FALCON GOLD ZIMBABWE LIMITED

CONSOLIDATED FINANCIAL STATEMENTS
30 SEPTEMBER 2018

CONTENTS

GENERAL INFORMATION

NATURE OF ACTIVITIES	MINING, EXPLORATION AND PRODUCTION OF GOLD
DIRECTORS	I R SAUNDERS (CHAIRMAN) Q NKOMO (FINANCIAL DIRECTOR) S B NYABADZA (NON - EXECUTIVE DIRECTOR)
SECRETARY	Q NKOMO
PRINCIPAL BANKERS	STANBIC BANK ZIMBABWE LIMITED
AUDITORS	ERNST & YOUNG CHARTERED ACCOUNTANTS (ZIMBABWE) REGISTERED PUBLIC AUDITORS
REGISTERED OFFICE	1ST FLOOR KPMG HOUSE 133 JOSIAH TONGOGARA STREET BULAWAYO ZIMBABWE
POSTAL ADDRESS	P O BOX 4096 BULAWAYO ZIMBABWE
CURRENCY OF FINANCIAL STATEMENTS	UNITED STATES DOLLARS
PERIOD OF FINANCIAL STATEMENTS	YEAR ENDED 30 SEPTEMBER 2018

FALCON GOLD ZIMBABWE LIMITED
(Registered No: 303/89)
(Incorporated in Zimbabwe)

NOTICE TO SHAREHOLDERS

Notice is hereby given that the 28th (Twenty-Eight) Annual General Meeting of members of the above Company, will be held in the PKF Building, corner 14th Avenue/Josiah Tongogara Street, Bulawayo, on Monday 9th September 2019 at 10.00 am for the following purposes:-

1. To receive, consider and adopt the audited financial statements and reports of the Directors and Auditors for the year ended 30 September 2018.

2. To elect the Directors of the Company. Messrs I R Saunders and Q Nkomo, who, in terms of Section 99 and 100 of the Articles of Association, retire from the Board by rotation, and per section 101 being eligible, offer themselves for re-election.

3. To approve the remuneration of Ernst and Young as Auditors to the Company for the year ended 30 September 2018.

4. To confirm the appointment of Ernst & Young as Auditors to the Company for the year ending 30 September 2019.

5. To transact any other business as may be properly transacted at an Annual General Meeting.

A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote in his stead. A proxy need not also be a member of the Company. Proxy forms are available at the Company's registered office. Completed proxy forms should be forwarded to reach the registered office of the Company not less than 48 hours before the time for the holding of the meeting. The Falcon Gold Zimbabwe Limited 2018 Annual Report and Accounts Booklet will be distributed from our Share Registrar's Offices at:-

ZB Transfer Secretaries (Private) Limited,
21 Natal Road, Avondale,
Harare

BY ORDER OF THE BOARD
I R SAUNDERS
CHAIRMAN
8th August 2019

ANALYSIS OF RESULTS

Falcon Gold Zimbabwe Limited (the "Group") incurred a net loss of US$4 850 681 (US$0.0436 per share) for the year ended 30 September 2018, as compared to a net loss of US$684 074 (US$0.0062 per share) for the year ended 30 September 2017. The net operating loss for the year ended 30 September 2018 was US$3 221 417 as compared to a net operating loss of US$5 096 822 for the year ended 30 September 2017. The decrease in the operating loss in 2018 compared to 2017 was mainly as a result of reduced mineral production costs due to the termination of a major mining contract.

Gold sales in fiscal 2018 and 2017 were realised from the Group's sole operating gold processing plant at Golden Quarry near Shurugwi. Gold sales for the year ended 30 September 2018 decreased by 81 kilograms or 51% to 78 kilograms, as compared to 159 kilograms for the year ended 30 September 2017, mainly due to a prolonged industrial action by employees.

The average gold price realised was US$1 277 per ounce for the year ended 30 September 2018, as compared to US$1 243 per ounce for the year ended 30 September 2017, an increase of US$34 per ounce or 3.0%. The world gold price remained depressed during fiscal 2018 and 2017, ranging between US$1 225 and US$1 280 per ounce, although an upward trend is projected in fiscal 2019.

Mineral production expenses were US$8 394 606 for the year ended 30 September 2018, as compared to US$10 524 587 for the year ended 30 September 2017, a decrease of US$2 129 981 or 20%.
General and administration expenses were US$1 291 158 for the year ended 30 September 2018, as compared to US$1 109 336 for the year ended 30 September 2017, an increase of US$181 822 or 16%.
Notes to the Consolidated Financial Statements:

1. Capital expenditures incurred amounted to US$321 011 for fiscal 2018, as compared to US$713 208 for fiscal 2017.
2. No dividends were paid during the years ended 30 September 2018 or 2017.
3. Shareholder's loans are long-term, payable over the reaming 2 years and are with reference to unsecured loans provided by the parent company at an interest rate of the 3 months Libor rate.
4. Related party payables are intercompany balances owed to sister companies within the Group.
5. Trade and other payables increased due to cash flow challenges at Golden Quarry Mine.
6. Impairment of assets relates to Golden Quarry Mine cash generated unit that were impaired following the catastrophic engineering failure of the main operating mill on 6 December 2018. The cash generating unit was impaired to nil based on the recoverable amount which is the higher of fair value less costs of disposal ('FVLCD') and value in use. The recoverable amount was based on the value in use which, without the repair of the main operating mill, resulted in negative forecasted cashflows.

OVERVIEW

As stated in our March 2018 interim results, it was noted that as early as 2018 there was a continued deviation from agreed operational plans, budgets and targets, and a critical review of control processes and the effectiveness of the management team were undertaken within the Group. As a result of this review, various changes were made to management, the control structure and internal reporting.

Shortly after these changes were made, on 15 January 2018, workers at Golden Quarry Mine went on strike, and remained on strike until 13 March 2018. While any strike is potentially crippling to a mining company, regrettably, the striking employees refused to allow management and key support staff access to the site that was required to keep water pumping and to maintain the operations in a relatively operationally-ready state. As a result, the operations of both Golden Quarry and Camperdown Mines were severely flooded and critical equipment was damaged, both on surface and underground.

Mining operations resumed on 16 March 2018, with management and those employees returning to work having to start the long and difficult process of dewatering the mine shafts and making the surface facilities operational again.

With no operating cash flow, and a single operating mine, the startup of the mine complex was slow, costly and laborious. The Camperdown shaft was finally pumped dry by 22 April 2018 and operations then recommenced. The Golden Quarry Mine was finally pumped dry on 6 June 2018 and ore hoisting commenced on 13 June 2018. The Golden Quarry plant was started in early April 2018 and has been operating at a reduced throughput due to damage sustained to equipment during the strike. As such there was very low gold production in the second quarter of 2018.

All of these factors significantly impacted the Group's operating results for the year ended 30 September 2018, and will continue to impact the Group for the foreseeable future.

OVERVIEW (CONTINUED)

The toll treatment at Dalny Mine had been a significant source of revenue for the Group, but that revenue source ended with the sale of Dalny Mine to RioZim Limited, effective 19 May 2017. The proceeds from the sale of Dalny Mine, which generated a gain of US$4 058 373 for the year ended 30 September 2017, supported the Group in completing the various projects described above, and it is anticipated that the increased throughput planned at the mines has the potential to see these operations achieve, over time, self-sustaining profitability and cash flows.

Subsequent to fiscal year end 2018, there was a catastrophic engineering failure of the Main Number 3 Operating Mill at Golden Quarry Mine, which has adversely affected production and cash flows. Management has undertaken a full impact assessment and is evaluating various options to deal with the situation, including either repair, refurbish or outright replacement of the Mill. Notwithstanding the Mill failure, to date the funding required to execute the 2019 financial budget has not been provided and discussions with the company's parent company are ongoing.

OUTLOOK

As has been reported over the years, there have been no major positive improvement to the operational macro environment, with the tax regime remaining unfavourable. There was some relief in power costs with the tariff reduction from US12.8c/Kwh to an average of US8.6c/Kwh during the latter part of fiscal 2018. However, the unstable power supply situation remains a major threat to the operational viability of the mines.

Engagement with the parent company regarding capital requirements is continuing. Once these discussions are concluded, it is hoped that as soon as the required funding is provided, critical repairs to major equipment will be undertaken and creditor issues resolved, which will then allow Golden Quarry Mine to be re-opened.

GOING CONCERN

The Group sustained losses attributable to the shareholders of the Group during the year ended 30 September 2018 amounting to $4 850 681 (2017: $684 074). The Group had a net working capital deficit at 30 September 2018 of $6 748 056 (2017: $4 387 934) and negative equity of $17 161 298 (2017: $12 310 617). The Group continues to incur losses.

The Group generated revenues from two sources: the mill at the Golden Quarry Mine and the sand processing plant at Wanderer Mine (which has assisted the Group's cash flows). Certain upgrade projects were undertaken at the Golden Quarry Mine Complex in the prior year which did not impact production as anticipated due to employee strikes and machinery breakdowns. Post fiscal year end 2018, the Group suffered a catastrophic break down of the Main Number 3 Operating Mill at Golden Quarry Mine, which resulted in a cessation of gold production. In addition, the power supply had been cut off due to non-payment of utility bills. This resulted in the full impairment of the Golden Quarry cash generating unit (refer Note 11). In addition, it rendered the 2019 forecasts inappropriate (refer to Note 27).

These conditions give rise to material uncertainties, which may cast significant doubt about the Group's ability to continue as a going concern and, therefore, it may be unable to realise its assets and discharge its liabilities in the normal course of business.

In the continuing environment of gold prices and toll fees being approximately equal to the Group's cost of production before depreciation and other non-cash costs, the Group continues to experience financial distress. This matter is being addressed by the introduction of a number of cost containment measures, reduction in marginal grade areas mined, and efficiency enhancement initiatives. In addition, the Group is continuing efforts to restructure operations and reduce costs.

Due to the serious liquidity problems, the continued absence of significant investor appetite for Zimbabwe, and the lack of operating profits, management of the Group is, of necessity, operating the Group with a determined focus on addressing short-term issues as they arise, but there can be no assurances that the Group will be able to continue to conduct operations should existing circumstances persist or deteriorate. The majority of factors affecting the Group's operations are external factors outside of its control. As such, there is significant pressure on the Group's efforts to survive. Accordingly, and as stated previously, should the Group be forced to consider shutting down its remaining mining operations, either temporarily or permanently, and/or liquidating its assets in a formal or informal arrangement, then the Group may be unable to continue realising value from its assets and discharging its liabilities in the normal course of business.

We obtained a letter of support from the ultimate holding company New Dawn Mining Corporation., which states that they will not demand repayment of loans in the 12 months after year end and will extend principle repayments due for another year.

GOING CONCERN (CONTINUED)

Management is exploring options for an additional $2.5 million of funding to enable repair of the mill and resuscitation of mining operations, but have not finalised the funding source or structure.

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

These consolidated financial statements do not include any adjustments that might result were it determined to be inappropriate to use the going concern basis of accounting.

CHAIRMAN
I R SAUNDERS

FINANCIAL DIRECTOR
Q NKOMO

BULAWAYO
7 AUGUST 2019

The Directors submit their report and the consolidated financial statements of Falcon Gold Zimbabwe Limited (the "Group") for the year ended 30 September 2018.

FINANCIAL RESULTS

	30 September 2018 US$	30 September 2017 US$
Revenue - continuing and discontinuing operations	6 794 059	6 894 732
Total comprehensive loss for the year	(4 850 681)	(684 074)
Total assets	4 636 683	7 403 525
Market capitalisation	2 779 128	2 223 303

GOING CONCERN

The Group sustained a loss attributable to the shareholders of the Group during the year ended 30 September 2018 amounting to $4 850 681 (2017: loss of $684 074). The Group had a net working capital deficit at 30 September 2018 of $6 748 056 and negative equity of $17 161 298 (2017: $4 387 924 and $12 310 617).

