

THIS ABRIDGED CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

<p>Action required:</p> <ul style="list-style-type: none"> Shareholders are invited to attend the Extraordinary General Meeting ("EGM") convened by the EGM Notice contained herein. Shareholders who are unable to attend the EGM or any adjournment thereof, but wish to be represented thereat, should complete and sign the Form of Proxy included in this Circular and return the signed copy to the Company Secretary at the registered office or the Company's Transfer Secretary, (Corpserve Registrars (Private) Limited) by 10.30 hours on 21 February 2017. Shareholders may attend the EGM in person, notwithstanding the completion and return of the Form of Proxy. If you are in any doubt as to the action you should take, you should immediately seek advice from your stockbroker, bank manager, legal practitioner, accountant or other professional advisors.

1. INTRODUCTION

Subject to Shareholder approval, and pursuant to the signed Agreement for Sale of Shares dated 30 September 2016, the Board is requesting Shareholders to approve the acquisition by RioGold (Private) Limited ("RioGold"), a wholly owned subsidiary of RioZim Limited ("RioZim"), of 100% of the shareholding in Palatial Gold Investments (Private) Limited ("Palatial Gold") which houses the Dalny Mine Complex (DMC) and is a wholly owned subsidiary of Falcon Gold Zimbabwe Limited ("Falcon Gold"). DMC consists of a gold processing plant, equipment, mining claims, mining infrastructure, a mine compound and other assets. DMC has attractive and vast explorative resources which RioGold believes can be exploited and mined profitably.

The conclusion of the acquisition of Palatial Gold will result in RioGold having three operating mines namely Cam & Motor, Renco and Dalny.

2. THE TRANSACTION

The acquisition will be done by purchasing 100% of the issued share capital of Palatial Gold and its Loan Accounts. The purchase consideration for the shares of Palatial Gold shall be the sum of US\$250,000 (Two Hundred and Fifty Thousand United States Dollars), and the consideration for the cession of the Loan Accounts shall be the sum of US\$7,750,000 (Seven Million Seven Hundred and Fifty Thousand United States Dollars). The consideration for the cession of the Loan Accounts will be reduced by the agreed cash liabilities as detailed in the Take-Over Balance Sheet amounting to circa US\$2.2million (Two Million Two Hundred Thousand United States Dollars) as at 31 August 2016.

The payment terms are as detailed below:-

- An initial payment of US\$2,000,000 (Two Million United States Dollars) less the US\$200,000 (Two Hundred Thousand United States Dollars) exclusivity deposit already paid and any advance payment as detailed below shall be made within 30 (thirty) days of all Conditions Precedent being fulfilled.
- An amount of US\$3,000,000 (Three Million United States Dollars) by way of 12 (twelve) equal monthly installments of US\$250,000 (Two Hundred and Fifty Thousand United States Dollars), the first such installment to be paid on or before the last day of the calendar month following the initial payment as described in (a) above is made, and subsequent installments on or before the last day of each succeeding month.
- A final payment of the balance, being the purchase consideration less the aggregate amounts paid without interest, which shall be paid in full and final settlement of the purchase consideration in respect of the shares and the consideration in respect of the Loan Accounts, no later than 24 (twenty-four) months after the initial payment detailed in (a) above.

A sum of US\$200,000 (Two Hundred Thousand United States Dollars) was paid on 9 June 2016 as an exclusivity deposit. Further sums as indicated below may be disbursed before the initial payment of US\$2,000,000 (Two Million United States Dollars) and therefore will be deducted off the initial payment as follows:-

- Payment to the Ministry of Mines to have the mining claims which are currently held by Falcon Gold transferred into the name of Palatial Gold; and
- Payment to Zimbabwe Revenue Authority for Capital Gains Tax arising from the sale of Palatial Gold's shares.

All sums for advance payments will be reimbursed should the Transaction not be completed except for the exclusivity deposit which cannot be reimbursed in instances of RioGold's withdrawal from, termination of, or failure to complete the Transaction after the Parties enter into an Agreement.

