	**(56 209)**	**(914)**	**(44 054)**	**(666)**
Other comprehensive income (OCI)				
Deferred tax related to items recognised in OCI during the year:				
Fair value gains on Fair value through other comprehensive income investments	24	2	24	2
Income tax charged to OCI	**24**	**2**	**24**	**2**

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE YEAR ENDED 31 DECEMBER 2019

12. INCOME TAX (Cont'd)

Reconciliation of tax expense and the accounting profit multiplied by RioZim's statutory income tax rate for the years ended 31 December 2019 and 2018:

	GROUP		COMPANY	
	2019 ZWL$ 000	2018 ZWL$ 000	2019 ZWL$ 000	2018 ZWL$ 000
Loss before tax	(637 587)	(3 170)	(600 179)	(2 406)
At RioZim' s statutory income tax rate of 25.75% (2018: 25.75%)	(164 179)	(816)	(154 546)	(620)
Tax effects of:				
Associate results reported net of tax	(5 899)	(390)	-	-
Non-deductible expenses	118 642	1 247	118 642	1 247
Tax rate adjustment	(6 567)	-	(6 182)	-
(Utilisation of)/ unrecognised tax losses	(4 874)	1 285	(2 248)	(362)
Non taxable income	(336)	(2 176)	(336)	(2 176)
Other	7 004	(64)	616	1 245
Tax credit	**(56 209)**	**(914)**	**(44 054)**	**(666)**

DEFERRED INCOME TAX

	GROUP				COMPANY			
	Consolidated statement of financial position		Consolidated statement of comprehensive income		Statement of financial position		Statement of comprehensive income	
	2019 ZWL$ 000	2018 ZWL$ 000	2019 ZWL$ 000	2018 ZWL$ 000	2019 ZWL$ 000	2018 ZWL$ 000	2019 ZWL$ 000	2018 ZWL$ 000
Deferred tax relates to the following:								
Exploration and evaluation assets	(1 749)	(4 716)	2 967	(239)	(1 495)	(4 442)	2 946	(516)
Property, plant and equipment	(41 714)	(18 471)	(23 243)	(1 167)	(40 087)	(14 174)	(25 913)	(4 634)
Other	100	386	(286)	269	(3 902)	102	(4 003)	1 054
Investment in associate	(5 346)	257	(5 603)	19	(402)	(402)	-	659
Losses available for offset against future taxable income	44 055	26 326	17 729	1 967	40 846	24 733	16 113	3 565
Provisions	66 280	1 659	64 621	65	56 089	1 202	54 887	538
Net deferred tax assets	**61 626**	**5 441**			**51 049**	**7 019**		
Deferred income tax			**56 185**	**914**			**44 030**	**666**

Reflected in the statement of financial position as follows:

	GROUP		COMPANY	
	2019 ZWL$ 000	2018 ZWL$ 000	2019 ZWL$ 000	2018 ZWL$ 000
Deferred tax assets	61 626	7 291	51 049	7 019
Deferred tax liabilities	-	(1 850)	-	-
Defered tax asset (net)	**61 626**	**5 441**	**51 049**	**7 019**
Reconciliation of deferred tax asset (net):				
Opening balance as at 1 January	**5 441**	**4 529**	**7 019**	**6 355**
Tax credit recognised in profit or loss	56 209	914	44 054	666
Tax charge recognised in OCI	(24)	(2)	(24)	(2)
Closing balance as at 31 December	**61 626**	**5 441**	**51 049**	**7 019**

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE YEAR ENDED 31 DECEMBER 2019

12. INCOME TAX Cont'd)

Tax losses

	GROUP		COMPANY	
	2019 ZWL$ 000	2018 ZWL$ 000	2019 ZWL$ 000	2018 ZWL$ 000
Accumulated tax losses	178 217	121 166	165 233	104 779
Recognised tax losses for which a deferred tax asset has been recognised	(178 217)	(102 239)	(165 233)	(96 050)
Unutilised tax losses for which no deferred tax asset has been recognised	-	18 927	-	8 729

Based on the business plans and strategies established which include installation of back up power generators at all sites to normalise power supply and increase production, the Group will generate additional taxable profits which the unused tax losses can be utilised.

13. EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing the net profit/(loss) attributable to the ordinary equity holders of the Group by the weighted average number of ordinary shares outstanding during the year excluding treasury shares.

Diluted earnings per share amounts are calculated by dividing the net profit/(loss) attributable to the ordinary equity holders of the Group after adjusting for impact of dilutive instruments.

Headline earnings per share amounts are calculated by dividing the net profit/(loss) attributable to ordinay equity holders of the Group adjusted for profits, losses and items of capital nature that do not form part of the ordinary activities of the Group.

The following reflects the income and share data used in the earnings per share computations:

	GROUP		COMPANY	
	2019 ZWL$ 000	2018 ZWL$ 000	2019 ZWL$ 000	2018 ZWL$ 000
Loss attributable to equity holders of the parent for basic earnings	(581 030)	(2 224)	(556 125)	(1 740)
Adjustment for headline earnings				
Profit on disposal of property, plant and equipment	-	(3 985)	-	(5 111)
Impairment of capital work in progress	49 959	-	49 959	-
Headline loss	**(531 071)**	**(6 209)**	**(506 166)**	**(6 851)**
Weighted average number of ordinary shares for earnings per share				
Number of issued shares	**'000**	**'000**	**'000**	**'000**
At as 31 December	122 030	122 030	122 030	122 030
Weighted average number of ordinary shares	122 030	122 030	122 030	122 030
Loss per share (cents)				
Basic	(476.14)	(1.82)	(455.73)	(1.43)
Diluted basic	(476.14)	(1.82)	(455.73)	(1.43)
Headline	(435.20)	(5.09)	(414.79)	(5.61)
Diluted Headline	(435.20)	(5.09)	(414.79)	(5.61)

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of authorisation of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE YEAR ENDED 31 DECEMBER 2019

14. PROPERTY, PLANT AND EQUIPMENT

GROUP	Land and buildings ZWL$ 000	Plant and equipment ZWL$ 000	Heavy mobile equipment ZWL$ 000	Capital work in progress ZWL$ 000	Motor vehicles ZWL$ 000	Furniture & fittings ZWL$ 000	Total ZWL$ 000
Cost							
At 1 January 2018	35 583	42 775	-	5 336	1 750	1 099	86 543
Additions	140	2 913	5 801	1 022	83	555	10 514
Transfers	-	(858)	858	-	-	-	-
Disposals	-	-	(2 201)	-	(71)	-	(2 272)
At 31 December 2018	35 723	44 830	4 458	6 358	1 762	1 654	94 785
Additions	311	19 606	34 298	62 084	3 766	2 081	122 146
Foreign currency translation exchange gain	505 936	454 281	49 991	86 706	1 477	12 149	1 110 540
At 31 December 2019	541 970	518 717	88 747	155 148	7 005	15 884	1 327 471
Accumulated depreciation							
At 1 January 2018	3 293	13 353	-	-	1 448	716	18 810
Depreciation charge for the year	973	3 414	691	-	219	161	5 458
Transfers	-	(70)	70	-	-	-	-
Disposals	-	-	(223)	-	(13)	-	(236)
At 31 December 2018	4 266	16 697	538	-	1 654	877	24 032
Depreciation charge for the year	94 039	174 771	21 571	-	3 047	2 459	295 887
Impairment	-	-	-	49 951	-	-	49 951
At 31 December 2019	98 305	191 468	22 109	49 951	4 701	3 336	369 870
Net book value							
At 31 December 2018	31 457	28 133	3 920	6 358	108	777	70 753
At 31 December 2019	443 665	327 249	66 638	105 197	2 304	12 548	957 601
COMPANY							
Cost							
At 1 January 2018	26 720	36 858	-	5 335	1 716	1 074	71 703
Additions	140	2 913	5 801	1 022	83	555	10 514
Transfers	-	(858)	858	-	-	-	-
Disposals	-	-	(2 201)	-	(71)	-	(2 272)
At 31 December 2018	26 860	38 913	4 458	6 357	1 728	1 629	79 945
Additions	311	19 606	34 298	62 084	3 766	2 081	122 146
Foreign currency translation exchange gain	358 681	346 049	77 048	86 692	1 270	12 138	881 878
At 31 December 2019	385 852	404 568	115 804	155 133	6 764	15 848	1 083 969
Accumulated depreciation							
At 1 January 2018	4 550	13 080	-	-	1 440	697	19 767
Depreciation charge for the year	489	3 097	691	-	211	157	4 645
Transfers	-	(70)	70	-	-	-	-
Disposals	-	-	(223)	-	(13)	-	(236)
At 31 December 2018	5 039	16 107	538	-	1 638	854	24 176
Depreciation charge for the year	62 087	165 673	21 571	-	2 941	2 431	254 703
Impairment	-	-	-	49 951	-	-	49 951
At 31 December 2019	67 126	181 780	22 109	49 951	4 579	3 285	328 830
Net book value							
At 31 December 2018	21 821	22 806	3 920	6 357	90	775	55 769
At 31 December 2019	318 726	222 788	93 695	105 182	2 185	12 563	755 139

Group depreciation expense of ZWL$117 068 000 (2018:ZWL$2 607 000) has been charged in 'cost of sales' and ZWL$178 819 000 (2018: ZWL$2 851 000) in 'administrative expenses'.