The significant loss for the current year as reported above was mainly due to the impairment of Golden Quarry Mine assets which was a result of a catastrophic failure of the number 2 Mill that took place in December 2018 as an event after the reporting period. As reported in our 2018 Interim Report, Golden Quarry Mine employees had an illegal strike in January 2018. Following heavy rains during the same period, the operations flooded and the mine only reopened in April. The Company undertook a process of rebuilding and refurbishing various production areas post the damage that resulted from the illegal strike action. The full program required capital injection which was to be raised in March 2018 with definitive plans and budgets completed late June to early July 2018. The raising of capital was delayed several times due to a variety of factors mainly relating to the economic environment in Zimbabwe.

The operating personnel were actively trying to do what they could, out of internally generated cash flow, on the key parts of the program and made some good progress until in November 2018, when the number 2 Mill suffered a catastrophic engineering failure. The loss of this milling capacity rendered the Golden Quarry Mine operations unviable and had to be restructured. Whilst the restructuring plans were underway ZESA disconnected power at Golden Quarry Mine demanding full payment of the US$2.7m they were owed. In addition to the amount owed to ZESA, the operating team believed it would require an additional US$1.0M to reopen the mine.

Management has carried out a full assessment of the Group's operations following the catastrophic engineering failure of the number 2 Mill and has put together a reviewed operating plan and the process, at the New Dawn Mining Corporation level to raise $5M. This plan is currently at an advanced stage.

Due to serious liquidity problems, the continued absence of significant investor appetite for Zimbabwe, and the lack of operating profits, management of the Group is, of necessity, operating the Group with a determined focus on addressing short-term issues as they arise, but there can be no assurances that the Group will be able to continue to conduct operations should existing circumstances persist and/or become exacerbated. There are significant factors generating pressure that is undermining the Group's efforts to survive. The majority of factors affecting the Group's operations are external factors outside of its control. Accordingly, and as stated previously, for any number or combination of reasons, should the Group be forced to consider shutting down its remaining mining operations, either temporarily or permanently, and/or to liquidate in a formal or informal arrangement, then the Group would be unable to continue realising value from its assets and discharging its liabilities in the normal course of business.

These consolidated financial statements do not include any adjustments that might result were it determined to be inappropriate to use the going concern basis of accounting.

DIRECTORATE

The names of the Directors and Secretary are those in office at the time of the printing of this notice.

AUDITORS

Ernst & Young remain in office until the conclusion of the next Annual General Meeting, at which members will be asked to fix their remuneration for the year under review and to appoint the auditors for the ensuing year. Ernst & Young have indicated their willingness to continue in office.

For and on behalf of the Board

CHAIRMAN
I R SAUNDERS

FINANCIAL DIRECTOR
Q NKOMO

BULAWAYO
7 AUGUST 2019

The Board of Directors is accountable to the Group's shareholders for good corporate governance. The Board has also considered internal control requirements of the Group appropriate to its stage of development and complexity of operation. The Board regularly reviews key business risks in addition to the financial risks facing the Group in the operations of the business.

The Board

The Group is currently led and controlled by a Board comprising two executive directors and two non-executive directors.

There are no matters specifically reserved to the Board for its decision although effectively no decision of any consequence is made other than by the Directors. Board meetings are held when required. All Directors participate in the key areas of decision making, including the appointment of new Directors. There is no separate Nomination Committee due to the current size of the Board.

It is the role of executive management to run the business within the parameters laid down by the Board and to produce clear and accurate reports to enable the Board to assess their performance.

There is no agreed formal procedure for the Directors to take independent professional advice at the Group's expense.

All Directors submit themselves for re-election at the Annual General Meeting (AGM) at regular intervals. There are no specific terms of appointment for non-executive Directors.

Directors' remuneration

There is no Remuneration Committee due to the current size of the Board. The Chairman is responsible for the consideration and approval of terms of service, remuneration, bonuses, share options and other benefits of the Directors. The Board of Directors, in turn, are responsible for the consideration and approval of the Chairman's terms of service and remuneration. All decisions are made after giving due consideration to the size and nature of the business and the importance of retaining and motivating management.

None of the Directors have service contracts with the Group.

Accountability and audit

There is no Audit Committee due to the current size of the Board. The Board is responsible for reviewing the scope, results of the audit, its cost effectiveness, the independence and objectivity of the auditors. A formal statement of independence is received from the external auditor each year.

Relations with shareholders

The Chairman is the Group's principal spokesman with investors, fund managers, the press and other interested parties. At the AGM, shareholders are given the opportunity to question the Board.

Internal control

The Board acknowledges its responsibility for establishing and maintaining the Group's systems of internal control. Although no system of internal control can provide absolute assurance against material misstatement or loss, the Group's systems are designed to provide the Directors with reasonable assurance that problems are identified on a timely basis and dealt with appropriately.

The key procedures that have been established and which are designed to provide effective control are as follows:

- Management structure– the Board meets when required to discuss all issues affecting the Group.
- Investment appraisal– the Group has a framework for investment appraisal, and approval is required by the Board where appropriate.
- Internal controls- the Board reviews the effectiveness of the systems of internal control and considers the major business risks and the control environment. No weaknesses in internal financial control have resulted in any material losses, contingencies or uncertainties which would require disclosure in the financial statements.

BULAWAYO
7 AUGUST 2019

EY
Building a better working world

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INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF FALCON GOLD ZIMBABWE LIMITED

Opinion

We have audited the accompanying consolidated financial statements of Falcon Gold Zimbabwe Limited and its subsidiaries ('the Group') set out on pages 13 to 53 which comprise the consolidated statement of financial position as at 30 September 2018, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, the notes to the consolidated financial statements which include a summary of significant accounting policies and other explanatory information.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Falcon Gold Zimbabwe Limited as at 30 September 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of Falcon Gold Zimbabwe Limited in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and other independence requirements applicable to performing audits of financial statements in Zimbabwe. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw your attention to Note 25 in the consolidated financial statements which indicates that the Group incurred a loss during the year ended 30 September 2018 of $4 850 681 (2017: $684 074) and as of that date, the Group's current liabilities exceed its current assets by $6 748 056 (2017: $4 387 924) and has negative equity of $17 161 298 (2017: $12 310 617). In addition, because of the catastrophic breakdown of the main operating mill at Golden Quarry Mine post year-end and various other external factors, the Group continues to experience financial distress. These conditions, along with other matters as set forth in Note 25, indicate that a material uncertainty exists which may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matter described herein to be the key audit matter to be communicated in our report. For the matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report, including in relation to this matter. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matter below, provide the basis for our audit opinion on the accompanying consolidated financial statements of the Group.

Key Audit Matter	How the matter was addressed in the audit
Impairment of Golden Quarry Mine (Great Punch Investments (Private) Limited) Falcon Gold Zimbabwe Limited recognised an impairment provision to reduce the aggregate carrying value of the Golden Quarry Mine cash-generating unit ('CGU') to nil as at 30 September 2018. Following a review of the operating plan as a result of the catastrophic break down of the main operating mill post year end, management reassessed the carrying value of the CGU. An impairment provision of $2 107 348 has been recorded to reduce the carrying value of the assets of the CGU to its estimated recoverable amount, which is the higher of fair value less costs of disposal ('FVLCD') and value in use. Given the nature of the Group's activities, information on the fair value of an asset is usually difficult to obtain unless negotiations with potential purchasers or similar transactions are taking place. Consequently, the recoverable amount for each CGU is estimated based on discounted future estimated cash flows (expressed in real terms), which due to inability to produce the mineral, are not positive. The assessment of the recoverable value of the relevant cash-generating unit ('CGU'), incorporates significant judgement in respect of factors such as forecast production levels, commodity prices, remaining life of mine, operating costs and economic assumptions such as discount and inflation rates which are disclosed in note 11 to the Consolidated financial statements. The evaluation of the significant judgements used, resulting in a significant impact on the carrying amount of property, plant and equipment required additional auditor attention therefore we have identified this as a key audit matter.	Our procedures included, among others: ▸ Evaluating the Group's assumptions and estimates to determine the recoverable value of the CGU, including those relating to forecast production levels, commodity prices, operating costs, and discount and inflation rates. This included involving valuation specialist specialists to compare the discount rate used against external benchmarks, comparing the projected metal prices to various external sources, and considering the assumptions based on our knowledge of the Group and its industry; ▸ Assessing the reasonableness of the ore reserve estimate used in determining the remaining life of mine used in the impairment model; ▸ Validating the mathematical accuracy of cash flow models and agreeing relevant data to the latest production plans and approved forecasts; ▸ Performing sensitivity analyses on forecast production, metals prices and discount rates; and ▸ Assessing the adequacy of the Group's disclosures in respect of asset carrying values and the significant judgements and estimates made.

Other Information

The other information comprises the Chairman's Statement, Directors' Report and Corporate Governance Statement. Other information does not include the consolidated financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the consolidated financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated 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 financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Directors' Responsibility for the Consolidated Financial Statements

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

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

In preparing the consolidated financial statements, the directors are responsible for assessing the Group'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 or 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 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 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 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'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'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 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 to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated 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 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 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, the consolidated financial statements have, 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 Ms Monica Chanduru (PAAB Practicing Certificate Number 0567).

Ernst & Young.

ERNST & YOUNG

CHARTERED ACCOUNTANTS (ZIMBABWE)
REGISTERED PUBLIC AUDITORS

BULAWAYO
8 AUGUST 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 SEPTEMBER 2018

	Notes	2018 US$	Restated* 2017 US$
Continuing operations			
Revenue		6 794 059	6 894 732
Mineral production expenses	6	(8 394 606)	(10 524 587)
Gross loss		(1 600 547)	(3 629 855)
General and administrative expenses		(1 291 158)	(1 091 336)
Other operating expenses	6	(329 712)	(375 631)
Net operating loss		(3 221 417)	(5 096 822)
Other income	6	988 061	408 791
Impairment losses on financial assets	6	(85 223)	-
Impairment losses on non-financial assets	6	(2 107 348)	-
Other expenses	6	(205 595)	(274 760)
Effective interest rate finance income	6	356 647	191 344
Finance income	6	99 431	4 153
Finance costs	6	(572 740)	(323 313)
Loss before taxation from continuing operations		(4 748 184)	(5 090 607)
Taxation	8	(102 497)	(50 000)
Loss for the year from continuing operations		(4 850 681)	(5 140 607)
Discontinued operations			
Profit from discontinued operations	7. 1	-	4 456 533
Total loss for the year		(4 850 681)	(684 074)
Other comprehensive income:			
Other comprehensive income for the year		-	-
Total comprehensive loss for the year		(4 850 681)	(684 074)
Loss for the year attributable to:			
Owners of the parent		(5 009 923)	(638 955)
Non-controlling interest		159 242	(45 119)
		(4 850 681)	(684 074)
Basic and diluted loss per share (US$)	9	(0.04)	(0.01)