Should RioGold default in the payment terms detailed above, RioGold will have 45 (forty-five) days' notice to remedy breach on the first default and 15 (fifteen) days' notice to remedy breach on subsequent defaults. Failure to remedy breach gives Falcon Gold the option to enforce that the full balance of the purchase consideration becomes immediately due and payable together with interest at 9% per annum.

3. EFFECTS OF THE TRANSACTION

The Transaction shall not have an effect on the share capital structure of RioZim; the current 122,029,470 (one hundred and twenty-two million twenty-nine thousand four hundred and seventy) issued ordinary shares of RioZim Limited will remain the same post the Transaction. The Transaction will however impact positively on the Net Asset Value (NAV) of RioGold and of the Company as illustrated in the table below:

	RioZim*		RioGold**	
	Before the Transaction	After the Transaction	Before the Transaction	After the Transaction
NAV before the Transaction (US\$)	1 295 000	6 401 473	4 398 736	9 505 209
Number of shares	122 029 470	122 029 470	13 220	13 220
NAV per share (US\$/share)	0.01	0.05	332.73	719.00

*RioZim NAV based on 30 June 2016 Reviewed Financial Statements

**RioGold NAV based on the 31 August 2016 Management Accounts of RioGold

4. RATIONALE

Palatial Gold owns the DMC which was placed under care and maintenance in August 2013, resulting in RioZim identifying an opportunity and leasing the Dalny Gold Processing Plant in 2015 to process ore mined from its Cam & Motor Pit. This initiative has significantly contributed to the Group's performance as follows:-

- increased gold production by 76% in the first half of 2016; and
- improved financial performance from an operating loss of US\$2,000,000 (Two Million United States Dollars) for the 6 (six) months to 30 June 2015 to an operating profit of US\$2,300,000 (Two Million Three Hundred Thousand United States dollars) for the 6 (six) months to 30 June 2016.

Considering the Group's success as the operator of the Dalny Gold Processing Plant, the RioZim technical team carried out a detailed scoping study of the assets and resources of the DMC, the results of which were verified and confirmed by an independent consultant (SRK Consultancy Zimbabwe) in the report dated 21 March 2016. The results revealed that the DMC has attractive exploration ground which can be exploited profitably.

The commercial decision made by your Board to implement the Transaction was motivated by the following:-

a) Proximity

Due to its proximity to the Cam & Motor Mine, DMC complements the existing resources of RioGold and will lead to economies of scale and scope.

b) Gold resources

DMC has significant untapped gold resources which RioGold believes can be mined profitably using both underground and open pit mining methods.

c) Existing gold processing plant and infrastructure

DMC has a gold processing plant with a minimum capacity of 500 tonnes per day which RioGold is already familiar with as it has been operating the plant since April 2015 under a lease agreement. The plant has been running smoothly subject to normal scheduled maintenance and therefore would require no start-up capital costs save for sustaining capital costs to keep it performing at the expected level.

All the required infrastructure and amenities are available to support mining activities and these include a solid compound to accommodate the workers, two dedicated power lines, water provisions and road network.

d) National Interest

This acquisition will bring foreign currency into the country due to the production and increased export of fine gold.

e) Community Development

DMC is the centre of economic activity in the Chakari district of Kadoma, Zimbabwe. Almost 3,000 (three thousand) people depend on DMC. Under the operating lease agreement, the community has benefited from employment opportunities and other corporate social programs which were offered by RioGold. Therefore, the re-opening and intended expansion of DMC will have a major positive impact on the community.

f) Reasonable Acquisition Terms

The extended payment terms underpinned by the Agreement made the acquisition of Palatial Gold an attractive possibility. The financing structure for the Transaction, of US\$2,000,000 (Two Million United States Dollars) within 30 (thirty) days of fulfillment of the Conditions Precedent and US\$3,000,000 (Three Million United States dollars) over a period of 12 (twelve) months and the balance over a period of 24 (twenty-four) months, enables the purchase consideration to be financed by RioGold's consolidated operational cash flows.

g) Profitable Investment

The Company has undertaken a detailed analysis of the potential income, expenditure and cash flows arising out of operating the Dalny Gold Processing Plant at a capacity of 500 tonnes per day. The analysis revealed that the Plant could operate profitably on a

stand-alone basis. Therefore the inclusion of Palatial Gold to RioGold's gold assets portfolio will enhance its profitability, strengthen its balance sheet and complement the Group in achieving its goals.