Included in property, plant and equipment above is immovable property of ZWL$20 879 000 that has been used to secure a mortgage bond against a bank loan.

As at reporting date, the Company revised its Life of Mine estimate which resulted in accelerated depreciation of ZWL$207 121 000 which has been charged to profit and loss (Refer to note 4.6).

14. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

Impairment

During the year, the Group commenced construction of its Biological Oxidation (BIOX) Plant at Cam & Motor and as at year end construction was at 30% complete, mainly made up of civil works. The project requires at least USD12million to successfully bring the plant to completion and use. The Group had incurred construction costs amounting to ZWL$49 951 000 as at reporting date which were capitalised under Capital Work in Progress assets. As at reporting date, the Group faced funding challenges for the project, and initiatives to raise the required funding were uncertain as no binding agreements with potential financiers were in place. Therefore the completion of the BIOX project was significantly in doubt, and presented an indication of impairment.

The BIOX Plant is a separately identifiable cash generating unit (CGU) from the Cam & Motor plant as it can be used independently of the Cam & Motor assets to generate cash flows independent from other Cam & Motor assets, i.e. toll refining arrangements for concentrates from other mines. The recoverable amount of the BIOX plant CGU was determined based on fair value less costs to sale, which has been determined as ZWL$nil considering the civil works are not saleable to a third party. The BIOX Plant only made up of uncompleted civil works as at reporting date, was not in a state to be used to generate cash flows, therefore the value in use was determined as ZWL$nil. The carrying amount of the BIOX plant 'Capital work in progress' assets was therefore written down to its recoverable amount of ZWL$nil, resulting in an impairment loss of ZWL$49 951 000 (2018: ZWL$nil) being recognised in the statement of profit and loss under 'administration costs'.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE YEAR ENDED 31 DECEMBER 2019

15. EXPLORATION, EVALUATION AND DEVELOPMENT ASSETS

GROUP	Exploration and evaluation assets ZWL$ 000	Development costs ZWL$ 000	Total exploration, evaluation and development assets ZWL$ 000
Cost			
At 1 January 2018	6 411	14 922	21 333
Additions	-	2 249	2 249
At 31 December 2018	6 411	17 171	23 582
Additions	-	26 357	26 357
Foreign currency translation exchange gain	64 719	168 154	232 873
At 31 December 2019	71 130	211 682	282 812
Amortisation			
At 1 January 2018	-	3 947	3 947
Amortisation for the year	-	1 320	1 320
At 31 December 2018	-	5 267	5 267
Amortisation for the year	71 130	87 784	158 914
At 31 December 2019	71 130	93 051	164 181
Carrying amount			
At 31 December 2018	6 411	11 904	18 315
At 31 December 2019	-	118 631	118 631
COMPANY			
Cost			
At 1 January 2018	6 411	13 847	20 258
Additions	-	2 249	2 249
At 31 December 2018	6 411	16 096	22 507
Additions		26 357	26 357
Foreign currency translation exchange gain	64 719	151 432	216 151
At 31 December 2019	71 130	193 885	265 015
Amortisation			
At 1 January 2018	-	3 947	3 947
Amortisation for the year	-	1 311	1 311
At 31 December 2018	-	5 258	5 258
Amortisation for the year	71 130	87 134	158 264
At 31 December 2019	71 130	92 392	163 522
Carrying amount			
At 31 December 2018	6 411	10 838	17 249
At 31 December 2019	-	101 493	101 493

Amortisation for the year includes evaluation and development costs relating to the Group's One Step mine amounting to ZWL$71 130 000 which were amortised in full during the year. The Mine was opened during the year with an estimated life of mine of one year based on the developed resources which can be succesfully mined.

16. RIGHT OF USE ASSETS

GROUP	Land and buildings ZWL$ 000	Total Right of Use Assets ZWL$ 000
Cost		
At 1 January 2019	1 415	1 415
Additions	-	-
At 31 December 2019	1 415	1 415
Accumulated depreciation		
At 1 January 2019	-	-
Depreciation for the year	606	606
At 31 December 2019	606	606
Carrying amount		
At 31 December 2019	809	809
COMPANY		
Cost		
At 1 January 2019	1 415	1 415
Additions	-	-
At 31 December 2019	1 415	1 415
Accumulated depreciation		
At 1 January 2019	-	-
Depreciation for the year	606	606
At 31 December 2019	606	606
Carrying amount		
At 31 December 2019	809	809

17. INVESTMENTS

17.1 FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME INVESTMENTS

`	GROUP		COMPANY	
	2019 ZWL$ 000	2018 ZWL$ 000	2019 ZWL$ 000	2018 ZWL$ 000
At 1 January	178	201	178	201
Fair value adjustment	486	7	486	7
Disposal	-	(30)	-	(30)
At 31 December	664	178	664	178

The fair value through other comprehensive income equity instruments comprise the Group's investment of 1.553% in a non-listed medical investment company.

The investment in the medical company is carried at fair value. The value of the investment is based on non market observable information.

An investment in a boat syndicate that was included in investments was disposed in the prior year.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE YEAR ENDED 31 DECEMBER 2019

17. INVESTMENTS (Cont'd)

17.2 INVESTMENTS IN SUBSIDIARIES

`	GROUP 2019 ZWL$ 000	GROUP 2018 ZWL$ 000	COMPANY 2019 ZWL$ 000	COMPANY 2018 ZWL$ 000
Shares at cost (all 100% held unless indicated otherwise)				
Sengwa Colliery (Private) Limited (50%)	-	-	1 358	81
RioBasemetals Limited	-	-	922	55
RioChrome Limited	-	-	201	12
RioGold (Private) Limited	-	-	-	-
RioZim Management Services (Private) Limited	-	-	34	2
Rio Tinto Properties Limited	-	-	252	15
RioZim Basemetals Holdings	-	-	-	-
RioZim Development Limited	-	-	-	-
RM Enterprises (Private) Limited	-	-	-	-
RioDiamonds (Private) Limited	-	-	-	-
Rutala Mine (Private) Limited	-	-	-	-
Sengwa Power Station (Private) Limited	-	-	-	-
RioEnergy (Private) Limited	-	-	17	1
	-	**-**	**2 784**	**166**

17.3 LOANS AND RECEIVABLES

	GROUP 2019 ZWL$ 000	GROUP 2018 ZWL$ 000	COMPANY 2019 ZWL$ 000	COMPANY 2018 ZWL$ 000
Current				
As at 1 January	8	8	8	8
Interest	67	-	67	-
As at 31 December	**75**	**8**	**75**	**8**

Loans and receivables consist of treasury bills which were issued in 2014 and 2015. The treasury bills matured in 2018 and were not settled. The treasury bills accrue interest at 5% (2018: 5%) per annum.

	GROUP 2019 ZWL$ 000	GROUP 2018 ZWL$ 000	COMPANY 2019 ZWL$ 000	COMPANY 2018 ZWL$ 000
Non-current				
At 1 January	-	-	-	-
Acquisitions	11 592	-	11 592	-
Disposals	(10 538)	-	(10 538)	-
Interest	197	-	197	-
At 31 December	**1 251**	**-**	**1 251**	**-**

Non-current loans and receivables comprises of treasury bills. The Company purchased treasury bills from its Associate, RZM Murowa (Pvt) Limited with a face value of ZWL$22million, coupon 5% p.a., maturity April 2022. The treasury bills were purchased at a market discount rate of 47.309%. During the period, the Group settled some of its creditors using treasury bills with a face value of ZWL$20million leaving a balance of ZWL$2million which the Group is holding. The treasury bills are measured at amortised cost using the EIR and accrue interest at 5% per annum.

18. INVENTORIES

	GROUP		COMPANY	
	2019 ZWL$ 000	2018 ZWL$ 000	2019 ZWL$ 000	2018 ZWL$ 000
Stores and consumables	140 037	6 818	129 691	6 161
Ore stockpiles	10 390	1 063	10 390	1 063
Metals and minerals in concentrates and circuit	103 790	32 155	103 790	32 155
Finished metals	23 343	375	23 343	375
	277 560	**40 411**	**267 214**	**39 754**

During 2019, ZWL$23 441 000 (2018: ZWL$13 707 000) was recognised as an expense for inventories. This is recognised in cost of sales.

Metals and minerals in concentrates and circuit at the Empress Nickel Refinery (ENR) amounting to ZWL$211 987 000 was written off during the year (refer to note 4.9). This is included in administrative expenses.