FALCON GOLD ZIMBABWE LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2018

	Notes	2018 US$	Restated* 2017 US$	Restated* 2016 US$
ASSETS				
Non-current assets				
Property, plant and equipment	10	441 211	2 560 358	2 168 750
Non-current receivables	14	-	792 088	-
		441 211	3 352 446	2 168 750
Current assets				
Inventories	12	1 088 582	618 087	900 420
Trade and other receivables	14	3 025 169	3 069 715	2 500 292
Cash and cash equivalents	15	81 721	363 277	150 054
Assets held for sale		-	-	6 573 362
Total current assets		4 195 472	4 051 079	10 124 128
TOTAL ASSETS		4 636 683	7 403 525	12 292 878
EQUITY AND LIABILITIES				
Equity				
Share capital	16	1 111 651	1 111 651	1 111 651
Non- distributable reserve	16	(2 766 582)	(2 766 582)	(2 766 582)
Accumulated losses		(15 552 004)	(10 542 081)	(9 903 126)
Non-controlling interest	17.1	45 637	(113 605)	(68 486)
Total equity		(17 161 298)	(12 310 617)	(11 626 543)
Non-current liabilities				
Shareholders loan	19	9 258 646	9 674 451	9 927 653
Rehabilitation provision	18	1 524 639	1 600 688	1 494 025
Deferred tax liabilities	8.2	71 168	-	-
		10 854 453	11 275 139	11 421 678
Current liabilities				
Related party payables	13	2 772 001	1 525 118	2 639 992
Other short-term loans	19	-	-	183 335
Trade and other payables	20	8 147 648	6 913 885	4 602 549
Tax liability	8.3	23 879	-	-
Liabilities directly associated with assets held for sale		-	-	5 071 867
Total current liabilities		10 943 528	8 439 003	12 497 743
Total liabilities		21 797 981	19 714 142	23 919 421
TOTAL EQUITY AND LIABILITIES		4 636 683	7 403 525	12 292 878

DIRECTORS

7 AUGUST 2019

FALCON GOLD ZIMBABWE LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED
30 SEPTEMBER 2018

	Share capital US$	Non distributable reserve US$	Accumulated losses US$	Total US$	Non controlling interest US$	Total US$
Balance as at 30 September 2016	1 111 651	(2 766 582)	(9 648 388)	(11 303 319)	(68 486)	(11 371 805)
Restatement*			(254 738)	(254 738)	-	(254 738)
	1 111 651	(2 766 582)	(9 903 126)	(11 558 057)	(68 486)	(11 626 543)
Total comprehensive loss	-	-	(638 955)	(638 955)	(45 119)	(684 074)
Loss for the year	-	-	(638 955)	(638 955)	(45 119)	(684 074)
Restated balance as at 30 September 2017	1 111 651	(2 766 582)	(10 542 081)	(12 197 012)	(113 605)	(12 310 617)
Total comprehensive (loss)/ profit	-	-	(5 009 923)	(5 009 923)	159 242	(4 850 681)
(Loss)/ profit for the year	-	-	(5 009 923)	(5 009 923)	159 242	(4 850 681)
Balance as at 30 September 2018	1 111 651	(2 766 582)	(15 552 004)	(17 206 935)	45 637	(17 161 298)

* See Note 23 for further detail on restatement.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 SEPTEMBER 2018

	Notes	2018 US$	Restated 2017 US$
OPERATING ACTIVITIES			
Loss before taxation from continuing activities		(4 748 184)	(5 090 607)
Profit before taxation from discontinued activities		-	4 456 533
Loss before tax		(4 748 184)	(634 074)
Adjusted for:			
Depreciation and depletion from continuing operations	6	329 713	375 631
Impairment losses on non-financial assets	6	2 107 348	-
Profit on disposal of property, plant and equipment	6	(114 050)	(47 028)
Net gain arising from disposal of subsidiary		-	(4 058 373)
Finance income from continuing operations	6	(456 078)	(195 497)
Change in accounting estimates	18	(268 772)	(66 904)
Finance income from discontinued operations		-	(27)
Finance costs	6	159 195	72 332
Finance charges on trade payables	6	220 822	26 866
Rehabilitation provision – interest from continuing operations	6	192 723	224 103
Rehabilitation provision – interest from discontinued operations		-	280 450
Bad debts written off		9 148	8 059
Cash flows used in operations		(2 568 135)	(4 014 462)
(Increase)/decrease in inventories		(470 495)	318 837
(Increase)/Decrease in trade and other receivables		1 283 564	1 358 076
Increase/(Decrease) in trade and other payables		2 259 811	1 056 053
Cash flows generated from/(used in) operating activities		504 745	(1 281 496)
Tax paid	8	(7 450)	(50 000)
Net cash flows generated from/(used in) operating activities		497 295	(1 331 496)
FINANCING ACTIVITIES			
Loan repayments		(575 000)	(253 202)
Net cash flows used in financing activities		(575 000)	(253 202)
INVESTING ACTIVITIES			
Acquisition of property, plant and equipment		(321 011)	(713 208)
Proceeds from sale of property, plant and equipment		117 160	10 789
Proceed from disposal of Palatial Gold Investments (Private) Limited		-	2 489 802
Finance income from discontinuing operations		-	27
Finance income from continuing operations		-	4 153
Net cash flows (used in)/generated from investing activities		(203 851)	1 791 563
Net (decrease)/increase in cash and cash equivalents		(281 556)	206 865
Cash and cash equivalents at the beginning of the year		363 277	150 054
Cash and cash equivalents at the end of the year		81 721	363 277
Cash and cash equivalents comprise:			
Cash and cash equivalents attributable to continuing operations	15	81 721	363 277

1. CORPORATE INFORMATION

Falcon Gold Zimbabwe Limited ("Falgold" or the "Group") is incorporated and domiciled in Zimbabwe and is listed on the Zimbabwe Stock Exchange (ZSE).

The Group is engaged in exploration and development, extraction, processing and reclamation of precious metal deposits in Zimbabwe. Gold exploration and production is the primary focus.

The principal accounting policies applied in the preparation of these consolidated 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 consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), the disclosure requirements of the Companies Act (Chapter 24:03) and the relevant statutory instruments. The consolidated financial statements have been prepared on a historical cost basis. The consolidated financial statements are presented in United States dollars (US$ or $), which is the Group's functional currency. All financial information presented in United States dollars has been rounded to the nearest dollar.

2.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 30 September 2018. Control is achieved 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.

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 Group reassesses 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. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intragroup 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 (CONTINUED)

2.2 Basis of consolidation (continued)

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 assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interest
- Derecognises the cumulative translation differences recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, 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 consolidated financial statements.

Mine rehabilitation provisions

Mine rehabilitation costs are expected to be incurred by the Group 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 ultimate rehabilitation costs are uncertain, and cost estimates can vary in response to many factors, including estimates of the extent and costs of rehabilitation activities, technological changes, regulatory changes, cost increases as compared to the inflation rates, and changes in discount rates. 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 18 for the carrying amount of the provision for mine rehabilitation.

Ore reserves and 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 data on the size, depth and shape of the ore body, and require 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. 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 (Note 10).
- Depreciation and amortisation charges in profit or loss may change where charges are determined using the useful life of the related assets (Note 10).
- 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 (Note 18).

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

Stockpiles, metals in process and ore on leach pad (Note 12)
Costs that are incurred in or benefit the production process are accumulated as stockpiles, metals in process and ore on leach pads. Net realisable value tests are performed at least annually and represent the estimated future sales price of the product, based on prevailing and long-term metals prices, less estimated costs to complete production and bring the product to sale.

Stockpiles and underground metals in process are measured by estimating the number of tonnes added and removed from the stockpile and from underground, the number of contained gold ounces based on assay data, and the estimated recovery percentage based on the expected processing method. Stockpile and underground ore tonnages are verified by periodic surveys.

Estimates of the recoverable gold on the leach pads are calculated from the quantities of ore placed on the pads based on measured tonnes added to the leach pads, the grade of ore placed on the leach pads based on assay data and a recovery percentage based on metallurgical testing and ore type.

Although the quantities of recoverable metal are reconciled by comparing the grades of ore to the quantities of gold actually recovered (metallurgical balancing), the nature of the process inherently limits the ability to precisely monitor recoverability levels. As a result, the metallurgical balancing process is constantly monitored, and engineering estimates are refined based on actual results over time.

Variations between actual and estimated quantities resulting from changes in assumptions and estimates that do not result in write-downs to net realisable value are accounted for on a prospective basis.

The carrying amount of inventories (excluding consumables) for the Group at 30 September 2018 was $577 699 (2017: $207 142).

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 un-utilised 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 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 8 for the carrying amount of deferred tax asset not recognised.

Joint operations
A joint operation (JO) is a type of joint arrangement in which the parties with joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement.

Judgement is required to determine when the Group has joint control, which requires an assessment of the relevant activities and when the decisions in relation to those activities require unanimous consent. The Group has determined that the relevant activities for its joint arrangements relate to the operating and capital decisions of the arrangement, such as the approval of the capital expenditure programme for each year, and appointing, remunerating and terminating the key management personnel of, or service providers to, the joint arrangement. The considerations made in determining joint control are similar to those necessary to determine control over subsidiaries. Refer to Note 17.2 for more details.

Judgement is also required to classify a joint arrangement as either a joint operation or joint venture (JV). Classifying the arrangement requires the Group to assess their rights and obligations arising from the arrangement. Specifically, it considers:

• The structure of the joint arrangement – whether it is structured through a separate vehicle
• When the arrangement is structured through a separate vehicle, the Group also considers the rights and obligations arising from:
• The legal form of the separate vehicle
• The terms of the contractual arrangement
• Other facts and circumstances (when relevant)

This assessment often requires significant judgement, and a different conclusion on joint control and also whether the arrangement is a JO or a JV, may materially impact the accounting.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

Impairment of property, plant and equipment

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm’s length, for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a Discounted Cash Flow (DCF) model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset’s performance or the Cash Generating Unit (CGU) being tested. The recoverable amount is sensitive to the discount rate used for the Discounted Cash Flow (DCF) model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

Refer Note 10 for the carrying amount of property, plant and equipment.

4. FINANCIAL REPORTING

4.1 New and amended standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year. A number of new standards, amendments to standards and interpretations to IFRS were issued during the year that are effective 1 January 2017 but have no impact on the Group.

4.2 Standards issued but not yet effective at reporting date

Standards issued but not yet effective up to the date of issuance of the Group's financial statements are listed below. This listing is of those standards and interpretations issued that the Group reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The Group intends to adopt these standards, if applicable, when they become effective.

IFRS 9 - Financial Instruments

The Group plans to adopt the new standard on the required effective date and will not restate comparative information. During the current year, the Group performed an impact assessment of all three aspects of IFRS 9. This assessment is based on currently available information and may be subject to changes arising from further reasonable and supportable information being made available to the Group when the Group adopt IFRS 9. Overall, the Group expects no significant impact on its statement of financial position or equity from the adoption of IFRS 9 except for the effect of applying the impairment requirements of IFRS 9.

(a) Classification and measurement

The Group does not expect a significant impact on the classification and measurement requirements of IFRS 9.

Financial assets

Loans as well as trade receivables are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. The Group analysed the contractual cash flow characteristics of those instruments and concluded that they meet the criteria for amortised cost measurement under IFRS 9. Therefore, reclassification for these instruments is not required.

Financial Liabilities

The Group does not expect to designate any financial liabilities as at fair value through profit or loss, hence there are no expected changes in the classification and measurement of the Group's financial liabilities.

(b) Impairment

IFRS 9 requires the Group to record expected credit losses on all of its loans and trade receivables, on a 12-month or lifetime basis. The Group will apply the simplified approach and record lifetime expected losses on all trade receivables. There are minimal expected impairment losses that will arise due to the short-term nature of the Group's trade receivables cycle and history of recovery.

IFRS 15 - Revenue from Contracts with Customers

The IASB issued the revenue recognition standard, IFRS 15 Revenue from Contracts with Customers, which replaces all existing IFRS revenue requirements. The core principle of IFRS 15 is that revenue is recognised to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

IFRS 15 establishes a five-step model that will apply to revenue earned from a contract with a customer (with limited exceptions), regardless of the type of revenue transaction or the industry. The standard's requirements will also apply to the recognition and measurement of gains and losses on the sale of some non-financial assets that are not an output of the entity's ordinary activities (e.g., sales of plant and equipment or intangibles). Extensive disclosures will be required, including disaggregation of total revenue; information about performance obligations; changes in contract asset and liability account balances between periods and key judgements and estimates.

The standard is effective for annual periods beginning on or after 1 January 2018, but early adoption is permitted under IFRS.