5. CONDITIONS PRECEDENT

The Transaction is subject to the following Conditions Precedent which are to be fulfilled by 31 March 2017 or such later date as agreed to in writing by the Parties:-

- The issuing of an approval of the Transaction by the Competition and Tariffs Commission, or the procurement by RioGold of an advisory letter to the effect that no such approval is required;
- The delivery by RioGold to Falcon Gold of a copy of the approval of the Agreement by the Shareholders of RioZim Limited; and
- Delivery by Falcon Gold to RioGold of a copy of the approval of the Agreement by the shareholders of Falcon Gold.

6. SECURITY

As security for payment of the purchase consideration, RioGold shall pledge to and in favour of Falcon Gold the shares acquired by it from Falcon Gold (through an Escrow Agent) and the shareholder's Loan Accounts in Palatial Gold acquired by it. In terms of this security arrangement Falcon Gold will, in the event of default by RioGold and failure to remedy such default, be:-

- Entitled to take over the voting rights in Palatial Gold (in order to pay itself) subject to Falcon Gold commencing legal proceedings for recovery of the amount then due;
- Entitled to demand that Palatial Gold pays the Loan Account balance; or
- Entitled to transfer the shares back to itself or sell the shares to a third party, in execution of an order obtained by it, at which stage it is intended that the Loan Accounts will become due and payable to RioGold within 7 (seven) days.

In the event that the security is enforced, any investment made by RioGold in Palatial Gold shall become an ordinary debt due by Palatial Gold to RioGold repayable on the terms on which the money was advanced on an arm's length basis. Any investment shall become due and payable to RioGold in the event that there is change in Palatial Gold's shareholding in line with the loan agreement that will be entered between RioGold and Palatial Gold.

7. PROSPECTS FOR RIOZIM

It is anticipated that the conclusion of this Transaction will see RioGold producing additional gold of approximately 50 (fifty) kilograms per month for the first 12 (twelve) months and 100 (one hundred) kilograms per month thereafter. The additional production will improve the profitability, cash flows and balance sheet position of RioGold for the benefit of the Group and the Shareholders.

8. DIRECTORS RECOMMENDATION

The Directors of RioZim have considered the terms of the Transaction and have passed a unanimous board resolution for the acquisition of Palatial Gold to be concluded subject to Shareholder approval. The Directors of RioZim are confident that in the current circumstances, the Company will be able to meet the obligations arising from this Transaction in the ordinary course of its business. Accordingly, the Directors recommend that Shareholders vote in favour of the resolutions giving effect to the Transaction. The Directors will collectively vote in favour of the resolutions to approve the Transaction at the EGM in respect of their own Shareholdings.

9. FINANCIAL INFORMATION

The reviewed pro forma statement of financial position below has been provided to illustrate how the Transaction might affect the financial position of RioZim had it been effected on 30 June 2016. The reviewed pro forma statement of financial position has been prepared for illustrative purposes only and because of the nature of the Transaction may not give a fair reflection of RioZim's financial position after the Transaction.