19. TRADE AND OTHER RECEIVABLES

	GROUP		COMPANY	
	2019 ZWL$ 000	2018 ZWL$ 000	2019 ZWL$ 000	2018 ZWL$ 000
Trade and other receivables (not subject to provisional pricing)	165 234	18 409	228 877	25 311
Trade receivables (subject to provisional pricing)	31 494	1 487	31 494	1 487
	196 728	**19 896**	**260 371**	**26 798**
19.1 Trade and other receivables (not subject to provisional pricing)				
Trade receivables	17 390	3 501	17 390	3 501
Other receivables and prepayments	147 844	14 908	211 486	21 810
	165 234	**18 409**	**228 876**	**25 311**

Trade and other receivables (not subject to provisional pricing) are non-interest bearing and are generally on terms of 30 days to 120 days. These terms are normal in the mining industry and hence the trade and other receivables carrying amount is considered equal to their fair value.

In determining the expected credit losses, the Group uses a credit matrix based on the types and ages of the outstanding receivables and their creditworthiness.

There were no doubtful debts at the reporting date. The expected credit loss as at 31 December 2019 was nil (2018:Nil) therefore all receivables were assessed as recoverable.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of all receivables mentioned above.
Refer to note 29.1 (b) on credit risk of trade and other receivables, which explains how the Group manages and measures credit quality of trade and other receivables that are neither past due nor impaired.

19. TRADE AND OTHER RECEIVABLES (Cont'd)

19.2 Trade receivables (subject to provisional pricing)

	GROUP		COMPANY	
	2019 ZWL$ 000	2018 ZWL$ 000	2019 ZWL$ 000	2018 ZWL$ 000
Trade receivables (subject to provisional pricing)	31 494	1 487	31 494	1 487
	31 494	**1 487**	**31 494**	**1 487**

The Group entered into provisional pricing sales arrangement with some of its metals in concentrates customers. Trade receivables (subject to provisional pricing) are non-interest bearing, and are exposed to future commodity price movements over the Quotational Period and, hence, fail the SPPI test and are measured at fair value up until the date of settlement. Final settlement value is based on final dry weight, agreed assays and final prices which are determined at the end of the quotational period which is usually sixty (60) days after date of shipment. The quotational period is the period after the physical shipment of goods during which the price and grade of minerals sold is subject to change due to fluctuations in commodity prices and also upon testing of the mineral content by the counterparty.

The change in the fair value of these trade receivables of ZWL$6 650 000 (2018: ZWL$276 000) has been recognised in profit or loss during the year as part of revenue.

20. CASH AND CASH EQUIVALENTS

	GROUP		COMPANY	
	2019 ZWL$ 000	2018 ZWL$ 000	2019 ZWL$ 000	2018 ZWL$ 000
Cash at bank and on hand	32 467	117	32 436	113
	32 467	**117**	**32 436**	**113**

21. SHARE CAPITAL AND RESERVES

21.1 Share capital

	GROUP		COMPANY	
	2019		2018	
	No. of shares 000	Nominal value ZWL$ 000	No. of shares 000	Nominal value ZWL$ 000
Authorised share capital				
Ordinary shares of US$0.01 each	140 000	1 400	140 000	1 400
Cumulative redeemable fixed rate preference shares of US$0.01 each	10 000	100	10 000	100
Special dividend Share of a nominal value of US$124 876	0.001	125	0.001	125
	150 000	**1 625**	**150 000**	**1 625**

21. SHARE CAPITAL AND RESERVES (Cont'd)

21.2 Issued shares

	GROUP 2019 No. of shares 000	GROUP 2019 Nominal value ZWL$000	COMPANY 2018 No. of shares 000	COMPANY 2018 Nominal value ZWL$000
Ordinary shares				
Ordinary shares of a nominal value of US$0.01 each	122 030	1 220	122 030	1 220
Special Dividend Share of a nominal value of US$124 876	0.001	125	0.001	125
	122 030	**1 345**	**122 030**	**1 345**
Cumulative redeemable fixed rate preference shares				
Cumulative redeemable fixed rate preference shares of US$0.01 each	**10 000**	**100**	**10 000**	**100**

The preference shares are debt instruments and are disclosed under long term liablities. Refer to note 23.

Special dividend share

Following the restructuring of the Group in 2004, RioZim Limited's 12 487 582 ordinary shares were converted into one special dividend share. The holder of the special dividend share had a right to cash dividends of RioZim's share in RZM Murowa dividends for a period of ten years ending 31 December 2013. The entitlement to the special dividend lapsed and the special dividend share now ranks equally with other ordinary shares but does not have voting rights.

21.3 Issued share capital and share premium

	GROUP 2019 ZWL$ 000	GROUP 2018 ZWL$ 000	COMPANY 2019 ZWL$ 000	COMPANY 2018 ZWL$ 000
Share capital	1 345	1 345	1 345	1 345
Share premium	20 789	20 789	20 789	20 789
Issued share capital	**22 134**	**22 134**	**22 134**	**22 134**

21.4 Fair value through other comprehensive income reserve

	GROUP 2019 ZWL$ 000	GROUP 2018 ZWL$ 000	COMPANY 2019 ZWL$ 000	COMPANY 2018 ZWL$ 000
At 1 January	**146**	**141**	**146**	**141**
Fair value gain on fair value through other comprehensive income investments	462	5	462	5
At 31 December	**608**	**146**	**608**	**146**

The fair value through other comprehensive income reserve comprises the fair value adjustment of the Group's investment in a private medical company. The Group holds 136 000 (1.553%) ordinary shares of the medical company.

21. SHARE CAPITAL AND RESERVES (Cont'd)

21.5 Accumulated losses

	GROUP		COMPANY	
	2019 ZWL$ 000	2018 ZWL$ 000	2019 ZWL$ 000	2018 ZWL$ 000
Opening balance as at 1 January	(11 319)	(8 813)	(13 110)	(11 088)
Loss for the year	(581 030)	(2 224)	(556 125)	(1 740)
Other comprehensive loss	(4 329)	(282)	(4 329)	(282)
As at 31 December	**(596 678)**	**(11 319)**	**(573 564)**	**(13 110)**

22. MATERIAL PARTLY OWNED SUBSIDIARIES

Financial information of subsidiaries that have material non controlling interests are provided below:

Proportion of equity interest held by non controlling interest

	Country of Incorporation	2019 ZWL$ 000	2018 ZWL$ 000
Sengwa Colliery (Private) Limited	Zimbabwe	50%	50%
Principal place of business Sengwa Colliery is Midlands province in Zimbabwe.			
Non-controlling interest:			
Sengwa Colliery (Private) Limited		3 464	(731)
Loss allocated to material non-controlling interest:			
Sengwa Colliery (Private) Limited		(348)	(32)
Total comprehensive income/ (loss) allocated to material non-controlling interest:			
Sengwa Colliery (Private) Limited		4 195	(32)

The summarised financial information of Sengwa Colliery (Private) Limited are provided below:

	2019 ZWL$ 000	2018 ZWL$ 000
Summarised statement of profit or loss		
Other income	-	1
Administrative expenses	(853)	(64)
Loss before tax	**(853)**	**(63)**
Income tax credit	157	(1)
Loss for the year	**(696)**	**(64)**
Other comprehensive income	9 086	-
Total comprehensive profit/(loss) for the year	**8 390**	**(64)**
Loss for the year attributable to:		
Equity holders of the parent	(348)	(32)
Non-controlling interests	(348)	(32)
	(696)	**(64)**
Total comprehensive profit/(loss) attributable to:		
Equity holders of the parent	4 195	(32)
Non-controlling interests	4 195	(32)
	8 390	**(64)**
Summarised statement of financial position as at 31 December		
Current assets	43	45
Non-current assets	10 736	806
Current liabilities	(3 281)	(2 279)
Non-current liabilities	(570)	(34)
Total equity	**6 928**	**(1 462)**
Attributable to:		
Equity holders of the parent	3 464	(731)
Non-controlling interests	3 464	(731)
Summarised cash flow information for the year ended 31 December		
Operating	(853)	(63)
Working capital changes	853	63
Net decrease in cash and cash equivalents	-	-

23. CUMULATIVE REDEEMABLE PREFERENCE SHARES

	GROUP		COMPANY	
	2019 ZWL$ 000	2018 ZWL$ 000	2019 ZWL$ 000	2018 ZWL$ 000
Non-current liabilities				
Cumulative redeemable preference shares	33 434	33 434	33 434	33 434

The cumulative redeemable preference shares were issued to Zimbabwe Asset Management Corporation (Private) Limited (ZAMCO) on 22 January 2016 . The preferences shares are unsecured , non-voting and non-tradable. They entitle the holder to receive a fixed dividend of 9% per annum which dividend shall be payable on a bi-annual basis and are redeemable by the Company in part or in whole, at cost, on or before the fifth anniversary of the issue date or not more than 180 days from the fifth anniversary of the issue date.