Gold and silver bullion sales

Revenue is recognised once the performance obligation is satisfied, this is when control of the metals is transferred to Fidelity Printers and Refiners (Private) Limited (Fidelity Printers) and their respective agents. Control occurs at a point in time and not over time. Control is transferred when Fidelity Printers and their respective agents have physical possession over the metals sold, hence revenue is recognised once control has passed to Fidelity Printers or their respective agents. The treatment of revenue under IFRS 15 is similar to IAS 18 hence management have assessed the impact as minimal. The Group plans to adopt IFRS 15 in the year it becomes effective.

4. FINANCIAL REPORTING (CONTINUED)

4.2 Standards issued but not yet effective at reporting date (continued)

IFRS 16 - Leases
IFRS 16 requires lessees to account for all leases under a single on-balance sheet model in a similar way to finance leases under IAS 17. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset).

Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

The standard is effective for annual periods beginning on or after 1 January 2019 The Group is still assessing the impact of the standard on its lease agreements and plans to adopt IFRS 16 in the year it becomes effective.

IFRIC 22 - Foreign Currency Transactions and Advance Consideration
The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration.

The standard is effective for annual periods beginning on or after 1 January 2019. The Group is still assessing the impact of the standard on its foreign prepayments and plans to adopt in the year it becomes effective.

4.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
a) Foreign currency translation

i) Functional and presentation currency
Items included in the financial statements of each of the Group’s entities are measured using the currency of the primary economic environment in which the Group operates (“the functional currency”). The financial statements are presented in United States of America Dollars (US$), which is the Group’s functional and presentation currency. Falcon Gold Zimbabwe Limited does not have any foreign operations.

ii) Foreign currency transactions and balances
Foreign currency transactions are translated into the presentation currency using the spot exchange rates prevailing at the dates of the transactions. At the end of each reporting period foreign currency monetary assets and liabilities are translated using the closing exchange rates. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end closing exchange rates of foreign currency monetary assets and liabilities are recognised in profit or loss.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the initial transaction. Non-monetary items measured at a revalued amount in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

b) Mineral exploration, evaluation and development expenditure

Costs incurred prior to the acquisition of a valid licence, claim or legal right
Costs incurred prior to the acquisition of a valid licence, claim or legal right for exploration of a property are expensed in the period in which they are incurred.

Exploration and evaluation costs
Once the legal right to explore has been acquired, exploration and evaluation expenditure is charged to profit or loss as incurred, unless the Group concludes that a future economic benefit is more likely than not to be realised. In this case these amounts are capitalised as exploration and evaluation assets under the asset category development costs (refer Note 10).

4.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b) Mineral exploration, evaluation and development expenditure (continued)

Exploration and evaluation activity involve 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 activities include:

- 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

Mines under construction
Upon transfer of 'exploration and evaluation costs' into 'mines under construction', all subsequent expenditure on the construction, installation or completion of infrastructure facilities is capitalised within 'mines under construction'. After production starts, all assets included in 'mines under construction' are transferred to producing mines.

c) Property, plant and equipment and mine properties

Initial recognition
Upon completion of mine construction, the assets are transferred into property, plant and equipment. Items of property, plant and equipment and mine properties 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 and, for qualifying assets, 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 finance lease is also included within property, plant and equipment. When a mine construction project moves into the production stage, the capitalisation of certain mine construction costs ceases, and costs are expensed, except for costs which qualify for capitalisation relating to mining asset additions or improvements, underground mine development or mineable reserve development.

Depreciation
Accumulated mine development costs are depreciated on straight line basis over the economically recoverable reserves and resources of the mine concerned. The life of mine as at 30 September 2018 is 2 years.

Plant and equipment such as buildings and mobile mine equipment is generally depreciated on a straight-line basis over their estimated useful lives as follows:

Buildings	15 years
Motor vehicles	5 years
Office equipment	5 years
Plant and equipment	15 years

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 asset's residual values, useful lives and methods of depreciation are reviewed at each reporting period, and adjusted prospectively if appropriate.

4.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Property, plant and equipment and mine properties (continued)

Major maintenance and repairs
Expenditure on major maintenance refits or repairs comprises the cost of replacement assets or parts of assets and overhaul costs. Where an asset or part of an asset that was separately depreciated is replaced, and it is probable that future economic benefits associated with the replacement item will flow to the Group through an extended life, the expenditure is capitalised.

Where part of the asset was not separately considered as a component, the replacement value is used to estimate the carrying amount of the replaced assets which is immediately written off. All other day to day maintenance costs are expensed as incurred.

d) 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, the Group estimates the asset's or CGU's recoverable amount. An asset's 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 assessing 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. 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. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

When the Group bases its impairment calculation on value in use detailed budgets and forecast calculations, 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 of CGU.

For property, plant and equipment, 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 reversed. 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 its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss.

e) Financial instruments – initial recognition and subsequent measurement
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.

4.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

f) Financial assets

Initial recognition
Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held to maturity investments, or available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

The Group only has loans and receivables. The Group determines the classification of its financial assets on initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year end.

All regular way purchases and sales of financial assets are recognised on the trade date, which is the date that the Group commits to the respective purchase or sale of the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement loans and receivables are carried at amortised cost using the effective interest method less any allowance for 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 effective interest rate. The effective interest rate amortisation is included in finance revenue in the profit or loss. The losses arising from impairment are recognised in the statement of comprehensive income in other operating expenses.

Cash and cash equivalents in the statement of financial position comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less. For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of any outstanding bank overdrafts.

Impairment of financial assets
The Group assesses at each reporting date whether a financial asset or group of similar financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred ‘loss event’), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment 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 reorganisation 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.

If there is objective evidence that an impairment loss on assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset’s original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through use of an allowance account. The amount of any such loss is recognised in profit or loss.

If, in a subsequent period, the amount of an impairment loss decreases, and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date. Any reversal of an impairment loss is recognised in profit or loss.

A provision for impairment of trade receivables is made when there is reasonable evidence that the Group will not be able to collect all of the amounts due under the original terms of the sale. Impaired trade receivables are derecognised when they are assessed as uncollectible.

4.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

f) Financial assets (continued)

De-recognition of financial assets
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised (i.e. removed from the Group's 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

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

g) Financial liabilities

Loans and borrowings
All loans and borrowings are initially recognised at fair value plus directly attributable transaction costs. After initial recognition, loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

The Group's loans and borrowings comprise of trade and other payables, shareholders loans, other short-term loans and related party payables.

De-recognition of financial liabilities
A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. When an existing financial liability is replaced by another financial liability 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 de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit and loss.

Offsetting of financial instruments
Financial assets and financial liabilities are offset, and the net amount reported in the statement of financial position if and only if:

- there is a currently enforceable legal right to offset the recognised amounts and;
- there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

4.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

h) Provisions

Rehabilitation provision
The Group recognises a rehabilitation provision where it has a legal and constructive obligation as a result of past events, 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 expensed when the inventory item is recognised in cost of goods sold. Additional disturbances or changes in rehabilitation costs 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 Property, plant and equipment.

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 the 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 the asset 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 expenses.

Over time, the discounted liability is increased for the change in present value based on the discount rates that reflect current market assessments of the time value of money 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

h) Revenue and other income recognition
Revenue is recognised to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, sales taxes, royalties or duties.

Gold and silver bullion sales
Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer and selling prices are known or can be reasonably estimated, which is considered to occur when title passes to the customer. This occurs when product is physically transferred to the customer.

Interest income
Interest income is recognised as it accrues (using the effective interest method) and is included in finance revenue in the statement of comprehensive income.

Export incentive income
Income is earned on foreign currency receipts at a fixed percentage and is included under sundry income. These export incentives were a directive of the Reserve Bank of Zimbabwe.

4.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

h) Revenue and other income recognition (continued)

Rental income
Vacant mine houses rental income
Rental income arising from operating leases on vacant mine housing is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature.

Claims rental income (tribute fees)
The Group rents out mining claims to third parties. The terms of agreement for the rental of these mining claims contain provisions for the third parties to pay the Group a specific percentage of their monthly gold sales as tribute fees. The percentages vary according to each agreement. Income relating to rental of claims is recognised in other income once control of gold passes to the third party and the Group has the right to receipt of payment.

Processing plant rental income
In the prior year the Group leased out Palatial Gold Investments (Private) Limited's gold processing plant and the area surrounding the plant to RioZim Limited under a renewable operating lease agreement. The agreement was cancelled when the disposal of Palatial Gold Investments (Private) Limited to RioGold (Private) Limited was concluded on the 19th of May 2017. Under the agreement, RioZim Limited paid the Group a rental fee of US$10 per dry metric tonne of ore milled and processed. The cost of repairs to the plant were borne by RioZim Limited and each month RioZim Limited deducted amounts it incurred on repairs from the rental up to a limit of 50% of rental amount payable to the Group. The total amount which RioZim Limited could deduct from the rental payable in respect of the repairs to the plant was limited to US $250 000 (two hundred and fifty thousand United States Dollars only). This arrangement ceased once ownership of Palatial Gold Investments (Private) Limited passed to RioGold (Private) Limited, the holding company of RioZim Limited as described in Note 7.

i) Pension and other post-employment benefits
Current contributions are made to a defined contribution pension fund operated by the Mineworkers Union under the terms of the collective agreement with the Mineworkers' Union. In addition, the Group contributes to the National Social Security Authority in respect of all employees as determined by legislation. Contributions to the Mineworkers' Union pension plan and the National Social Security Authority are expensed as incurred.

j) Taxes

Current income tax
Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Current income tax relating to items recognised directly in equity or other comprehensive income is recognised in equity or other comprehensive income and not in profit or loss.

Deferred income 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 income tax liabilities are recognised for all taxable temporary differences, except when 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/ (tax loss).

Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, 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 where the deferred income 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.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period 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 income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will be available to allow the deferred tax asset to be recovered.

4.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

j) Taxes (continued)

Deferred income tax (continued)

Deferred income 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 by the end of the reporting period.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Such deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

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

k) Inventories

Gold in Process and gold bullion
Gold in process of production and gold bullion is physically measured or estimated and valued at the lower of cost or net realisable value. Net realisable value is the estimated future sales price of the gold the entity expects to realise when it is processed and sold, less estimated costs to complete production and bring the gold to saleable condition. Costs of production include costs directly related to the units of production using a systematic allocation of fixed and variable production overheads that are incurred in converting ore into gold bullion.

Cost is determined using the first-in-first-out (FIFO) method.

Spares and consumables
Spares and consumables 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.

Cost is determined using the weighted average cost method.

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

Group as a lessee
Operating leases are leases that do not transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item. Operating lease payments are recognised as an expense on a straight-line basis over the lease term. Contingent rentals are expensed as incurred.

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. Initial direct costs incurred in negotiating and arranging 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.

4.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

m) Non-current assets held for sale and discontinued operations
Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable, and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

In the statement of profit or loss and other comprehensive income, income and expenses from discontinued operations are reported separately from income and expenses from continuing operations, down to the level of profit after taxes, even when the Group retains a non-controlling interest in the subsidiary after the sale. The resulting profit or loss (after taxes) is reported separately in the income statement. Property, plant and equipment and intangible assets once classified as held for sale are not depreciated or amortised. When an associate is classified as held for sale, the application of the equity method also ceases.

n) Joint operations
A joint operation (JO) is a type of joint arrangement in which the parties with joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement.

In relation to its interests in JOs, the financial statements of the Group include
• Assets, including its share of any assets held jointly
• Liabilities, including its share of any liabilities incurred jointly
• Revenue from the sale of its share of the output arising from the joint operation
• Share of the revenue from the sale of the output by the joint operation
• Expenses, including its share of any expenses incurred jointly
All such amounts are measured in accordance with the terms of each arrangement which are in proportion to the Group's interest in each asset and liability, income and expense of the JO.