	30-Jun-16 Reviewed Before the Transaction US\$000	Transaction US\$000	30-Jun-16 Reviewed After the Transaction US\$000
ASSETS			
Non current assets			
Property, plant and equipment	37 529	14 750	52 279
Exploration, evaluation and development assets	14 865	-	14 865
Investment in associate company	3 427	-	3 427
Available for sale investments	205	-	205
Deferred tax assets	5 993	-	5 993
Other Investment	715	-	715
Total non-current assets	62 734	14 750	77 484
Current assets			
Inventories	41 631	702	42 333
Trade and other receivables	6 910	367	7 277
Cash and cash equivalents	3 358	(1 991)	1 367
Total current assets	51 899	(922)	50 977
Total assets	114 633	13 829	128 462
EQUITY & LIABILITIES			
Shareholders' equity			
Share capital	1 345	-	1 345
Share premium	20 789	-	20 789
Available for sale reserve	145	-	145
Other reserves	-	-	-
Accumulated Losses	(20 243)	5 106	(15 137)
Equity attributable to equity holders of the parent	2 036	5 106	7 142
Non-controlling interests	(741)	-	(741)
Total equity	1 295	5 106	6 401
Non-current liabilities			
Cumulative redeemable preference shares	33 434	-	33 434
Interest bearing loans and borrowing	2 485	-	2 485
Deferred tax liabilities	66	-	66
Employee benefit liabilities	953	-	953
Fixed term payables -Falcon Gold	-	800	800
Mine closure provision	347	2 722	3 069
Total non-current liabilities	37 285	3 522	40 807
Current liabilities			
Trade and other payables	58 191	2 200	60 391
Fixed term payables - Falcon Gold	6 311	3 000	9 311
Interest-bearing loans and borrowings	11 551	-	11 551
Total current liabilities	76 053	5 200	81 253
Total liabilities	113 338	8 722	122 060
Total liabilities and shareholders' equity	114 633	13 829	128 462

ABRIDGED CIRCULAR TO SHAREHOLDERS AND NOTICE OF AN EXTRAORDINARY GENERAL MEETING (“EGM”)

PART II FINANCIAL INFORMATION

The pro forma statement of financial position below has been provided to illustrate how the Transaction might affect the financial position of RioGold had it been effected on 31 August 2016. The pro forma statement of financial position has been prepared for illustrative purposes only and because of the nature of the Transaction may not give a fair reflection of RioGold's financial position after the Transaction. The information has been prepared by RioZim and considered by Deloitte.

	31-Aug-2016 Unaudited Before the Transaction US\$000	Transaction US\$000	31-Aug-2016 Unaudited After the Transaction US\$000
ASSETS			
Non-current assets			
Property, plant and equipment	42 283	14 750	57 033
Exploration evaluation and development assets	13 620	-	13 620
Total non-current assets	55 903	14 750	70 653
Current assets			
Inventories	4 368	702	5 070
Trade and other receivables	3 800	367	4 167
Cash and cash equivalents	2 734	(1 991)	743
Total current assets	10 902	(922)	9 980
Total assets	66 805	13 828	80 633
EQUITY & LIABILITIES			
Shareholders' equity			
Share capital	-	-	-
Retained Earnings	4 399	5 106	9 505
Total equity	4 399	5 106	9 505
Non-current liabilities			
Provisions	332	2 722	3 054
Fixed term payable - Falcon Gold	-	800	800
Shareholder loans	49 054	-	49 054
Total non-current liabilities	49 386	3 522	52 908
Current liabilities			
Trade and other payables	13 020	2 200	15 220
Fixed term payable - Falcon Gold	-	3 000	3 000
Total current liabilities	13 020	5 200	18 220
Total liabilities	62 406	8 722	71 128
Total equity and liabilities	66 805	13 828	80 633

10. DOCUMENTS AVAILABLE FOR INSPECTION

The following documents or certified copies thereof, will be available for inspection at the Registered Office of RioZim during normal business hours (08:00 to 16:30) on weekdays until Thursday, 26 February 2017.

- The Memorandum and Articles of Association of RioZim and RioGold;
- The audited financial statements for RioZim for the years ended 31 December 2010, 2011, 2012, 2013, 2014 and 2015;
- The reviewed financial statements for RioZim for the period ended 30 June 2016;
- A signed copy of the Agreement;
- Resolution by the RioZim Board of Directors approving the acquisition;
- Resolution by the RioGold Board of Directors approving the acquisition;
- The Independent Financial Advisor's Report on the fair and reasonableness of the Transaction involving RioGold and Palatial Gold;
- Signed letters of consent from all experts and advisors;
- ZSE approval for for distribution of the Circular to Shareholders;
- Signed copy of the Circular;
- Scoping Study of the Dalny Mine Complex by SRK Consultancy Zimbabwe; and
- List of litigation against RioZim.