The cumulative redeemable preference shares are carried at amortised cost. As at 31 December 2019 cumulative interest accrued was ZWL$ 8 885 000 (2018: ZWL$5 324 000). The accrued interest has been presented under current liabilities. (Refer to note 24)

24. INTEREST-BEARING LOANS AND BORROWINGS

GROUP

	Effective interest rate %	Maturity	2019 ZWL$ 000	2018 ZWL$ 000
Current				
Bank loans (facility limit ZWL$ 7.0m)	26%	On scheduled dates	6 650	5 885
Other bank loans	15%	On demand	-	6 673
Term loans (facility limit ZWL$ 1.0m)	12%	On demand	2 656	141
Debentures (facility limit ZWL$ 1.93m)	13%	March 2017	-	186
Interest on cumulative redeemable preference shares	0%	December 2019	8 885	5 324
Long - term loan (Centametal AG)	12.5%	December 2019	60 380	3 523
			78 571	**21 732**
Non-current				
Bank loans	26%	On scheduled dates	5 072	6 396
			5 072	**6 396**

24. INTEREST-BEARING LOANS AND BORROWINGS (Cont'd)

COMPANY

	Effective interest rate %	Maturity	2019 ZWL$ 000	2018 ZWL$ 000
Current				
Bank loans (facility limit ZWL$7.0m)	26%	On scheduled dates	6 650	5 885
Other bank loans	15%	On demand	-	6 673
Term loans (facility limit ZWL$1.0m)	12%	On demand	2 656	141
Debentures (facility limit ZWL$1.93m)	13%	March 2017	-	186
Interest on cumulative redeemable preference shares	0%	December 2019	8 885	5 324
Long - term loan (Centametal AG)	12.5%	December 2019	60 380	3 523
			78 571	**21 732**
Non-current				
Bank loans	26%	On scheduled dates	5 072	6 396
			5 072	**6 396**

Total interest expense for the year on interest-bearing loans and borrowings is ZWL$3 980 000 (2018: ZWL$5 496 000)

Security

Bank loans are secured by revenue assignment agreements in respect of gold proceeds and a mortgage bond over an immovable property (ZWL$20 879 000).

All other interest bearing loans and borrowings are unsecured.

Centametal loan

The loan is repayable in equal monthly instalments of US$100 000 for the period 1 July 2014 to 31 December 2019. The loan is interest free and is unsecured. The total loan was US$6 600 000 (31 December 2019 : US$3 600 000) and has been recorded at amortised cost of ZWL$60 380 000 (2018: ZWL$3 523 000) using an interest rate of 12.5% per annum. The total amount is overdue.

24. INTEREST-BEARING LOANS AND BORROWINGS (Cont'd)

Changes in interest-bearing loans and borrowings arising from financing activities

	1 January ZWL$ 000	Interest accrued ZWL$ 000	Net Cash flows ZWL$ 000	Foreign currency translation exchange gain ZWL$000	Other ZWL$ 000	31 December ZWL$ 000
2019						
Current interest - bearing loans and borrowings	21 732	645	(8 794)	58 988	6 000	78 571
Non - current interest -bearing loans and borrowings	39 830	3 335	(1 324)	-	(3 335)	38 506
	61 562	**3 980**	**(10 118)**	**58 988**	**2 665**	**117 077**
2018						
Current interest -bearing loans and borrowings	16 240	2 008	1 488	-	1 996	21 732
Non - current interest - bearing loans and borrowings	38 427	3 488	(500)	-	(1 585)	39 830
	54 667	**5 496**	**988**	**-**	**411**	**61 562**

25. MINE REHABILITATION PROVISION

	Note	GROUP 2019 ZWL$ 000	GROUP 2018 ZWL$ 000	COMPANY 2019 ZWL$ 000	COMPANY 2018 ZWL$ 000
Balance as at 1 January		2 765	2 620	1 216	1 231
Unwinding of discount	10	4 529	262	1 994	123
Foreign currency translation exchange gain		51 824	-	29 592	-
Recognised in profit or loss	4.6	18 556	(117)	3 645	(138)
Balance at 31 December		**77 674**	**2 765**	**36 447**	**1 216**

Rehabilitation provision

The Group makes full provision for the future cost of rehabilitating mine sites and related production facilities on a discounted basis from the time of developing the mines and installing and using those facilities. The rehabilitation provision represents the present value of rehabilitation costs relating to mine sites, which are expected to be incurred over the useful life of the mine (LOM). These provisions have been created based on RioZim' s internal estimates (refer to note 4.6 on LOM estimates).

Assumptions based on the current economic environment have been made, which Directors believe are a reasonable basis upon which to estimate the future liability. These estimates are reviewed regularly to take into account any material changes to the assumptions.

However, actual rehabilitation costs will ultimately depend upon future market prices for the necessary rehabilitation works required that will reflect market conditions at the relevant time. Furthermore, the timing of rehabilitation is likely to depend on when the mines cease to produce at economically viable rates. This, in turn, will depend upon future gold prices, which are inherently uncertain.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE YEAR ENDED 31 DECEMBER 2019

25. MINE REHABILITATION PROVISION (Cont'd)

	2019	2018
The provision was calculated using the following assumptions:		
Inflation rate	3%	3%
Life of mine - Renco mine (years)	1.5	14.7
Life of mine - Cam & Motor mine (years)	0.75	7.4
Life of mine - Dalny mine (years)	2.14	8.8
Interest rate	10%	10%
Future value closure costs (ZWL$000)	84 393	6 427
Present value recognised in Statement of Financial Position (ZWL$000)	77 674	2 765

26. PAYABLES

26.1 Trade and other payables

	GROUP		COMPANY	
	2019 ZWL$ 000	2018 ZWL$ 000	2019 ZWL$ 000	2018 ZWL$ 000
Current				
Trade payables	92 210	24 492	88 797	22 731
Accruals	13 500	1 702	13 092	1 641
Leave pay liabilities	5 249	2 620	4 419	2 499
Statutory liabilities	7 563	6 736	7 377	6 725
Other payables	213 164	10 045	221 839	9 449
	331 686	**45 595**	**335 524**	**43 045**

Other payables include amounts due for corporate services and consultancy.

Terms and conditions of the above financial liabilities are in the ordinary course of business:
Trade payables are generally non-interest bearing and are normally settled on 30- 90 day terms.
Other payables are non-interest bearing and have an average terms of 30-90 days.

	GROUP 2019	GROUP 2018	COMPANY 2019	COMPANY 2018
Non Current				
Other payables	507 437	30 259	507 437	30 259
	507 437	**30 259**	**507 437**	**30 259**

Non-current other payables relate to a BCL Limited (in liquidation) liability which is under litigation and has been outstanding since 2016. The legal matter is not expected to be settled in the next 12 months from the reporting period, therefore the amount owing of ZWL$507 437 000 has been classified under non-current liabilities.

26.2 Fixed - term payables

	GROUP		COMPANY	
	2019 ZWL$ 000	2018 ZWL$ 000	2019 ZWL$ 000	2018 ZWL$ 000
Non - current				
Mining Industry Pension Fund (MIPF)	-	7 900	-	7 900
	-	**7 900**	**-**	**7 900**
Current				
Falcon Gold Limited	-	996	-	996
	-	**996**	**-**	**996**

Fixed term payables were fully paid during the year .

26.3 Lease liability

	GROUP	COMPANY
	2019 ZWL$ 000	2019 ZWL$ 000
As at 1 January	**1 415**	**1 415**
Interest	137	137
Payments	(313)	(313)
Balance as at 31 December	**1 239**	**1 239**
Split as follows:		
Non-current	301	301
Current	938	938
	1 239	**1 239**

The Company leases office buildings from RioZim Pension Fund and the lease expires in April 2021.

27. PENSION AND OTHER POST-EMPLOYMENT BENEFIT PLANS

Pensions benefits are provided for all employees through the Mining Industry Pension Fund, NSSA and RioZim Pension Fund. Both the employer and employees contribute to the funds.

Description of the pensions and other post-employment benefit plans

The Mining Industry Pension Fund is a defined contribution fund.

The Company and all employees also contribute to the National Social Security Authority, a social security scheme. The National Social Security Authority Scheme was promulgated under the NSSA Act 1989. The Group's obligations under the scheme are limited to specific contributions as legislated from time to time and are presently 3.5% of pensionable emoluments per month for each employee up to a maximum of ZWL$700 per month per employee.

RioZim Pension Fund (Defined benefit plan)

The Company operates a defined benefit plan for some of the permanent pensionable employees. The plan is a funded final salary pension plan which provides benefits to employees in the form of a monthly pension. The level of benefits provided depends on members' length of service and their salary at retirement or death or termination from employment . The fund has the legal form of a foundation and it is governed by the Board of Trustees. The Board of Trustees consists of employer and employee representatives and is responsible for the administration of the plan assets and for the definition of the investment strategy.