Reimbursement of the costs of the operator of the joint arrangement
When the Group, acting as an operator or manager of a joint arrangement, receives reimbursement of direct costs recharged to the joint arrangement, such recharges represent reimbursements of costs that the operator incurred as an agent for the joint arrangement and therefore have no effect on profit or loss.

When the Group charges a management fee (based on a fixed percentage of total costs incurred for the year) to cover other general costs incurred in carrying out the activities on behalf of the joint arrangement, it is not acting as an agent. Therefore, the general overhead expenses and the management fee are recognised in the statement of profit or loss and other comprehensive income as an expense and income, respectively.

5. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their location and has two reportable operating segments, which are all located in Zimbabwe, as follows:

- Musical Scales Investments (Private) Limited (located in Shurugwi and Bulawayo for head office)
- Great Punch Investments (Private) Limited (located in Shurugwi/Gweru)

Other operation's results which did not meet the quantitative thresholds for disclosure as a separate operating segment were shown under 'other operating segments' below.

All revenue is derived from gold sales to the Fidelity Printers and Refiners (Private) Limited and their respective agents.

Management monitors the operating results of its operating segments 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 financial statements. However, the Group's financial arrangements (including finance costs and finance revenue) and income taxes and other items of property, plant and equipment are managed on a Group basis and are not allocated to operating segments.

The accounting policies used by the Group in reporting segments internally is the same as those contained in Note 4. The following is an analysis of the Group's revenue and results from operations by reportable segments for the year ended 30 September 2018:

5. SEGMENT REPORT

	Musical Scales US$	Great Punch US$	Other operating segments* US$	Total US$
Year ended 30 September 2018				
Revenue				
External parties	3 026 234	3 767 825	-	6 794 059
Inter-segment	-	-	-	-
Total revenue	3 026 234	3 767 825	-	6 794 059
Results				
Depreciation and depletion	(39 489)	(281 811)	(8 413)	(329 713)
Provision for rehabilitation-unwinding of interest	-	(192 723)	-	(192 723)
Impairment losses on non-financial assets	-	(2 107 348)	-	(2 107 348)
Impairment losses on financial assets	-	-	(85 223)	(85 223)
Reportable segment profit/ (loss)	965 527	(5 019 762)	(701 399)	(4 755 634)

*Other operating segment information relates to Falcon Gold Zimbabwe Limited.

Segment profit/ (loss) represent the profit/(loss) generated by each segment without allocation of the central administration costs and director's remuneration. This is the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

The following is an analysis of the Group's revenue and results from operations by reportable segments for the year ended 30 September 2017.

	Palatial Gold US$	Great Punch US$	Other operating segments* US$	Total US$
Year ended 30 September 2017				
Revenue				
External parties	-	6 260 281	634 451	6 894 732
Inter-segment	-	-	-	-
Total revenue	-	6 260 281	634 451	6 894 732
Results				
Depreciation and depletion	-	(355 606)	(37 767)	(393 373)
Provision for rehabilitation-unwinding of interest	(280 450)	(224 103)	-	(504 553)
Reportable segment profit/ (loss)	398 160	(4 183 656)	3 101 422	(684 074)

*Other operating segment information relates to Falcon Gold Zimbabwe Limited and Musical Scales Investments (Private) Limited.

*In 2017, Musical Scales Investments (Private) Limited did not meet the criteria of an operating segment, however in current year it meets the criteria, hence been shown as a separate operating segment

5. SEGMENT REPORT (CONTINUED)	2018 US$	2017 US$
Segment assets		
Musical Scales Investments (Private) Limited	665 387	332 537
Great Punch Investments (Private) Limited	1 692 227	3 724 176
Other operating segments	2 279 069	3 346 812
Total assets	4 636 683	7 403 525
Segment liabilities		
Musical Scales Investments (Private) Limited	418 680	809 026
Great Punch Investments (Private) Limited	15 794 601	13 049 513
Other Operating segments	5 584 700	5 855 603
Total liabilities	21 797 981	19 714 142
Additions to plant and equipment		
Musical Scales Investments (Private) Limited	122 346	164 079
Great Punch Investments (Private) Limited	193 108	543 212
Other operating segments	5 557	5 917
Total additions	321 011	713 208

6. LOSS BEFORE TAXATION FROM CONTINUING OPERATIONS

Loss before taxation is stated after taking the following into account:

Salaries, wages and employer and pension contributions	3 827 377	3 531 995
Group pension contributions	82 597	134 539
Depreciation and depletion	329 713	375 631
Impairment losses on financial assets	85 223	-
Impairment losses on non-financial assets	2 107 348	-
Operating lease expense	42 000	24 150
Director's remuneration	113 142	102 564
Mineral production expenses		
Labour related costs	3 466 664	4 069 888
Inventory issues	1 965 589	1 787 772
Production expenses	3 041 377	4 220 854
Royalties and assay charges	291 533	339 269
Gold in process	(370 557)	106 804
	8 394 606	10 524 587
Other income		
Profit on disposal of plant and equipment	114 050	47 028
Silver and scrap sales	1 758	10 076
Foreign exchange gains	3 093	4 726
Sundry income	869 160	346 961
	988 061	408 791

Sundry income comprises of scrap sales, mining claim sales, sale of gravel, and a change in estimate adjustment on the provision for rehabilitation provision.

Other expenses		
Audit fees	117 072	67 994
Tribute fees	88 523	206 766
	205 595	274 760

Tribute fees are fees paid to Olympus Gold Mines Limited for access to and mining of resources at the Camperdown mining claim. This expense is based on a fixed percentage of revenue recognised.

Effective interest rate finance income		
Unwinding of interest on Palatial Gold purchase consideration	356 647	191 344

The interest income relates to the unwinding of the effective interest on the receivable from sale of Palatial Gold. Refer to Note 7 for further details relating to the sale of Palatial Gold.

Finance income:		
Interest received from investments in financial instruments	99 414	-
Interest received on bank balances	17	4 153
Interest received comprises of interest received from financial instruments.	99 431	4 153
Finance costs:		
Interest on loans from related parties	159 195	72 344
Interest on trade payables	220 822	26 866
Interest on rehabilitation provision (Note 18)	192 723	224 103
	572 740	323 313

7. DISCONTINUED AND DISCONTINUING OPERATIONS: PALATIAL GOLD INVESTMENTS (PRIVATE) LIMITED

In the prior year, management committed to a plan to sell 100% of the equity (shares) of its wholly owned subsidiary, Palatial Gold Investments (Private) Limited, (Dalny Mine), to RioGold (Private) Limited. A purchase agreement was signed on 30 September 2016 and the sale was concluded on the 19th of May 2017.

In compliance with the requirements of IFRS 5 – "Non-Current Assets Held for Sale and Discontinued Operations" a single amount has been disclosed in the statement of comprehensive income for the post-tax profit of the entity held for sale.

7.1 Profit after tax from discontinued operations

The abridged consolidated results for the above-mentioned discontinued and discontinuing operations are as follows:	2018 US$	2017 US$
Revenue	-	-
Mineral production expenses	-	(458 116)
Gross loss	-	(458 116)
Other income	-	1 213 390
General and administration expenses	-	(63 262)
Other expenses	-	(293 852)
Operating results	-	398 160
Net gain on disposal of subsidiary	-	4 058 373
Profit before tax	-	4 456 533
Tax expense	-	-
Profit after tax	-	4 456 533
Basic and diluted earnings per share from discontinued operation (US cents)	-	4

		2018 US$	2017 US$
7.2	The major classes of assets and liabilities of Palatial Gold Investments (Private) Limited which were disposed of during the year as at 19 May 2017:		
	Assets sold		
	Property, plant and equipment	-	5 518 145
	Inventories	-	657 024
	Trade and other receivables	-	249 856
	Cash and cash equivalents	-	2 533
		-	6 427 558
	Liabilities		
	Rehabilitation provision	-	(3 227 556)
	Trade and other payables	-	(1 967 677)
	Total liabilities	-	(5 195 233)
	Net assets disposed	-	1 232 325
	Total consideration received	-	2 492 335
	Cash and bank balances given up	-	(2 533)
	Net cash inflow on disposal	-	2 489 802
7.4	The net cash flows relating to the discontinued operation are as follows;		
	Operating activities	-	516 447
	Financing activities	-	(520 299)
	Investing activities	-	27
	Net cash outflow	-	(3 825)

8. TAXATION

8.1 Income Tax

	2018 US$	2017 US$
The major components of income tax expense are as follows:		
Current tax expense	-	-
Deferred tax	71 168	-
Capital gains tax	7 450	50 000
Withholding tax	23 879	
Income tax expense reported in the statement of profit of loss	102 497	50 000

Tax rate reconciliation

	2018 US$	2017 US$
Loss before taxation from continuing operations	(4 748 184)	(5 090 607)
Profit from discontinued operations	-	4 456 533
Loss before tax	(4 748 184)	(634 074)
Notional tax on profit for the period at 25.75%	(1 222 657)	(163 274)
Non-deductible expenses*	88 388	23 517
Non-taxable income*	(92 514)	(21 303)
Impact of profit on sale of subsidiary	-	(980 653)
Assessed losses not recognised	904 174	1 335 926
Prior years unrecognised tax losses realised	(104 718)	(194 213)
Effects of deferred tax assets not recognised	433 552	-
Derecognition of unused tax losses previously utilised	64 943	-
Capital gains tax	7 450	50 000
Withholding tax	23 879	-
Tax expense	102 497	50 000

*Non-deductible expenses include fines, subscriptions, unproductive interest and legal fees.
*Non-taxable income include dividend received and not taxable interest.

8.2 Deferred Tax

	2018 US$	2017 $US Restated
Deferred tax relates to the following:		
Accelerated depreciation for tax purposes	112 535	486 174
Exploration and evaluation assets	-	173 118
Prepayments	-	21 021
Provisions	(65 247)	(1 731)
Rehabilitation reserve	(392 594)	(412 177)
Losses utilised	(17 078)	(266 405)
Deductible temporary differences not recognised	433 552	-
Deferred tax liability	71 168	-

Reconciliation of deferred tax liability

	2018	2017
As of 1 October,	-	-
Tax expense during the period recognised in profit or loss	71 168	-
As at 30 September,	71 168	-

8. TAXATION (continued)

As at 30 September the Group has computed income tax losses of $13 742 583 (2017: $11 199 489). The tax losses for which no deferred tax assets were recognised amounted to $13 676 262 (2017: $10 164 907). Deferred tax assets have not been recognised in respect of these losses as they may not be used to offset taxable profits elsewhere in the Group, they have arisen in subsidiaries that have been loss making for some time and there are no other tax planning opportunities or other evidence of recoverability in the near future.

Deferred tax assets relating to deductible temporary differences amounting to $433 522 (2017: Nil) have not been recognised as these have arisen in subsidiaries that have been loss making for some time and there is no evidence of the ability to benefit from future taxable temporary differences as accumulated losses will be prioritised.

If the Group were able to recognise all unrecognised deferred tax assets, loss would have improved by $1 683 861 (2017: $543 631)

Musical Scales Investments (Private) Limited and Great Punch Investments (Private) Limited are identified as mining operations for tax purposes whilst Falcon Gold Limited (Head Office) is not a mining operation for tax purposes. According to Chapter 23:06 of the Income Tax Act of Zimbabwe, tax losses for mining entities/operations can be carried forward indefinitely while for non-mining entities the losses expire after 6 years.

The following is the age analysis of the losses attributable to the non-mining entity of Falcon Gold Zimbabwe Limited (the Head Office):

Year of Loss:	Tax Losses $US	Expiry Date
30 September 2015	(600 531)	September 2020
30 September 2016	(739 565)	September 2021
30 September 2017	(952 193)	September 2022
30 September 2018	(716 596)	September 2023
	3 008 885	

		2018 US$	2017 US$
8.3	Tax liability		
	Opening balance at 1 October	-	-
	Current tax charge	-	-
	Capital gains charge	7 450	50 000
	Withholding taxes	23 879	-
	Tax paid	(7 450)	(50 000)
	Closing balance at 30 September	23 879	-

9. LOSS PER SHARE

Basic and diluted

Basic and diluted loss per share is calculated by dividing the loss attributable to equity holders of the Group by the weighted average number of ordinary shares in issue during the year. The Group has not issued any convertible instruments.