11. IMPORTANT DATES AND TIMETABLE

Last Practicable Date	Friday, 30 December 2016
Notice of EGM published	Thursday, 26 January 2017
Circular made available to Shareholders	Thursday, 26 January 2017
Last date for lodging Forms of Proxy (by 10:30hrs)	Tuesday, 21 February 2017
EGM of RioZim Shareholders at 10:30hrs	Thursday, 23 February 2017

The full Circular to Shareholders is available at the Company's registered office, or at the office of its Transfer Secretaries - Corpserve Registrars (Private) Limited (2nd Floor, ZB Center, Corner 1st Street and Kwame Nkrumah Avenue, Harare) or on the Company's website: www.riozim.co.zw

NOTICE OF EXTRAORDINARY GENERAL MEETING (“EGM”)

NOTICE IS HEREBY GIVEN OF THE EXTRAORDINARY GENERAL MEETING of Shareholders of RioZim Limited (“the Company”) to be held at the Company's registered office, No.1 Kenilworth Road, Highlands, Harare, Zimbabwe, on Thursday, 23 February 2017 at 10:30 hours. Shareholders will be asked to consider, and if deemed fit, to pass with or without modification, the resolutions set out below:-

- AS AN ORDINARY RESOLUTION – Acquisition of Palatial Gold Investments (Private) Limited by RioGold (Private) Limited**
“THAT in accordance with Zimbabwe Stock Exchange Listings Requirements, the Company through its wholly owned subsidiary RioGold (Private) Limited, be and is hereby authorised to acquire 100% of the issued share capital of Palatial Gold Investments (Private) Limited, a wholly owned subsidiary of Falcon Gold Zimbabwe Limited, based on the terms and conditions contained in the Agreement for the Sale of Shares entered into between Falcon Gold Zimbabwe Limited and RioGold (Private) Limited on 30 September 2016.”
- AS AN ORDINARY RESOLUTION – Director's Authority to give effect to the above resolution**
“THAT the Directors of the Company be and are hereby authorised to do all such things that they may consider necessary or desirable to give effect to, or pursuant to, or in connection with, the Transaction as described in the Circular to Shareholders dated 26 January 2017.”

BY ORDER OF THE BOARD

RioZim Management Services (Private) Limited
Secretaries for RioZim Limited

per **Z Makorie**

Registered Office

1 Kenilworth Road
Highlands
Harare, Zimbabwe

Transfer Secretary

Corpserve Registrars (Private) Limited
2nd Floor, ZB Centre
Corner 1st Street and Kwame Nkrumah
Avenue
Harare, Zimbabwe

Notes:

- Voting**
On a show of hands, every Shareholder who (being an individual) is present in person or by proxy at the EGM or which (being a company or body corporate) is represented thereat by a representative appointed as proxy, shall have one vote (irrespective of the number of shares held), and on a poll, every Shareholder who (being an individual) is present in person or by proxy at the general meeting or which (being a company or body corporate) is represented thereat by a representative appointed as proxy, shall have one vote for every RioZim share of which it is the holder.
- Appointment of proxies**
 - In terms of Section 129 (3) of the Companies Act [Chapter 24:03], members of the Company, entitled to attend the above meeting may appoint one or more proxies, to act in the alternative, to attend, speak and vote on their behalf, including voting on a poll. A proxy need not be a member of the Company.
 - Shareholders in the form of a corporate body must provide documentary evidence establishing the authority of a person signing the form of proxy in a representative capacity, unless previously recorded by the Company's transfer secretaries or waived by the chairperson of the EGM. This authority must take the form of a resolution of the corporate body.
 - In accordance with Article 73 of the Company's Articles of Association, instruments of proxy should be completed and returned to the Company's transfer secretaries (Corpserve Transfer Secretaries (Private) Limited, 2nd Floor, ZB Centre, Corner 1st Street and Kwame Nkrumah Avenue, (P O Box 2208), Harare, Zimbabwe, to be received not less than 48 (forty eight) hours before the scheduled time of the EGM.
- Conditions Precedent**
In the event that any of the Conditions Precedent as detailed in Part I of this Circular are not met at the time of the EGM, Shareholders shall be asked to vote for or against the resolutions tabled in Part V of this Circular, subject to the satisfaction or waiver of any remaining Conditions Precedent. If the Conditions Precedent have not been satisfied or waived by the 31 March 2017, the Company will issue an announcement in accordance with the prevailing circumstances.