The fund is actuarially valued every year and the last valuation was done in February 2020 for the position as at 31 December 2019.

Changes in defined benefit obligations and fair value of plan assets

The following tables summarise the components of the net benefit expense recognised in the statement of comprehensive income and the funded status and amounts recognised in the statement of financial position for the respective plans:

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE YEAR ENDED 31 DECEMBER 2019

27 . PENSION AND OTHER POST-EMPLOYMENT BENEFIT PLANS (Cont'd)

2019 changes in the defined benefit obligation and fair value of plan assets :

		Pension cost charged to profit or loss				Remeasurement gains / (losses) in other comprehensive income (OCI)					
	31 Dec 2018 ZWL$ 000	Service cost ZWL$ 000	Net interest income/ (expense) ZWL$ 000	Sub-total included in profit or loss ZWL$ 000	Benefits paid ZWL$ 000	Actuarial changes arising from changes in demographic assumptions ZWL$ 000	changes arising from changes in financial assumptions ZWL$ 000	Experience adjustments ZWL$ 000	Sub-total included in OCI ZWL$ 000	Contributions ZWL$ 000	31 Dec 2019 ZWL$ 000
Defined benefit - obligations	(6 691)	-	(439)	(439)	840	-	-	(1 313)	(1 313)	-	(7 603)
Fair value of plan assets	5 744	-	1 363	1 363	(840)	-	-	(3 016)	(3 016)	-	3 251
Benefit liability	(947)	-	924	924	-	-	-	(4 329)	(4 329)	-	(4 352)

2018 changes in the defined benefit obligation and fair value of plan assets :

		Pension cost charged to profit or loss				Remeasurement gains / (losses) in other comprehensive income (OCI)					
	31 Dec 2017 ZWL$ 000	Service cost ZWL$ 000	Net interest income/ (expense) ZWL$ 000	Sub-total included in profit or loss ZWL$ 000	Benefits paid ZWL$ 000	Actuarial changes arising from changes in demographic assumptions ZWL$ 000	changes arising from changes in financial assumptions ZWL$ 000	Experience adjustments ZWL$ 000	Sub-total included in OCI ZWL$ 000	Contributions ZWL$ 000	31 Dec 2018 ZWL$ 000
Defined benefit obligations	(6 493)	(5)	(437)	(442)	526	-	-	(282)	(282)	-	(6 691)
Fair value of plan assets	5 787	-	472	472	(526)	-	-	-	-	11	5 744
Benefit liability	(706)	(5)	35	30	-	-	-	(282)	(282)	11	(947)

27. PENSION AND OTHER POST-EMPLOYMENT BENEFIT PLANS (Cont'd)

The major categories of plan assets and the fair values of the total plan assets are as follows:

	GROUP		COMPANY	
	2019 ZWL$ 000	2018 ZWL$ 000	2019 ZWL$ 000	2018 ZWL$ 000
Prescribed assets & approved holdings	39	98	39	98
Money market	-	5	-	5
Equity instruments	1 864	760	1 864	760
Property	709	4 271	709	4 271
Cash and cash equivalents	32	32	32	32
Other	605	575	605	575
Total	**3 249**	**5 741**	**3 249**	**5 741**

A proportion of the plan assets is invested in the property market 22% (2018: 74%) and the plan assets can be negatively affected by a significant decline in real estate market .

Pension plan assets include shares in the company's ordinary shares of Nil (2018: Nil) which are valued at 31 December 2019 at ZWL$Nil (2018: Nil)

Effect of the defined benefit plan on the entity's future cash flows:
Expected contributions to post-employment benefit for the year ending 31 December 2019 are ZWL$Nil.

During the year, the Fund applied for voluntary liquidation and the approval for liquidation was granted by the Industry and Pension Commission (IPEC). Subsequent to the reporting date, a liquidator was appointed and the liquidation process is underway.

Key assumptions and quantitative sensitivity analysis
The cost of the defined benefit pension plan and other post-employment medical benefits and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions.

All assumptions are reviewed at each reporting date.

The parameter most subject to change is the discount rate. In determining the appropriate discount rate, management considers the interest rates of corporate bonds in currencies consistent with the currencies of the post-employment benefit obligation.

The mortality rate is based on publicly available mortality tables. Those mortality tables tend to change only at intervals in response to demographic changes. The retirement mortality of Zimbabwean schemes follow the A24/29 mortality table and this has been used in the assumptions. Mortality rates used for pre-retirement are consistent with the experience of the actuarial company.

Pensioner's post retirement mortality was assumed to be in line with the A(55) Ultimate mortality tables.

Future salary increases and pension increases are based on expected future inflation rate.

The key assumptions and their sensitivity analysis are discussed further below:

	2019	2018
Discount rate	13%	7%
Inflation rate	8%	2%
Future salary increase	8%	2%
Return on plan asset	8%	2%
Future pension increase	8%	2%

27. PENSION AND OTHER POST-EMPLOYMENT BENEFIT PLANS (Cont'd)

A quantitative sensitivity analysis for significant assumptions as at 31 December 2019 is as shown below:

	Discount rate		Salaries		Life expectancy	
Sensitivity level	1% increase ZWL$ 000	1% decrease ZWL$ 000	1% increase ZWL$ 000	1% decrease ZWL$ 000	1% increase ZWL$ 000	1% decrease ZWL$ 000
31 December 2019	(532)	607	-	-	319	(335)
31 December 2018	(500)	578	1	(1)	261	(274)

The sensitivity of the defined benefit obligation to changes in the significant actuarial assumptions has been calculated using the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) used when calculating the pension liability recognised within the statement of financial position.

The sensitivity analysis are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated.

28. RELATED PARTY TRANSACTIONS

The following transactions were carried out with related parties.

	Contributions to related parties ZWL$ 000	Services/ purchase from parties ZWL$ 000	Services/ purchase to related parties ZWL$ 000	Loans from related parties ZWL$ 000	Management fees charged by related parties ZWL$ 000	*Amount owed by related parties ZWL$ 000	^Amount owed to related parties ZWL$ 000
Associate							
RZM Murowa (Private) Limited							
2019	-	38 228	15 526	31 299	-	9 884	165 751
2018	-	-	9 570	1 446	-	10 959	-
Shareholders							
GemRioZim Investments Limited							
2019	-	-	-	-	14 195	-	67 820
2018	-	-	-	-	1 772	-	5 111
RioZim Pension Fund (Refer to Note 27)							
2019	-	455	-	-	-	-	1 157
2018	11	210	-	-	-	-	118
Directors fees'							
2019	-	1 386	-	-	-	-	1 442
2018	-	204	-	-	-	-	248

*Amounts owed by related parties are included in trade and other receivables in the statement of financial position.
^Amount owed to related parties are included in trade and other payables in the statement of financial position.

28. RELATED PARTY TRANSACTIONS (Cont'd)

Terms and conditions of transactions with related parties

TRANSACTIONS WITH RZM MUROWA (PRIVATE) LIMITED (MUROWA)

Management fees

RioZim Limited provides administration services to Murowa under a service level agreement which came into effect on 1 January 2016 and has a tenure of 5 years. These administrative services include corporate in-house legal services, human resources consultation and management, corporate secretarial services, IT support services, procurement services, technical consultation, internal audit services and any other services as agreed by the parties in writing. The fees under this agreement are 1.5% of turnover and are payable quarterly .

Treasury bills

The Company purchased treasury bills from Murowa with a face value of ZWL$22million, coupon 5% p.a., and maturity April 2022. The treasury bills were purchased at a market discount rate of 47.309%. During the period, the Group settled some of its creditors using the treasury bills with a face value of ZWL$20million, leaving a balance of ZWL$2million.

Hire of heavy mobile equipment

RioZim Limited entered into a lease agreement with Murowa for the use of heavy mobile equipment at its Dalny Mine and Cam & Motor Mine commencing 1 June 2019 for the period of one year. The lease rentals amount to US$291 604 (excl VAT) or equivalant in ZWL per month. The equipment being leased include three Excavators, two ADT's, one Dozer and a Front End Loader.

Unsecured loans

During the year, Murowa advanced RioZim Limited unsecured loans amounting to ZWL$ 31 299 000 for purposes of funding BIOX requirements at Cam & Motor Mine. The loans bear interest at 25% pa.

In addition, Murowa also financed the purchase of drill rigs for RioZim Limited amounting to US$669 529. As at year end the amount was outstanding.

TRANSACTIONS WITH GEM RIOZIM INVESTMENTS LIMITED

Management fees

Management fees are for advisory and consultation services which are rendered by GemRioZim Investments Limited. The management fees are charged at 1% of the net turnover of the RioZim Group including turnover from affiliate companies and recoveries for running expenses and subsistence expenses.