	2018 US$	2017 US$
Loss for the period from continuing and discontinuing operations	(4 850 681)	(684 074)
Weighted average number of issued shares	111 165 131	111 165 131
Basic and diluted loss per share in US$	(0.04)	(0.01)
Loss for the period from continuing operations	(4 850 681)	(5 140 607)
Weighted average number of issued shares	111 165 131	111 165 131
Basic and diluted loss per share in US$	(0.04)	(0.05)

10. PROPERTY, PLANT AND EQUIPMENT

2018	Mining claims and development costs US$	Land and buildings US$	Motor vehicles US$	Office equipment US$	Plant and equipment US$	Total US$
Cost						
Balance as at 1 October 2017 (restated*)	1 029 311	189 313	360 997	276 656	3 941 014	5 797 291
Additions	-	12 689	-	30 319	278 003	321 011
Disposals	-	-	-	(4 847)	-	(4 847)
Impairment	-	-	(15 320)	(4 721)	(2 087 307)	(2 107 348)
Balance as at 30 September 2018	1 029 311	202 002	345 677	297 407	2 131 710	4 006 107
Depreciation and impairment						
Balance as at 1 October 2017 (restated)	1 004 580	88 679	304 486	248 482	1 590 706	3 236 933
Charge for the period	24 731	10 737	14 476	17 360	262 409	329 713
Disposals	-	-	-	(1 750)	-	(1 750)
Balance as at 30 September 2018	1 029 311	99 416	318 962	264 092	1 853 115	3 564 896
Net book value at 30 September 2018	-	102 586	26 715	33 315	278 595	441 211

* Refer to note 23 for details of the prior year error

10. PROPERTY, PLANT AND EQUIPMENT

2017	Mining claims and development costs US$	Land and buildings US$	Motor vehicles US$	Office equipment US$	Plant and Equipment US$	Total US$
Cost						
Balance as at 1 October 2016	928 053	168 247	416 694	258 236	3 366 387	5 137 617
Transfers from discontinuing to continuing operation *	-	-	-	1 200	113 098	114 298
Additions	134 062	21 066	76 990	19 561	461 529	713 208
Disposals	-	-	(132 687)	(2 341)	-	(135 028)
Change in estimate-Environmental rehabilitation asset	(32 804)	-	-	-	-	(32 804)
Balance as at 30 September 2017	1 029 311	189 313	360 997	276 656	3 941 014	5 797 291
Depreciation and impairment						
Balance as at 1 October 2016	581 755	78 788	411 135	235 465	1 406 986	2 714 129
Prior year error	254 738	-	-	-	-	254 738
Balance as at 1 October 2016 (restated)	836 493	78 788	411 135	235 465	1 406 986	2 968 867
Transfers from discontinued to continuing operations	-	-	-	1 200	6 149	7 349
Charge for the period (restated)	168 087	9 891	24 239	13 585	177 571	393 373
Disposals	-	-	(130 888)	(1 768)	-	(132 656)
Balance as at 30 September 2017	1 004 580	88 679	304 486	248 482	1 590 706	3 236 933
Net book value at 30 September 2017 (restated)	24 731	100 634	56 511	28 174	2 350 308	2 560 358
Net book value at 30 September 2016 (restated)	91 560	89 459	5 559	22 771	1 959 401	2 168 750

* Refer to Note 23 for details of the prior year error

11. IMPAIRMENT LOSSES

In accordance with its accounting policies and processes, each asset is evaluated annually at 30 September, to determine whether there are any indications of impairment. If any such indications of impairment exist, a formal estimate of the recoverable amount is performed.

In assessing whether an impairment is required, the carrying value of the asset is compared with its recoverable amount. The recoverable amount is the higher of the CGU's fair value less costs of disposal (FVLCD) and value in use (VIU). Given the nature of the Group's activities, information on the fair value of an asset is usually difficult to obtain unless negotiations with potential purchasers or similar transactions are taking place. Consequently, the FVLCD for each CGU is estimated based on discounted future estimated cash flows (expressed in real terms) expected to be generated from the continued use of the CGUs using market-based commodity price and exchange assumptions, estimated quantities of recoverable minerals, production levels, operating costs and capital requirements, excluding any expansion projects, and its eventual disposal, based on the CGU five-year plans and latest life of mine (LOM) plans. These cash flows were discounted using a real post tax discount rate that reflected current market assessments of the time value of money and the risks specific to the CGU.

Estimates of quantities of recoverable minerals, production levels, operating costs and capital requirements and sourced from our planning process, including the LOM plans, five-year plans, one-year budgets and CGU-specific studies. The determination of FVLCD for each CGU are considered to be Level 3 fair value measurements in both years, as they are derived from valuation techniques that include inputs that are not based on observable market data.

The Group considers the inputs and the valuation approach to be consistent with the approach taken by market participants.

11.1 Summary of impairments

As a result of the recoverable amount analysis performed during the year, the following impairment losses and reversals were recognised:

	2018 US$	2017 US$
Impairment of Great Punch CGU	2 107 348	-

Great Punch CGU

Great Punch Golden Quarry Mine has been identified as a single CGU which consists of all fixed assets. Excluded from the CGU is the Great Punch rehabilitation asset as the asset is not a resource from which economic benefits are expected to flow.

Total impairment losses of $2 107 348 (2017: $nil) were recognised in respect of the Great Punch CGU. This impairment loss was recognised due to the breakdown of Mill 2 which occurred subsequent to year end at Golden Quarry Mine. The breakdown of Mill 2 caused the mine to cease operations which caused management to assess the recoverable amount of the CGU to be nil. Further details are disclosed in Note 27, Events after the reporting period.

The recoverable amount was based on management's estimate of value in use ("VIU"). The assessment was carried out at CGU level as the recoverable amount of the individual amounts could not be determined. The Company considers a cash- generating unit as being an individual mine location as this is lowest aggregation of assets that generate largely independent cash inflows.

In assessing whether impairment is required, the carrying value of the CGU is compared with its recoverable amount.

The recoverable amount is the higher of the CGU's fair value less costs to sell ("FVLCS") and VIU. Given the nature of the Group's activities, information on the fair value of an asset is usually difficult to obtain and could not be determined as:

- There are no binding sale agreements in an arm's length transaction, adjusted for incremental costs that would be directly attributable to the disposal of the CGUs.
- There are no active markets where the CGUs are sold.
- There are no similar recent transactions for similar assets within the mining industry available for public consumption.

Consequently, the recoverable amount for the CGU was determined based on the net present value of the future cash flows expected to be generated by the CGU and are based on the most recent life of mine ("LOM") plans and are adjusted to ensure these reflect those assumptions a market participant would apply.

11. IMPAIRMENT LOSSES (CONITNUED)

11.1 Summary of impairments (continued)

The calculation of VIU is most sensitive to the following assumptions:

- Production volumes
- Discount rates
- Metal prices
- Operating costs
- Life of Mine

Production volumes

In calculating the FVLCS, the production volumes incorporated into the cash flow models were 9 185 ounces of gold (2017: 11 222 ounces). Estimated production volumes are based on detailed life-of-mine plans and take into account development plans for the mines agreed by management as part of the short term and long-term planning process. The forecasts reflect an expected lower operational output as the installed plant and equipment (Mills) currently configured at Great Punch broke down and are not functioning and could, subject to sufficient financing be brought into production immediately. Whilst production may increase, it is not feasible to estimate when the entity will get the required financing to bring the equipment into immediate use, hence an impairment has been recognised. Subsequent to year end the entity is yet to get the required financing.

Discount rates

The future cash flows are discounted to their present value using a pre-tax discount rate of 15.47%. The rate is derived from the Group's post-tax weighted average cost of capital, with appropriate adjustments made to reflect the risks specific to the asset/CGU and to determine the pre-tax rate.

Metal prices

The gold price is the most significant factor used. It has been forecasted at $1 250/oz in 2019 and $1 316/oz in 2020, these two representing the life of the mine as explained below. The price forecasted by market participants is widely varying from as low as $1 257/oz to amounts above $1 350/oz.

Operating costs

It has been assumed that operating costs will increase mainly due to unforeseen changes in the macroenvironment although forecasted production is less than the actual production in current year.

Life of Mine

The life of the mine is 2.3 years. The forecasts have been limited to the LOM. Based on current mining techniques applied, a life of mine can be reasonably calculated.

Sensitivity to changes in assumptions

The estimated recoverable amount fluctuates significantly if variables are changed. As the CGU has been impaired fully, we have only evaluated the impact of positive changes as adverse changes would have no additional impact on the financial statements. The implications of changes in the key assumptions for the recoverable amount are as follows:

- Discount rate–Management has considered the possibility of a different discount rate from the one used and have assessed the likelihood of a decrease in the rate as unlikely given the current investment profile of the country.
- Production Volume–Management has assessed the possibility of an increment in the production volumes as unlikely given the significant financing that is required at Great Punch for the mills to be operational again.
- Metal prices–As the mills are currently not operating it means even if the prices of metals increase or decrease without production, there will be no impact on impairment.

	2018 US$	2017 US$
12. INVENTORIES		
Gold in process	577 699	118 364
Gold bullion	-	88 778
Stores and materials	517 606	417 668
Allowance for inventory write down	(6 723)	(6 723)
	1 088 582	618 087
Cost of inventory expensed	1 965 588	2 397 150

13. RELATED PARTIES

Parent and ultimate controlling party
The controlling entity of the Group is New Dawn Mining Corporation (NDM), a private Group domiciled in the Cayman Islands.

Other related parties
The Group has a related party relationship with its directors and key management personnel and its affiliates consisting of:
New Dawn Mining Corporation (NDM) – Parent
Olympus Gold Mines Limited – Subsidiary of NDM
Casmyn Mining Zimbabwe (Private) Limited – Subsidiary of NDM
Thathile Investments (Private) Limited – Subsidiary of Casmyn Mining Zimbabwe (Private) Limited
Transactions with key management personnel

	2018	2017
Short term employment benefits		
Directors' remuneration	113 142	102 564
Other key management personnel	321 520	428 555
	434 662	531 119

There are no post-employment benefits for directors or key management personnel.

13. RELATED PARTIES (CONTINUED)

	Note	Nature of relationship	Nature of transactions	Value of transactions 2018 US$	Value of transactions 2017 US$	Balance at year end 2018 US$	Balance at year end 2017 US$
Non-Current liabilities							
New Dawn Mining Corporation	19	Parent	Loan facility (a)	159 195	72 322	(9 258 646)	(9 674 451)
Current liabilities							
Olympus Gold Mines Limited		Common control	Intercompany funding	(20 652)	(302 350)	(234 926)	(159 813)
Olympus Gold Mines Limited		Common control	Tribute fees	88 523	206 766	-	-
Casmyn Mining Zimbabwe (Private) Limited		Common control	Intercompany funding	(2 012 241)	(762 951)	(2 537 075)	(1 365 305)
				(1 944 370)	(858 535)	(2 772 001)	(1 525 118)

With the exception of loans from the parent company, all other related party balances are payable on demand and bear no interest. Refer Note 19 for repayment terms and interest for the shareholders loans. None of the related party balances are secured.