PROXY FORM FOR THE EGM

I/We.....

Of.....
being (a) member (s) of the Company and entitled to vote at the EGM do hereby appoint

Mr./Mrs./Ms./Dr.....
of.....or failing him/her

.....of.....
.....or failing him/her the Chairman of the meeting as

my/our proxy to act for me/us at the EGM which will be held at 10:30 hours on 23 February 2017 for the purpose of considering and, if deemed fit, passing, with or without modification, the Resolutions to be proposed thereat and at any adjournment thereof, to vote for or against the Resolutions and/or abstain from voting in respect of the ordinary shares registered in my/our name (s) in the following manne

INSERT AN “X” OR THE NUMBER OF RIOZIM LIMITED ORDINARY SHARES			
	For	Against	Abstain
1. Ordinary Resolution			
2. Ordinary Resolution			

Signed at.....this.....day of2017

Full name (s), or name of corporate body

Signature (s) of member (s).....

Notes

- A Shareholder may insert the name of a proxy or the names of two alternative proxies of his choice in the spaces provided with or without deleting “the chairperson of the EGM”; but any such deletion must be signed in full and not initialled by the signatory(ies).
- The person whose name appears first on the Form of Proxy and who is present at the EGM will be entitled to act as proxy to the exclusion of those whose names follow.
- Please insert the number of votes in the relevant spaces according to how you wish your votes to be cast. If you wish to cast your votes in respect of a lesser number of ordinary shares than are subject to the resolutions, insert the number of ordinary shares held in respect of which you wish to vote. Failure to comply with the above will be deemed to authorise and compel the chairperson of the EGM, if the chairperson is an authorised proxy, to vote to accept the resolutions, or to authorise any other proxy to vote for or against such resolution, or abstain from voting, as the chairperson deems fit, in respect of all the Shareholder's votes exercisable thereat. A Shareholder or its/his/her proxy is not obliged to use all the votes exercisable by the Shareholder or its/his/her proxy, but the total of the votes cast and in respect whereof abstention is recorded, may not exceed the total of the votes exercisable by the Shareholder or its/his/her proxy.
- Forms of Proxy must be completed and returned to the Company's Registered Office or offices of the Company's Transfer Secretary to be received not less than 48 (forty eight) hours before the scheduled time of the EGM.
- Any alteration or correction made to this Form of Proxy must be signed in full and not initialled by the signatory(ies).
- Documentary evidence establishing the authority of a person signing this Form of Proxy in a representative capacity must be attached to this form of Proxy unless previously recorded by the Company's Transfer Secretary or waived by the chairperson of the EGM.
- The completion and lodging of this form of proxy will not preclude the relevant Shareholder from attending the EGM and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such Shareholder wish to do so.
- The chairperson of the EGM may accept or reject any Form of Proxy which is completed and/or received, other than in accordance with these notes and instructions, provided that the chairperson is satisfied as to the manner in which the Shareholder wishes to vote.
- This Form of Proxy shall not be valid after the expiration of six months from the date when it was signed.
- Joint holders may vote at the EGM in respect of such joint shares as if he/she were solely entitled thereto, but if more than one of such joint holders are present or represented at the EGM, that one of the said persons whose name stands first in the register in respect of such ordinary shares or his/her proxy, as the case may be, is alone entitled to vote in respect thereof.
- A minor must be assisted by his/her parent or guardian unless the relevant documents establishing his/her legal capacity are produced or have been registered by the Company's Transfer Secretary.

REGISTERED OFFICE:

No.1 Kenilworth Road, Highlands, Harare, Zimbabwe

TRANSFER SECRETARY

2nd Floor, ZB Centre, Corner 1 Street/Kwame Nkrumah Avenue, Harare, Zimbabwe.