All related party outstanding balances as at year-end are unsecured and settlement is in cash.

Key management compensation

Key management includes Executive Directors, members of the Executive Committee, the Company Secretary and Head of Internal Audit. The compensation paid or payable to key management for employee services is shown below:

	2019 ZWL$ 000	2018 ZWL$ 000
Salaries and other short term employee benefits	5 866	1 517
	5 866	**1 517**

29. FINANCIAL RISK MANAGEMENT

29.1 Financial risk management and policies

The Group's principal financial liabilities, comprise of redeemable preference shares, loans and borrowings and trade and other payables. The main purpose of these financial liabilities is to finance the Group's operations. The Group's principal financial assets include trade and other receivables, and cash and short-term deposits that are derived directly from its operations. The Group also holds long term receivables and Fair value through other comprehensive income investments (FVOCI).

The Group is exposed to a variety of financial risks: market risk (including currency risk, interest rate risk, commodity price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potentially adverse effects on the Group's financial performance.

Risk management is carried out by management under policies approved by the Board of Directors. Management identifies, evaluates and manages financial risks in close co-operation with the Group's operating units. The Board provides principles for overall risk management, as well as policies covering specific areas such as foreign exchange risk, interest rate risk, credit risk, and investment of excess liquidity.

(a) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and commodity price risk. Financial instruments affected by market risk include redeemable preference shares, loans and borrowings, deposits, FVOCI investments and long term receivables.

i) Foreign currency risk

The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the South African Rand and the Zimbabwean Dollar. Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a different currency from the Group's functional currency).

The Group's policy is to adopt a non-speculative approach to manage risk while maximising profits. Exposure to exchange rate fluctuations is monitored by management. At 31 December 2019, if the United States Dollar had weakened/strengthened by 10% against the South African Rand with all other variables held constant, post-tax loss for the year would have been ZWL$3 302 131 (2018: ZWL$265 921) lower / ZWL$2 701 743 (2018: ZWL$217 571) higher, whilst if the United States Dollar had weakened/strengthened by 10% against the Zimbabwean Dollar with all other variables held constant, post-tax loss for the year would have been ZWL$2 993 576 (2018: ZWL$Nil) lower / ZWL$2 449 290 (2018: ZWL$Nil) higher, mainly as a result of foreign exchange losses/gains on translation of South African Rand and Zimbabwean Dollar denominated trade payables respectively. There is no impact on equity.

(ii) Interest rate risk

The Group has no significant interest bearing assets. The Group's interest rate risk arises from borrowings. Borrowings issued at variable rates expose the Group to interest rate risk.

The Group analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions and alternative financing. Based on these scenarios, the Group calculates the impact on profit and loss of a defined interest rate shift. For each simulation, the same interest rate shift is used for all currencies. The scenarios are run only for liabilities that represent the major interest-bearing positions.

Based on the simulations performed, the impact on post-tax loss of a 1% shift would be a maximum decrease/increase of ZWL$1 171 000 (2018: ZWL$646 000). The simulation is done on an annual basis to verify that the maximum loss potential is within the limit given by the management. There is no impact on equity.

(iii) Commodity price risk

The Group is exposed to commodity price risk in relation to its products of gold, nickel, copper and PGMs whose prices are determined by international market forces.

The table below summarises the impact of increase/decreases in the prices of the commodities on the Group's post tax profit for the year. The analysis is based on the assumption that the commodities prices increase/decrease by 5% with all other variables held constant.

29. FINANCIAL RISK MANAGEMENT (Cont'd)

29.1 Financial risk management and policies (Cont'd)

Commodity	Impact on post tax profit/loss 2019 ZWL$ 000	Impact on post tax profit/loss 2018 ZWL$ 000
Nickel	870	58
Copper	382	-
Cobalt	2 751	178
Gold	59 993	3 613
Platinum	18	1
Palladium	103	10
Silver	877	46

There is no impact on equity.

(b) Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

Trade receivables

Customer credit risk is managed through the Group's established policy, procedures and controls relating to customer credit risk management. The Group trades only with recognised creditworthy third parties.

Outstanding customer receivables are regularly monitored and an impairment analysis is performed at each reporting date on an individual basis for all customers.

The Group sells its gold bullion to one customer whilst its other metal products are sold to a number of customers. Management is of the view that there is a low risk of default due to the following reasons:
a) The Group's major customers are reputable companies which do not have any history of default.
b) As at 31 December the gold bullion balances were current and were settled subsequent to year end whilst other metals debtors were not yet settled as at the approval date of the financial statements, due to extended time for finalisation of final assays.

Other Receivables

The Group also enters into transactions with related party companies within the Group. The Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount as per the statement of financial position. Credit risk is managed through collateral security for high value transactions and set-off arrangements with balances owed to the counterparties therefore the risk of default is low. An assessment of the expected credit losses relating to related party receivables is undertaken upon initial recognition and each financial year by examining the financial position of the related party and the market in which the related party operates applying the general approach of the ECL impairment model of IFRS 9.

Loans and receivables

The Group's loans and receivables comprise of treasury bills. The treasury bills have periodic coupon payments. The Group manages its credit risk through settlement arrangements with some of its creditors. The Group also owes Zimbabwe Asset Management Company (ZAMCO) a wholly owned subsidiary of the Reserve Bank of Zimbabwe (RBZ), therefore, the treasury bills can be used in a set-off arrangement.

Cash and cash equivalents

Cash at banks earns interest at floating rates based on daily bank deposit rates. Bank deposits are made for short periods usually for less than a month, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

The Group deposits cash surpluses only with major banks of high-quality credit standing to mitigate financial loss through a counterparty's potential failure to make payments.

29. FINANCIAL RISK MANAGEMENT (Cont'd)

29.1 Financial risk management and policies (Cont'd)

(c) Credit risk (Cont'd)

Maximum exposure to credit risk

The carrying amount of the financial assets included in the Statement of Financial Position represent the Group's exposure to credit risk in relation to those assets.

(d) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, management aims at maintaining flexibility in funding by keeping committed credit lines available.

The table below analyses the Group's non-derivative financial assets and liabilities in relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The liabilities include both interest and principal cash flows. The amounts disclosed in the table are the contractual undiscounted cash flows.

	2019			2018		
	Less than 1 year ZWL$ 000	From 1-3 years ZWL$ 000	More than 3 years ZWL$ 000	Less than 1 year ZWL$ 000	From 1-3 years ZWL$ 000	More than 3 years ZWL$ 000
Assets						
Cash and cash equivalents	32 467	-	-	117	-	-
Trade and other receivables	196 728	-	-	19 896	-	-
Loans and receivables	75	1 251	-	8	-	-
Total	**229 270**	**1 251**	**-**	**20 021**	**-**	**-**
Liabilities						
Cumulative redeemable preference shares	9 108	36 812	-	5 324	6 079	33 772
Trade and other payables	332 624	532 189	-	75 854	-	-
Fixed term payable	-	-	-	1 022	1 865	6 035
Interest bearing loans and borrowings	70 079	5 373	-	17 395	6 908	-
Total	**411 811**	**574 374**	**-**	**99 595**	**14 852**	**39 807**
Liquidity gap	**(182 541)**	**(573 123)**	**-**	**(79 574)**	**(14 852)**	**(39 807)**

The liquidity gap will be managed through cash flows from operations.

29.2 **Capital risk management**

The Group's objectives when managing capital are to safeguard the ability to continue as a going concern in order to provide returns to shareholders, benefits to other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the Statement of Financial Position) less cash and bank. Total capital is calculated as 'equity' as shown in the Statement of Financial Position plus net debt.

29. FINANCIAL RISK MANAGEMENT (Cont'd)

29.2 Capital risk management (Cont'd)

The gearing ratio as at reporting date was as follows:

	GROUP		COMPANY	
	2019 ZWL$ 000	2018 ZWL$ 000	2019 ZWL$ 000	2018 ZWL$ 000
Total borrowings including preference shares	117 077	61 562	117 077	61 562
Cash and cash equivalent	(32 467)	(117)	(32 436)	(113)
Net debt	**84 610**	**61 445**	**84 641**	**61 449**
Total equity	795 838	10 230	606 057	9 170
Total capital	**880 448**	**71 675**	**690 698**	**70 619**
Gearing ratio (%)	**10%**	**86%**	**12%**	**87%**

30 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Fair value of FVOCI investments, trade receivables, interest bearing borrowings and all other receivables and payables approximates their carrying amount.

30.1 Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:
Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities
Level 2: other techniques for which all inputs that have a significant effect on the recorded fair value are observable either directly or indirectly.
Level 3: techniques that use inputs that have significant effect on the recorded fair value that are not based on observable market data.