Notes:

(a) Value of transactions relates to finance costs

	2018 US$	2017 US$

14. TRADE AND OTHER RECEIVABLES

	2018 US$	2017 US$
Trade receivables	115 809	63 393
Other receivables	2 909 360	3 798 410
VAT refundable	589 658	621 957
Sundry receivables**	2 130 741	2 956 976
Less: Allowance for credit losses	(9 570)	(9 570)
Staff receivables	54 132	91 451
Prepayments and deposits	144 399	137 596
	3 025 169	3 861 803
Less: Non-current receivables *	-	(792 088)
	3 025 169	3 069 715

With the exception of sundry receivables, trade and other receivables were not impaired at year end and are receivable within 30 to 60 days.

The allowance for credit losses relates to rentals which are outstanding for over 120 days. See below for movements in the allowance for credit losses.

* Relates to the non-current portion of the Palatial Gold Investments (Private) Limited purchase consideration which is repayable over 24 months from the transaction date. Refer to Note 7.
**This primarily relates to the current portion of the Palatial Gold Investments (Private) Limited purchase consideration (present value).

	2018 US$	2017 US$
Balance at 1 October	9 570	9 570
Charge for the year	-	-
Utilised during the year	-	-
Balance at 30 September	9 570	9 570

No interest was charged on trade and other receivables in the current year with the exception of staff loans.

See Note 24 on credit risk of trade receivables, for disclosure of how the Group manages and measures credit quality of trade receivables that are neither past due nor impaired.

15. CASH AND CASH EQUIVALENTS

	2018 US$	2017 US$
Bank balances	63 433	337 826
Cash on hand	18 288	25 451
Cash and cash equivalents - continuing operations	81 721	363 277
Cash and cash equivalents per statement of cash flows	81 721	363 277

Interest is earned on positive bank balances at varying rates as dictated by the market.

	2018 US$	2017 US$
16. SHARE CAPITAL		
Authorised		
115 000 000 'A' ordinary shares at one United States cent each	1 150 000	1 150 000
Issued and fully paid		
111 165 131 ordinary shares of one United States cent each	1 111 651	1 111 651

Unissued shares are at the disposal of the Directors subject to limitations imposed by the Companies Act of Zimbabwe and the regulations of the Zimbabwe Stock Exchange.

	2018 US$	2017 US$
NON- DISTRIBUTABLE RESERVE	(2 766 582)	(2 766 582)

The change in currency reserve was used to record the residual of assets' and liabilities' deemed costs as at the date of change in functional currency in 2009. The reserve resulted in a debit as a result of the shareholders' loans.

17. GROUP INFORMATION

On 1 October 2014, Falcon Gold Zimbabwe Limited reorganised its previously owned divisions into statutory companies as part of its plans to comply with the indigenisation law. Details of the Group's material subsidiaries at the end of the reporting period are as follows;

Name of subsidiary	Principal activity	Place of incorporation and business	Proportion of ownership, interests and voting rights held by the Group 2018	2017
Great Punch Investments (Private) Limited	Mining and exploration activities	Zimbabwe	100%	100%
Musical Scales Investments (Private) Limited	Processing of sands	Zimbabwe	74%	74%

Great Punch Investments (Private) Limited operates Golden Quarry Mine and Camperdown Mine.

On 22 January 2016, Falcon Gold Zimbabwe Limited acquired 148 shares in Musical Scales Investments (Private) Limited for a nominal consideration. The company was previously 100% owned by Olympus Gold Mines Limited, a fellow subsidiary of Falcon Gold Zimbabwe Limited. The acquisition of 148 shares resulted in Falcon Gold Zimbabwe Limited being the majority shareholder with 74% of equity shares. Musical Scales (Private) Limited was dormant since incorporation and became operational in January 2016, post-acquisition by Falcon Gold Zimbabwe Limited, and hence there was no need to account for a business combination.

17.1 Material partly-owned subsidiaries

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

Proportion of equity interest held by non-controlling interests:

Name	Place of incorporation and business	2018	2017
Musical Scales Investments (Private) Limited	Zimbabwe	26%	26%

	2018	2017
Accumulated balances of material non -controlling interest	US$	US$
Musical Scales Investments (Private) Limited	45 637	(113 605)
Profit allocated to material non - controlling interest		
Musical Scales Investments (Private) Limited	159 242	(45 119)
Summarised statement of profit or loss – Musical Scales Investments (Private) Limited		
Revenue	3 026 234	634 278
Mineral production expenses	(2 646 599)	(813 860)
General and administrative expenses	(145 705)	(47 418)
Non-cash operating expenses	(39 489)	(20 434)
Net finance (costs)/income	489 195	73 899
Profit before tax	683 636	(173 535)
Income tax expense	(71 168)	-
Profit for the year	612 468	(173 535)
Total Comprehensive Income	612 468	(173 535)
Attributable to non-controlling interest	159 242	(45 119)
Summarised statement of financial position – Musical Scales Investments (Private) Limited		
Property, plant and equipment	370 905	288 030
Inventories and cash and cash balances	46 005	14 334
Trade and other receivables	248 476	69 772
Trade and other payables	(418 690)	(809 885)
Deferred tax liabilities	(71 168)	-
Total Equity	175 528	(437 749)
Attributable to:		
Equity holders of the parent	129 891	(323 934)
Non-Controlling Interest	45 637	(113 815)
Summarised cash flow information- Musical Scales Investments		
Operating	469 649	47 575
Investing	(122 364)	(164 049)
Financing	(335 292)	111 217
Net increase(decrease) in cash and cash equivalents	11 993	(5 257)

17.2 Material joint operation

The Group through Musical Scales Investments (Private) Limited entered into an agreement with RWS Partners, a consortinum of artisinal miners, to share costs and risks associated with mining activities at Wanderer Mine (Umcima 20 claim). RWS Partners contributes 50% of operating costs and 100% of production labour required. Musical Scales will provide consumables and milling equipment. Revenue will be shared on a 50-50 ratio/basis.

	2018 US$	2017 US$

18. REHABILITATION PROVISION

	2018 US$	2017 US$
Balance at beginning of year	1 600 688	1 494 025
Adjustments		
Change in estimate	(268 772)	(117 440)
Unwinding of interest relating to continuing operations	192 723	224 103
Balance at end of the year	1 524 639	1 600 688

Mining companies in Zimbabwe are required by law to undertake rehabilitation works as part of their ongoing operations. The Environmental Management Act (Chapter 20:27) of 2004 requires developers to take all reasonable measures to prevent or, if prevention is not possible to mitigate or reduce any undesirable effects on the environment and augment any positive impacts.

The provision is calculated by estimating the costs and timing of the future work necessary to meet currently legislated standards. Most of the work is expected to be upon closure of a mine, although some of the work may be completed before that time. The amount of the provision is calculated using a discounted cash flow method applied to the anticipated future cash outflows and based on a 12.04% (2017 10.48%) pre-tax discount rate. The decrease during the period in the discounted amount was $268,772.

19. SHAREHOLDERS' LOANS

	2018 US$	2017 US$
Long term loan	9 258 646	9 674 451
Shareholders' loans reconciliation		
Balance at the beginning of the year	9 674 451	9 927 653
Interest accrued during the year	159 195	71 798
Loan repayments during the year	(575 000)	(325 000)
Balance at the end of the year	9 258 646	9 674 451

The loan should be paid in full by 2020 and accrues interest at United States Dollar 3 months LIBOR. Payments terms towards loan is on availability of funds.

20. TRADE AND OTHER PAYABLES

	2018 US$	2017 US$
Trade payables	5 096 191	4 042 445
Leave pay accruals	134 336	171 286
Other accruals	2 917 121	2 700 154
	8 147 648	6 913 885

Trade and other payables with the exception of leave pay accruals are due and payable in 30 to 60 days.

Included in other accruals are salaries, PAYE, NSSA, MIPF, water and electricity payables.

Interest amounting to $205 447 (2017: $40 268) was levied by Great Punch creditors due to the operation's failure to discharge trade payables timely in accordance with agreed terms.

	2018 US$	2017 US$

21. LEASES

21.1. The Group entered into an operating lease regarding its occupancy of KPMG House, on the first floor. The lease is renewable annually at renegotiated terms and conditions included in the contract.

Future minimum rentals payable under non-cancellable operating leases as at 30 September are as follows:

	2018 US$	2017 US$
Within one year	42 000	10 500
After one year but not more than five years	-	-
More than five years	-	-
	42 000	10 500

22. CONTINGENT LIABILITIES

Pfura Rural District Council vs Falcon Gold Limited

Litigation is in progress against the Group regarding a civil claim by Pfura Rural District Council regarding unit taxes totalling $120 000. The amount represents a retrospective increase in the amounts levied for the years 2010 and 2011. The matter is a possible obligation whose existence will be determined by the conclusion of negotiations with the Rural District Council. The Directors are of the opinion that the claim can be successfully defended.

Labour Matters

The Group has potential obligations arising from current and former employees, the outcome of which cannot be ascertained until judgement is passed by the courts.

23. PRIOR YEAR ERRORS

The prior year errors relate to the impact of the omission of depreciation on the rehabilitation asset for the financial periods ending 30 September 2014 to 2017 and the full amount of the change in estimate being credited to the rehabilitation asset in 2017.

The following is the impact of correcting the errors on prior period presented financial statements:

	30 September 2017 US$	30 September 2016 US$
Statement of Profit or Loss and Other Comprehensive Income		
Change in estimate	84 635	-
Depreciation	(17 731)	(53 413)
Net impact of statement of profit or loss and other comprehensive income	66 904	(53 413)
Statement of Financial Position		
Decrease in rehabilitation asset	(66 904)	53 413
Decrease in accumulated losses	(66 904)	53 413
Impact on basic and diluted earnings per share	0.17	(0.23)

24. FINANCIAL RISK MANAGEMENT OVERVIEW

The Group has exposure to the following risks from its use of financial instruments:
- Liquidity risk
- Credit risk
- Market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these financial statements.

Risk management framework
The Board of Directors has responsibility for the establishment and oversight of the Group's risk management framework. The Board of Directors is responsible for developing and monitoring the Group's risk management policies.

Liquidity risk management
Liquidity risk is the risk that the entity will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquid assets to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The following are the contractual maturities of financial liabilities, including estimated interest payments:

Year ended 30 September 2018	Carrying amount	Contractual cash flow	6 months or less	Greater than 6 months but less than 12 months	Greater than a year *
Shareholders loans	9 258 646	9 570 238	-	-	9 570 238
Trade and other payables	8 147 658	8 147 658	8 147 658	-	-
Related party payables	2 772 001	2 772 001	2 772 001	-	-
	20 178 305	20 489 897	10 919 659	-	9 570 238

Year ended 30 September 2017	Carrying amount	Contractual cash flow	6 months or less	Greater than 6 months but less than 12 months	Greater than a year *
Shareholders loans	9 674 451	10 171 065	-	-	10 171 065
Trade and other payables	6 913 895	6 913 895	6 913 895	-	-
Related party payables	1 525 118	1 525 118	1 525 118	-	-
	18 113 464	18 610 078	8 439 013	-	10 171 065

* Amount included in this column has been calculated with interest accruing up until 2020 as this is what has been agreed as the payment date, however this is subject to Falcon Gold having sufficient cash to repay the loan.

24. FINANCIAL RISK MANAGEMENT OVERVIEW (CONTINUED)

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment activities.

	Note	2018	2017
		US$	US$
The maximum exposure to credit risk at the reporting date was as follows:			
Trade receivables	14	115 809	63 393
Other receivables (excluding prepayments) *	14	2 764 961	3 479 040
Cash and cash equivalents	15	81 721	363 277
		2 962 491	3 905 710

* An impairment of $85 223 was recognised on the RioGold (Private) Limited receivable balance due to non-payment of instalments as a result of the dispute which is still pending arbitration results.

The ageing analysis for the period ended 30 September 2018 and 2017 is as follows:

	Total	Current	>30 Days	>60days	>90days	>120 days
	US$	US$	US$	US$	US$	US$
2018	2 764 961	29 075	8 495	4 272	10 826	2 712 293
2017	3 479 040	22 394	2 235	2 573	10 654	3 441 184

Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Group's customer base, including the default risk of the industry and country in which customers operate, as these factors may have influence on credit risk. All of the Group's revenue is attributable to a reputable customer with proven payment track records.

