FALCON GOLD ZIMBABWE LIMITED

Audited Results For The Year Ended 30 September 2018

Falcon Gold Zimbabwe Limited (the "Group"), a Zimbabwe Stock Exchange-listed gold mining and exploration company, announced audited consolidated results of operations for the year ended 30 September 2018.

AUDIT STATEMENT

These abridged Group annual financial results should be read in conjunction with the complete set of the consolidated financial statements for the year ended 30 September 2018, with a material uncertainty related to going concern. The Group annual financial statements have been audited by Ernst & Young Chartered Accountants (Zimbabwe), who have issued an unmodified opinion thereon and have included a section of the key audit matters in their report. The key audit matters covered the impairment assessment of Golden Quarry Mine. The auditor's report on the Group financial statements, from which these results are extracted, is available for inspection at the Company's registered office.

ANALYSIS OF RESULTS

Falcon Gold Zimbabwe Limited (the "Group") incurred a net loss of US$4 850 681 (US$0.0436per 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 generating 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 the 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.
7. 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)/ increase in rehabilitation asset	(66 904)	53 413
(Decrease)/ increase in accumulated losses	(66 904)	53 413
Impact on basic and diluted earnings per share	0.17	(0.23)

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.

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 Operating Mill at Golden Quarry Mine, which has adversely affected production and cashflows. 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 improvements 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 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 bills. This resulted in the full impairment of the Golden Quarry cash generating unit. In addition, it rendered the 2019 forecasts inappropriate.

These conditions give rise to material uncertainty 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. 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 Corp., which states that they will not demand repayment of loans in the 12months after year end and will extend principle repayments due for another year.

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 consolidated 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.

DIRECTORATE

The names of the directors and secretary are those in office at the time of the printing of this notice. I R Saunders (Chairman), Q Nkomo (Financial Director), S B Nyabadza (Non Executive Director)

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 of Directors:

CHAIRMAN
I R SAUNDERS

FINANCIAL DIRECTOR
Q NKOMO

BULAWAYO
14 AUGUST 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	March 2018 US$	Restated* 2017 US$
Continuing operations		
Revenue	6 794 059	6 894 732
Mining production expenses	(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	(329 712)	(375 631)
Net operating loss	(3 221 417)	(5 096 822)
Other income	988 061	408 791
Impairment losses on non-financial assets	(2 107 348)	-
Impairment losses on financial assets	(85 223)	-
Other expenses	(205 595)	(274 760)
Effective interest rate finance income	356 647	191 344
Finance Income	99 431	4 153
Finance costs	(572 740)	(323 313)
Loss before taxation from continuing operations	(4 748 184)	(5 090 607)
Taxation	(102 497)	(50 000)
Loss for the year from continuing operations	(4 850 681)	(5 140 607)
Discontinued operations		
Profit from discontinued operations	-	4 456 533
Total loss for the year	(4 850 681)	(684 074)
Other comprehensive Income:		
Other comprehensive Income for the year	-	-
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 for continuing and discontinued operations (US dollars)	(0.04)	(0.01)

***Comparitives have been restated after correction of prior years errors relating to omission of depreciation of rehabilitation assets.**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Audited 2018 US$	Restated* 2017 US$	Restated* 2016 US$
ASSETS			
Non-current assets			
Property, plant and equipment	441 211	2 560 358	2 168 750
Non-current receivables	-	792 088	-
	441 211	3 352 446	2 168 750
Current assets			
Inventories	1 088 582	618 087	900 420
Trade and other receivables	3 025 169	3 069 715	2 500 292
Cash and cash equivalents	81 721	363 277	150 054
Total current assets	-	-	6 573 362
	4 195 472	4 051 079	10 124 128
Total Assets	4 636 683	7 403 525	12 292 878
EQUITY			
Share capital	1 111 651	1 111 651	1 111 651
Non-distributable reserve	(2 766 582)	(2 766 582)	(2 766 582)
Accumulated loss	(15 552 004)	(10 542 081)	(9 903 126)
Non-controlling interest	45 637	(113 605)	(68 486)
Total Equity	(17 161 298)	(12 310 617)	(11 626 543)
LIABILITIES			
Non-current liabilities			
Shareholders' loans	9 258 646	9 674 451	9 927 653
Rehabilitation provision	1 524 639	1 600 688	1 494 025
Deferred tax liabilities	71 168	-	-
Total non-current liabilities	10 854 453	11 275 139	11 421 678
Current liabilities			
Related party payables	2 772 001	1 525 118	2 639 992
Trade and other payables	8 147 648	6 913 885	4 602 549
Other short-term loans	-	-	183 335
Liabilities directly associated with assets held for sale	-	-	5 071 867
Tax Liabilities	23 879	-	-
Total current liabilities	10 943 528	8 439 013	12 497 743
Total Equity and Liabilities	4 636 683	7 403 525	12 292 878

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital US$	Non-distributable reserve US$	Accumulated losses US$	Total US$	Non-controlling interest US$	Total US$
Balance as at 30 September 2016 (Audited)	1 111 651	(2 766 582)	(9 648 388)	(11 303 319)	(68 486)	(11 371 805)
Restatement			(254 738)	(254 738)	-	(254 738)
		(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)/ income		-	(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)

CONSOLIDATED STATEMENT OF CASH FLOWS

	2018 US$	Restated* March 2017 US$
Cash flows from operating activities		
Loss before taxation from continuing activities	(4 748 184)	(5 090 607)
Income before taxation from discontinued activities	-	4 456 533
Loss before taxation	(4 748 184)	(634 074)
Adjusted for:		
Depreciation and depletion from continuing operations	329 713	375 631
Impairment of non financial assets	2 107 348	-
Gain on disposal of property, plant and equipment	(114 050)	(47 028)
Net gain on sale of subsidiary	-	(4 058 373)
Finance income from continuing operations	(456 078)	(195 497)
Finance income from discontinued operations	-	(27)
Changes in accounting estimates	(268 772)	(66 904)
Finance costs	159 195	72 332
Finance charges on trade payables	220 822	26 866
Rehabilitation provision-interest from continuing operations	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)
Change in inventories	(470 495)	318 837
Change in trade and other receivables	1 283 564	1 358 076
Change 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	(7 450)	(50 000)
NET CASH FLOWS GENERATED FROM/ (USED IN) OPERATING ACTIVITIES	497 295	(1 331 496)
Cash flows from financing activities		
Loan repayments	(575 000)	(253 202)
NET CASH FLOWS USED IN FINANCING ACTIVITIES	(575 000)	(253 202)
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	117 160	10 789
Acquisition of property, plant and equipment	(321 011)	(713 208)
Proceed from disposal of Palatial Gold Investments (Private) Limited	-	2 489 802
Finance income from continuing operations	-	4 153
Finance income from discontinued operations	-	27
NET CASH FLOWS (USED IN)/GENERATED FROM INVESTING ACTIVITIES	(203 851)	1 791 563
Net change in cash and cash equivalents	(281 556)	206 865
Cash and cash equivalents at 30 September 2017	363 277	156 412
Cash and cash equivalents at 30 September 2018	81 721	363 277

EY
Building a better working world

Ernst & Young
Chartered Accountants (Zimbabwe)
Registered Public Auditors
Angwa City
Cnr Julius Nyerere Way /
Kwame Nkrumah Avenue
P O Box 62 or 702
Harare
Zimbabwe

Tel: +263 4 750905-14 or 750979-83
Fax: +263 4 750707 or 773842
E-mail: admin@zw.ey.com
www.ey.com

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