Recurring fair value measurements

	Level 1 ZWL$ 000	Level 2 ZWL$ 000	Level 3 ZWL$ 000
2019			
FVOCI investments	-	-	664
Trade receivables (subject to provisional pricing)	-	31 494	-
Impact of level 3 measurements on Other Comprehensive Income	-	-	486
2018			
FVOCI investments	-	-	179
Trade receivables (subject to provisional pricing)	-	1 487	-
Impact of level 3 measurements on Other Comprehensive Income	-	-	7

There were no purchases, sales, issues, settlements, transfers in or transfers out of Level 3 financial instruments (refer to note 17.1).

The discount rate is one of the unobservable inputs the Group estimates which has a significant bearing on the fair value of its Level 3 financial instruments. An increase/decrease of 5% in the estimated discount rate used by the Group would result in the value of the financial instruments decreasing by ZWL$133 929 and increasing by ZWL$168 321 respectively.

30. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (Cont'd)

30.2 Valuation techniques

Trade receivables (subject to provisional pricing)

In 2019, the Group had trade receivables (subject to provisional pricing) arising from provisional pricing sales arrangements which the Group entered into with some of its metals in concentrate customers. Final settlement value would be based on final dry weight, agreed assays and final prices which were to be determined at the end of the Quotational Period (QP), usually 60 days after date of shipment. The QP is the period after the physical shipment of goods during which the price and grade of minerals sold is subject to change due to fluctuations in commodity prices.

Description of valuation technique used and key inputs to valuation of the trade receivables.

Type of financial instrument	Fair value as at 31 December		Valuation technique	Significant inputs
	2019 ZWL$ 000	2018 ZWL$ 000		
Trade receivables (subject to provisional pricing)	31 494	1 287	DCF	Estimated future commodity prices. Quantities and final assays

Fair value through other comprehensive income (FVOCI) investments

The fair value of the FVOCI investments has been determined using the net asset value (NAV) of the investee. Management has evaluated and believes that NAV provides the most reliable and reasonable fair value after taking into account of the information available, the nature and operations of the investee and the purpose of the Group's investment in the investee.

The shares of the investee are not publicly traded and there are no other similar companies in the same market whose shares are publicly traded. Furthermore, the investee does not have a history of declaring dividends. The Group does not have access to the investee's future plans and budgets given the size of its shareholding in the investee. After considering the above factors and the materiality of the investment, management believes that NAV gives the best estimate of the investment's fair value.

Below is the financial information of the investee that was used to calculate the fair value.

	2019 ZWL$000	2018 ZWL$000
Total assets	70 921	20 093
Total liabilities	(28 120)	(8 579)
Net asset value	**42 801**	**11 514**
Fair value of investment (1.553%)	**664**	**179**

31. COMMITMENTS

31.1 Lease commitments

Group as lessee

The Group has a commercial lease for its Head office space with a tenure of three years with a renewal option.

There are no restrictions placed upon the Group by entering into this lease.

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period:

	Land and Building ZWL$ 000
As at 1 January 2019	1 415
Depreciation expense	(606)
As at 31 December 2019	809

Set out below are the carrying amounts of lease liabilities and the movements during the period:

	2019 ZWL$ 000
As at 1 January	1 415
Accretion of interest	137
Payments	(313)
As at 31 December	1 239

The following are the amounts recognised in profit or loss:

	2019 ZWL$ 000
Depreciation expense of right-of-use assets	606
Interest expense	137
Expense relating to short-term leases (included in cost of sales)	38 228

31. COMMITMENTS (Cont'd)

31.1 Lease commitments (Cont'd)

Group as Lessee (Cont'd)

Short term leases

The Group has a lease of heavy mobile equipment with a lease term of 12 months. The Group applies the 'short-term lease' recognition exemptions for this lease.

Future minimum lease rentals payable under the short term leases as at 31 December are as follows:

	2019 ZWL$ 000	2018 ZWL$ 000
Payable within one year	24 451	195

Group as a lessor

In 2019, the Group had commercial property leases on its property portfolio consisting of the Group's surplus office, recreational facilities and residential buildings. These leases have terms of 1 year. All leases include a clause to enable upward revision of the rental charge on a periodic basis according to prevailing market conditions.

Future minimum rentals receivable under non-cancellable operating leases as at 31 December are as follows:

	2019 ZWL$ 000	2018 ZWL$ 000
Receivable within one year	309	79

31.2 Capital commitments

	2019 ZWL$ 000	2018 ZWL$ 000
Contracts and orders placed	420 934	1 843
Authorised by Directors but not contracted	112 624	33 928
	533 558	**35 771**

The capital expenditure is to be financed out of the Group's own resources and borrowings where necessary.

32. CONTINGENT LIABILITIES

In the ordinary course of business, the Group is involved in a number of litigation cases for which the Group is defending and is confident that there are no liabilities that will arise from these cases. .

33. EVENTS AFTER THE REPORTING PERIOD

The Corona virus pandemic, which began in China late in 2019 continued to evolve beyond the reporting date 31 December 2019. On 30 January 2020, the World Health Organisation (WHO) declared the outbreak a "Public Health Emergency of International Concern". Since then, there has been a worldwide spread with new infections occurring at an unprecedented rate. Various measures continue to be taken and imposed by most countries to try and curb the spreading of the virus. A number of countries have imposed total lock down and stringent border controls.

At national level, the Government of Zimbabwe declared COVID-19 a national disaster. On the 27th of March 2020, the Government ordered a 21-day national lockdown from the 30th of March 2020 through Statutory Instrument 83 of 2020 Public Health (COVID 19 Prevention, Containment and Treatment) (National Lockdown) Order, which would result in the total shut down of most businesses save for essential services. The lockdown was extended by a further 14 days. The Group's mining operations were exempted from shutting down and continue to operate normally. The Group took various measures that were necessary to protect its employees and the communities surrounding its operations which included awareness and prevention campaigns as well as intensive hygiene and social distancing protocols.

The COVID 19 pandemic has had a huge negative impact globally, at country level and for individual businesses. This may also have a negative impact on the Company going into the future as supply chain of raw materials might be disrupted, commodity markets may suffer and critical service providers may suffer viability challenges.

As at the date of approval of the financial statements, there has been no significant impact on the Company's operations as a result of the pandemic, and therefore, it was impractical to determine and quantify the potential impact on the Company's future operations and cash flows due to insufficient information as the future remains unforeseeable. Therefore, no adjustment has been made to the amounts of income, expenses, assets and liabilities presented in the financial statements. The Company will continue to actively monitor the situation in this uncertain time so that it can react swiftly to any possible outcome.

34. GOING CONCERN

The power supply situation to the Group's mines deteriorated in the second half of the year, which resulted in a fall in production volumes by 28% from the first half production where power supply was stable. Cam & MotorMine, the Group's flagship operation ran out of oxide ores at its pits, leaving the Mine with predominantly refractory sulphides resources, which require the BIOX plant for processing. As a result, the Group opened its nearby One Step Mine as a bridging gap, hauling ore to the Cam & Motorplant for processing albeit at lower grades and higher cost of production.

As at the reporting date, the Group required circa USD12 million in foreign currency to complete its BIOX plant which was at 30% complete. The Group continued to receive 55% of its gold proceeds in USD during the year, however this fell short of the Group's foreign currency requirements considering the Group's operational expenditure is circa 60% in USD after fuel and power were mandatorily denominated and payable in USD for miners, whilst BIOX project funding requirements are 80% in USD.

The power supply deficits and the foreign currency shortages have a huge impact on the Group's production and sustenance and therefore, these factors ordinarily could indicate the existence of a material uncertainty on the Group's ability to continue as a going concern and that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The following matters, which support the appropriateness of the going concern assumption in the preparation of the financial statements of the Group, have been considered by the Directors:

- Post year end the Group commissioned backup generators at Dalny Mine whilst deposits for generators for Renco were made. The back-up generators are expected to complement the erratic power supplies from the Power Utility thereby guaranteeing sufficient production to ensure financial viability and liquidity in the short to medium term. Production losses due to power supply will therefore be reduced which will boost the Group's profits and cash flows. In the medium to long term the Group's solar projects are progressing well which once fully installed will result in the Group being independent of the Power Utility.

- The Group managed to generate net earnings, as represented by EBITDA of ZWL$84.1million (2018: ZWL$2.4million) being generated in 2019. It is expected that, despite uncertainties regarding availability of ore and the timelines for completion of BIOX, the Company will continue to reach at least break even positions in the next few years.

34. GOING CONCERN (Cont"d)

- The Group is in discussions with different financial institutions which have expressed interest in providing funding for the BIOX project and negotiations are at varying stages. The expectation of reaching financial closure within the time frame required to complete BIOX on time is low but management is putting in place different contingency plans for ensuring BIOX implementation.

- Management also expects that the earnings will further improve at the back of the following initiatives:

  - Further exploration at One Step aimed at delineating more mineable resources thereby extending the life of mine at One Step and allowing more time for the completion of the BIOX plant.

  - Opening of more open pit resources at Dalny mine which will increase production and improve cash flows.