The Group's major customer has been transacting with the Group over the past years and no impairment losses have been recognised against this customer. Customers are grouped into trade and other receivables. Trade receivables relate to the Group's gold customers while other receivables are related to the Group's other activities that give rise to other income.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment for similar assets. As at 30 September 2018 the entity had an allowance for credit losses amounting to $9 570 (2017: $9 570).

Cash and cash equivalents

The Group held cash and cash equivalents of $81 721 at 30 September 2018 (2017: $363 277), which represents its maximum credit exposure on these assets. The cash and cash equivalents are held with financial institution counterparties which have met the minimum capital requirements as prescribed by the Reserve Bank of Zimbabwe.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

24. FINANCIAL RISK MANAGEMENT OVERVIEW (CONTINUED)

Currency risk

In respect of monetary assets and liabilities denominated in foreign currencies, the Group's policy is to ensure that its net exposure is kept at an acceptable level by paying cash in advance for inventories. At year end there were no foreign currency denominated monetary assets or liabilities.

Interest risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates.

The Group's policy to manage interest rate risk is paying off long term loans where possible and negotiating lower interest rates or borrowing from markets where there are lower interest rates.

Increase/decrease in basis points	Effect on loss before tax US$ 2018	Effect on loss before tax US$ 2017
+5	(38 692)	(4 095)
-5	38 692	4095

Capital management

For the purpose of the Group's capital management, capital includes issued capital and all other equity reserves attributable to the equity holders of the parent. The Board does not have a formal capital management policy. The Group is dependent on the parent for its capital requirements.

Fair value

The carrying amounts of financial instruments approximates fair value with the exception of the New Dawn Mining Corporation loan.

25. GOING CONCERN

The Group sustained losses attributable to the shareholders of the Group during the year ended 30 September 2018 amounting to $4 850 681 (2017: $684 074). The Group had a net working capital deficit at 30 September 2018 of $6 748 056 (2017: $4 387 924) and negative equity of $17 161 298 (2017: $12 310 617). The Group continues to incur losses.

The Group generated revenues from two sources: The mill at the Golden Quarry Mine and the sand processing plant at Wanderer (which has assisted the Group's cash flows). Certain upgrade projects were undertaken at the Golden Quarry Mine Complex in the prior year which did not impact production as anticipated due to employee strikes and machinery breakdowns. Post year-end, the Group suffered a catastrophic break down of the main operating mill at Golden Quarry Mine which resulted in ceasing gold production. In addition, the power supply had been cut off due to non-payment of utility fees. This resulted in the full impairment of the Golden Quarry Cash generating unit (refer Note 11). In addition, it rendered the 2019 forecasts redundant (refer to Note 27).

These conditions give rise to a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern and, therefore that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

In the continuing environment of gold prices and toll fees being approximately equal to the Group's cost of production before depreciation and other non-cash costs, the Group continues to experience financial distress. This matter is being addressed by the introduction of a number of cost containment measures, reduction in marginal grade areas mined and efficiency enhancement initiatives. In addition, the Group is continuing efforts to restructure operations and reduce costs.

25. GOING CONCERN (CONTINUED)

Due to the serious liquidity problems, the continued absence of significant investor appetite for Zimbabwe and the lack of profits, management of the Group is, of necessity, operating the Group with a determined focus on addressing short-term issues as they arise, but there can be no assurances that the Group will be able to continue to conduct operations should existing circumstances persist. The majority of factors affecting the Group's operations are external factors outside of its control. As such, there is significant pressure on the Group's efforts to survive. Accordingly, and as stated previously, should the Group be forced to consider shutting down its remaining mining operations, either temporarily or permanently, and/or liquidating the Group and its assets in a formal or informal arrangement, then the Group may be unable to continue realising value from its assets and discharging its liabilities in the normal course of business.

We obtained a letter of support from the ultimate holding company New Dawn Mining Corporation, which states that they will not demand repayment of loans in the 12 months after year end and will extend principle repayments due for another year.

Management are exploring options for additional $2.5m of funding to enable repair of the mill and resuscitation of mining operations but have not finalised the funding structure.

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

26. INDIGENISATION AND PENDING MATTERS IN ZIMBABWE

The Government of Zimbabwe through the Finance Bill for the 2018 financial year that was presented to Parliament on the 7th of December 2017, has proposed changes to the Indigenisation and Economic Empowerment Act. If approved through Parliament, the 51/49 indigenisation threshold will no longer apply to Gold Miners and other sectors of the economy with the exception of two minerals, diamonds and platinum. The indigenisation of Falcon Gold Zimbabwe Limited, which will now fall away, was being undertaken through the broader Plan of Indigenisation of Falcon Gold Zimbabwe Limited's ultimate parent Group, New Dawn Mining Corporation ("NDMC").

27. EVENTS AFTER THE REPORTING PERIOD

27.1 Functional currency

Events after the reporting period are those events, favourable and unfavourable, that occur between the end of the reporting period and the date when the financial statements are authorised for issue. In 2009 the Zimbabwean government adopted the multi-currency system and companies in Zimbabwe adopted the same. The Company determined its functional currency as being the USD and also adopted USD as its presentation currency.:

The prolonged shortage of foreign currency in the country led to the widespread use of plastic money through the Real Time Gross Settlement (RTGS) system. Parallel market activities ensued with the RTGS being discounted to obtain US Dollars. In October 2018 the Central Bank directed the separation of local RTGS balances and foreign currency backed Nostro FCAs. The Government maintained the 1:1 parity between the RTGS USD and Nostro USD. This separation resulted in further devaluation of the RTGS with prices denominated in local RTGS increasing three-fold.

On 20 February 2019 the Reserve Bank of Zimbabwe issued a monetary policy statement where the rate of exchange between the RTGS and USD which was fixed at 1:1 was floated with the starting rate pegged at 2.5. The RTGS$ was pronounced as the transacting currency going forward.

27. EVENTS AFTER THE REPORTING PERIOD (CONTINUED)

27.1 Functional currency (continued)

Introduction of the local currency and abolishment of the multicurrency basket

On 24 June 2019, Government of Zimbabwe through the Ministry of Finance and Economic Development gazetted SI 142 of 2019 which introduced among others the following regulations;

- Zimbabwe dollar to be the sole currency for legal tender purposes. With effect from 24 June 2019, the British pound, United States dollar, South African rand, Botswana pula and any other foreign currency whatsoever shall no longer be legal tender alongside the Zimbabwe dollar in any transactions in Zimbabwe.
- Zimbabwe dollar are coterminous with references to the bond notes and coins and the electronic currency (RTGS) and no other forms legal tender or currency.
- The abovementioned bond notes and RTGS dollars are at par with the Zimbabwe dollar, that is to say each bond note unit and each RTGS dollar is equivalent to a Zimbabwe dollar.
- The opening and operation of foreign currency designated accounts, otherwise known as "Nostro FCA accounts", shall continue to be designated in the foreign currencies with which they are opened and in which they are operated.

On 25 June 2019, Exchange Control Directive RU102/2019 was issued by the Reserve Bank of Zimbabwe in terms of section 35(1) of the Exchange Control Regulations Statutory Instrument 109 of 1996. In terms of the directive, authorised dealers were advised of the discontinuation of the multi-currency system with effect from 24 June 2019. All domestic transactions shall now be settled in Zimbabwe dollars, the sole legal tender, which is represented by bond notes and coins and electronic currency i.e. RTGS dollars.

Similarly, the pricing on all domestic contracts, including the displaying of prices in all outlets in Zimbabwe, shall be effected and/or displayed in the local unit of account.

Retention thresholds and periods for export receipts and loan drawdowns for gold producers shall be 55% exporter retention and 45% sale to the Central Bank as previously communicated by Exchange Control in Exchange Control Directive RU28 dated 22 February 2019.

27.2 Mill failure

The No 2 mill at the Golden Quarry processing plant had a catastrophic engineering failure in December 2018. Management performed an impact assessment and concluded that the mill could not be repaired. This has resulted in the ceased production of gold subsequent to year end.

27.3 Voluntary suspension of trading of shares on the ZSE

Following the delay in publicising audited consolidated financial statements for the year ended 30 September 2018, the ZSE suspended trading in Falcon Gold Zimbabwe Limited shares with effect from 5 February 2019.

	2018			
	Number of shareholders	% holding	Total holding	% of total holding
SHAREHOLDERS GROUP				
Companies	192	9.40	34 680 568	31.20
FCDA residents and new non- residents	11	0.54	132 675	0.12
Individuals	1 788	87.52	10 014 699	9.01
Investment, trust and property companies	1	0.05	2 860	0.00
Nominee Group	31	1.52	709 344	0.64
Non-resident transferable	12	0.59	63 836 226	57.42
Pension funds	8	0.38	1 788 759	1.61
	2 043	100.00	111 165 131	100.00

Falcon Mines Society Anonyme and Boundary Investments (Private) Ltd are the major shareholders with 57% and 27% respectively.

		2017			
		Number of shareholders	% holding	Total holding	% of total holding
SHAREHOLDING					
Size of holding:					
1	500	993	48.60	198 087	0.18
501	1 000	271	13.26	213 259	0.19
1 001	5 000	536	26.24	1 184 958	1.07
5 001	10 000	112	5.48	807 939	0.73
10 001	50 000	94	4.60	2 018 119	1.82
50 001	100 000	16	0.79	970 984	0.87
100 001	500 000	11	0.55	1 690 010	1.52
500 001	1 000 000	5	0.24	3 848 693	3.46
1 000 001	9 999 999 999	5	0.24	100 233 082	90.16
		2 043	100.00	111 165 131	100.00

Holding Group ultimate beneficiary

SHARES HELD BY DIRECTORS

	Number of shares as at September 2018	Number of shares as at September 2017
Messrs		
S B Nyabadza	770	770
I R Saunders	Nil	Nil
Q Nkomo	Nil	Nil

FALCON GOLD ZIMBABWE LIMITED

Proxy for use at the Annual General Meeting:

I / We ____

Of____

No of Shares Held: ____________________________________

Please complete in Block Capitals:

Being (a) Member(s) of the above Company, hereby appoint the Chairman of the Meeting or ______________________ as my/our proxy to attend and vote for me/us, and on my/our behalf at the Annual General Meeting, to be held in the PKF Building (Formerly KPMG), corner 14th Avenue/Josiah Tongogara Street, Bulawayo, on Wednesday the 31st July 2019 at 10.00 am.

I/We direct my /our proxy to vote on the Resolution as set in the Notice convening the Annual General Meeting as follows: -

As Ordinary Resolutions	FOR	AGAINST	ABSTAIN
1. Financial Statements To receive, consider and adopt the Audited Financial Statements and Reports of the Directors and Auditors, for the year ended 30 September 2018			
2. Election of Directors To re-elect I R Saunders as a Director of the Company			
To re-elect Q Nkomo as a Director of the Company			
3. Auditors Remuneration To approve the remuneration of Ernst & Young as Auditors of the Company for the year ended 30 September 2018			
4. Appointment of Auditors To confirm the appointment of Ernst & Young as Auditors of the Company for the year ending 30 September 2019			
5. Any other Business To transact any other Business as may be transacted at an Annual General Meeting			

Please indicate with a cross in the boxes above, how you wish your vote to be cast in respect of each Resolution

Date: ______________________ Signature__________________________________

Note: Members entitled to attend and vote at the meeting may appoint proxies to attend and, on a poll, to vote on their behalf. Such Proxies need not be members of the company. To be effective, proxies must be completed and deposited at the registered office of the Company or the Share Transfer Secretaries, not less than 48 hours before the meeting. Members are requested, to advise the Share Transfer Secretaries of any change of Address.