  - Cost cutting and rationalisation initiatives across the Group

  - ENR to continue with projects that will generate sufficient cash flows to meet its care and maintenance costs.

- The Group will also continue engaging the Monetary authorities for a higher percentage of its foreign currency that it generates from selling of its gold with specific focus on additional foreign currency earmarked for capital expenditure and projects funding. Negotiations with the monetary authorities are in progress.

The Directors therefore believe that the preparation of the financial statements on a going concern basis is still appropriate. This basis assumes that the realisation of assets and settlement of liabilities will occur in the ordinary course of business.

TOP 20
SHAREHOLDERS
FOR THE YEAR ENDED 31 DECEMBER 2019

Rank	Names	Shares	Percentage
1	GEM RIOZIM INVESTMENTS LTD (NNR)	53 711 268	44.01
2	OLD MUTUAL LIFE ASS CO ZIM LTD	27 469 525	22.51
3	ESTATE LATE ROY TURNER	8 810 00	7.22
4	RIOZIM FOUNDATION CO (PVT) LTD	6 003 579	4.92
5	STANBIC NOMINEES (PVT) LTD.	4 725 424	3.87
6	RZM MUROWA (PVT) LTD	4 002 951	3.28
7	CHARTERHOUSE 3 LTD-NNR	2 315 129	1.89
8	GLS PHOENIX LIMITED	2 069 829	1.69
9	LEONARD LICHT	1 923 736	1.57
10	SANJAYKUMAR PATEL	908 377	0.74
11	SCB NOMINEES 033667800001	745 059	0.61
12	TFS NOMINEES (PVT) LIMITED	418 869	0.34
13	GURAMATUNHU FAMILY TRUST	395 013	0.32
14	LOCAL AUTHORITIES PENSION FUND	361 637	0.29
15	MEGA MARKET (PVT) LTD	332 964	0.27
16	CATERING INDUSTRY PENSION FUND	312 336	0.25
17	THE SEED TRUST	268 494	0.22
18	NATIONAL FOODS P F-IMARA	246 541	0.20
19	AMZIM PENSION FUND - IMARA	238 500	0.19
20	ZWM NOM PVT LTD-CORP CLIENTS	214 426	0.17

Selected Shares	115,473,657	94.628
Non - Selected Shares	6,555,813	5.372
Issued Shares	122 029 470	100.00

NOTICE OF **ANNUAL GENERAL MEETING**

Annual General Meeting Virtual Link **https://escrowagm.com/eagmZim/Login.aspx**
Notice is hereby given that the 64th Annual General Meeting of members will be held virtually on the 25th of September 2020 at 10.30 hours for the purpose of transacting the following business: -

A. SPECIAL BUSINESS

1. Virtual Meeting
To approve the holding of Annual General Meetings (AGM) through virtual/electronic means and/or by way of remote attendance.

2. Adoption and Substitution of a New Memorandum and Articles of Association for the Company
To resolve as a special resolution, the adoption and substitution of a new Memorandum and Articles of Association for the Company compliant with the requirements of the new Companies and Other Business Entities Act (Chapter 24:31) and the new ZSE Listing Requirements (Statutory Instrument S.I 134/2019).

(NOTE: The draft copy of the new Memorandum and Articles of Association shall be available for inspection by members at the registered office of the Company.)

3. Placing 5% of authorised unissued shares under the control of the Directors
To consider, and if deemed fit, pass with or without modification the following ordinary resolution:-
"THAT up to 5% of the authorised unissued ordinary shares of the Company be placed under the control of Directors, until the next Annual General Meeting, to be issued, subject to the requirement of the Company's Memorandum and Articles of Association and the Zimbabwe Stock Exchange Listing Requirements."

B. ORDINARY BUSINESS

1. Financial Statements
To receive, consider and adopt the Financial Statements for the year ended 31st December 2019 together with the Report of the Directors and Auditors thereon.

2. Directorate
To re-elect directors by individual resolutions in terms of section 201 of the Companies Act and Other Business Entities Act [Chapter 24:31].

a) Mr C Dengu retires by rotation in terms of Article 95 and 96 of the Company's Articles of Association and being eligible offers himself for re-election.

b) Mr I M Sharma retires by rotation in terms of Article 95 and 96 of the Company's Articles of Association and being eligible offers himself for re-election.

c) Mr K Matsheza retires by rotation in terms of Article 95 and 96 of the Company's Articles of Association and being eligible offers himself for re-election.

3. Directors Remuneration
To approve the remuneration of the Directors for the year ended 31st December 2019.

(NOTE: In terms of Section 3 of Practice Note 4 issued by the ZSE on the 17th of January 2020, the Director's Remuneration Report shall be available for inspection by members at the registered office of the Company.)

4. Auditors Fees and Appointments
a) To approve the remuneration of the Auditors for the financial year ended 31st December 2019.
b) To appoint auditors for the ensuing year until the conclusion of the next Annual General Meeting. Ernst & Young Chartered Accountants (Zimbabwe) retire and being eligible, offer themselves for re-election as auditors of the Company.

(NOTE: In terms of Section 69(6) of the new ZSE listing requirements, companies must change their audit partners every five years and their audit firm every ten years. Messrs Enerst & Young have been auditng RioZim for the past 8 years and as such are compliant.)

C. ANY OTHER BUSINESS
To transact any other business as may be transacted at an Annual General Meeting.

D. APPOINTMENT OF PROXY
i) In terms of the Companies & Other Business Entities Act [Chapter 24:31], a member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote on his behalf. A proxy need not be a member of the Company.
ii) Proxy forms must be deposited at the registered office of the Company or at the office of the Transfer Secretaries (Corpserve Registrars (Private) Limited, Second Floor, ZB Centre, Corner First Street and Kwame Nkrumah Avenue, Harare) not less than 48 (forty-eight) hours before the time appointed for the holding of the meeting.

By Order of the Board
RioZim Management Services (Private) Limited (Secretaries)
Per T A Chiurayi

Note:
a) Members may request a copy of the 2019 Annual Report from the registered office of the Company or from the office of the Transfer Secretaries. The 2019 Annual Report is also available for download from the Company's website www.riozim.co.zw.

FORM OF PROXY

For use at the Annual General Meeting ("AGM") of RioZim Limited to be held at No. 1 Kenilworth Road, Highlands, Harare, Zimbabwe on Friday the 25th September 2020 at 10.30 hours..

I/We...(Name/s in block letters)

Of...
Being a member of RioZim Limited ("the Company")

holding...oridinary shares in the Company

Hereby appoint...of...
Address

....

Or failing him/her...of...
Address

....

Or failing him/her, the Chairman of the meeting as my/our proxy to attend, speak and vote for me/us on my/our behalf at the annual general meeting of the Company as specified above and any adjournments thereof.

Signed this... Day of...2020

Signature of member...

Notes to Proxy

INSTRUCTIONS FOR SIGNING AND LODGING THIS FORM OF PROXY

It is important that this information is read before completing the Proxy form.

- In terms of the Companies and Other Business Entities Act [Chapter 24:31] a member of the Company is entitled to appoint one or more proxies to act in the alternative, to attend and vote and speak instead of him.
- A deletion of any printed matter and the completion of any blank spaces need not be signed or initialed. Any alteration or correction must be initialed by the signatory/ies. The proxy form must be signed and dated for it to be valid.
- In accordance with Article 73 of the Company's Articles of Association, instruments of proxy must be deposited at the registered office of the Company addressed to the Company Secretary or at the office of the Transfer Secretaries (specified overleaf) not less than 48 (forty-eight) hours before the time appointed for holding the meeting.
- Documentary evidence establishing the authority of a person signing this form of proxy must be deposited together with the proxy form not less than 48 (forty-eight) hours before the meeting. The Chairman shall be entitled to decline or accept the authority of a person signing the proxy form:

- under a power of attorney
- on behalf of a company
- in a representative capacity
  which is completed and received other than in accordance with these notes.

- If two or more proxies appointed in the alternate attend the meeting, then that person attending the meeting whose name appears first on the proxy form shall be regarded as the validly appointed proxy.
- When there are joint holders of shares, any one holder may sign the form of proxy. In the case of joint holders, the senior who tenders a vote will be accepted to the exclusion of other joint holders. Seniority will be determined by the order in which names stand in the register of members.
- This is a GENERAL PROXY allowing the proxy to vote on behalf of the shareholder/member's behalf on the resolution properly proposed for the meetings and or any other business that may properly come before the meetings. The proxy can vote as he/she sees fit FOR or AGAINST a resolution unless given additional specific written directions as to how to vote on specific resolutions in which case those directions must be filed together with this General Proxy.
- The completion and lodging of this form of proxy will not preclude the members who grants this proxy form from attending the meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms of the proxy form should such member wish to do so. In the event of such personal attendance the proxy form will be revoked.

TRANSFER SECRETARIES
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