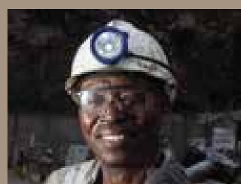
HWANGE

COLLIERY COMPANY LIMITED



annual report 2017

Proudly Providing Much More than Just

COAL

Contents

Company Profile

BACKGROUND
Hwange Colliery Company Limited "the Company" (formerly Wankie Colliery Company Limited) is incorporated in the Republic of Zimbabwe and has a primary listing on the Zimbabwe Stock Exchange and secondary listings on the Johannesburg and London Stock Exchanges.

BUSINESS
The Company's principal activities are exploration, mining, processing of coal and the production of coke and related by-products in the north western part of Zimbabwe, Hwange District in the Matabeleland North Province. The Company is ISO 9001:2008 certified by the Standards Association of Zimbabwe (SAZ).

OPERATING ASSOCIATE AND JOINT VENTURE COMPANIES
Hwange Coal Gasification Company (Private) Limited
Clay Products (Private) Limited
Zimchem Refineries (Private) Limited

STRATEGIC PRIORITY AREAS

Hwange Colliery Company Limited's current corporate objectives are:

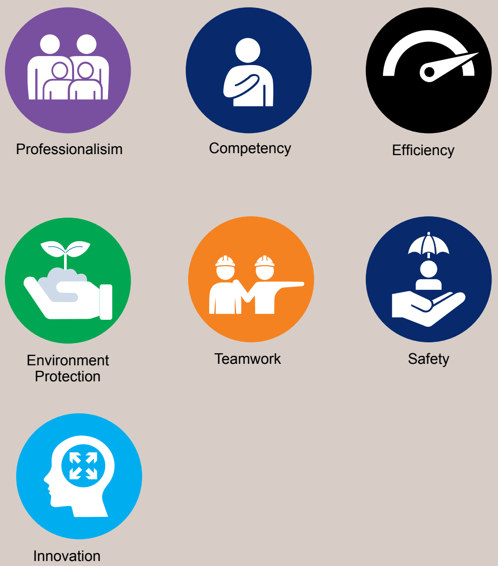
(1) Grow revenues and return to business **Profitability** from the current loss position to US$9m per month by 2021
(2) Ensure **Customer Service Excellence and increase sales volumes** to 835 000 Tons per month by 2021
(3) Improve Business **Operational Efficiency** to US$35 per ton by 2021
(4) Ensure Adquate **Systems and human capital capability** to 5 236 tons per man per annum by 2021
(5) To achieve **Safety, Health and Environment (SHE) excellence** by maintaining lost time injury frequency rate (LTIFR) at less than 3 and lost time injury severity rate (LTISR) at less than 140;
(6) To adhere to **Good Corporate Governance principles**; and
(7) To **develop and retain critical skills, competencies and employee motivation** to maintain competitiveness.

VISION

To Be Number 1 In Coal Mining And Production Of Coal Related Products At The Least Cost In The Region.

MISSION STATEMENT

To Provide Competitive Coal And Coal Related Solutions To Our Customers Using Modern And Efficient Production Techniques



SHARED VALUES

As the Company delivers on its mission, it is guided by its core values which are as follows:

- Innovation
- Safety
- Efficiency
- Competency
- Teamwork
- Execution

Coporate Information

NATURE OF ACTIVITIES

The Company's principal activities are exploration, mining and processing of coal and the production of coke and related by-products in the north western part of Zimbabwe, Hwange District in the Matabeleland North Province. The Company is ISO 9001:2008 certified by the Standards Association of Zimbabwe (SAZ).

AUDITORS

Grant Thornton Chartered Accountants (Zimbabwe)
Camelsa Business Park
135 Enterprise Road, Higlands
P O Box CY 2619
Harare, Zimbabwe
www.grantthornton.co.zw

ATTORNEYS

Chihambakwe Mutizwa and Partners
Mawere Sibanda Legal Practitioners
Majoko and Majoko Legal Practitioners
Coghlan and Welsh Legal Practitioners

BANKERS

BancABC
Stanbic Bank Limited
Ecobank
CBZ

SHARE TRANSFER SECRETARIES

Corpserve (Private) Limited
2nd Floor, ZB Centre
Cnr Kwame Nkurumah Avenue/First Street, Harare, Zimbabwe

CURRENCY OF FINANCIAL STATEMENTS

United States Dollar
Period of account: Year ended 31 December 2017

REGISTERED OFFICES

7th Floor, Coal House
17 Nelson Mandela Avenue
P. O. Box 2870
Harare, Zimbabwe
www.hwangecolliery.net

Performance Review

Chairperson's Statement

J Muskwe
Chairperson (Acting)

OVERVIEW

Highlights for the year under review are summarised below:

- Revenue increased by 37% from $39.9 million to $54.4 million;
- Improved operating space as a result of the Scheme of arrangement;
- 32% reduction in cost of sales as a result of cost cutting measures implemented during the year;
- Improved rail logistics as a result of the revival of the National Railways of Zimbabwe;
- Supplier contracts reviews and low cost production strategy on course.

Chairperson's Statement cont'd

On behalf of the Board of Directors, I present the audited financial results of Hwange Colliery Company Limited for the year ended 31 December 2017.

FINANCIAL PERFORMANCE

The Company's performance in 2017 improved in comparison to the 2016 financial year. The loss for the year decreased by 51% from US$89.9 million recorded in 2016 to US$43.8million during the year under review.

Revenue increased by 37% from US$39.9 million in 2016 to US$54.5 million in 2017. This increase is attributed to increased sales volume from the 921 000 tonnes recorded in 2016 to 1.2 million tonnes in 2017.

PERFORMANCE

Though favorable than the comparable period in 2016, the company's performance for the period under review fell short of budgetary targets. This was due to low production levels attributable to working capital constraints. Monthly production average was 110,000 tonnes compared to the budgeted monthly production of 340,000 tonnes. As a result, the Company failed to meet the market demand.
Total sales tonnage was 1,288,485 tonnes against a budget of 3,607,799 compared to 921,627 and 3,597,050 respectively recorded in 2016. Cost of sales reduced by 32% as a result of the following cost cutting initiatives implemented during the year under review:

a) Reduced labour costs resultant from a voluntary retrenchment exercise;
b) Reduction in contractor costs and contractor rates;
c) Underground mine, coke-works and wet screen plant costs accounted for as care and maintenance costs;
d) Non recurring costs of $19m incurred in 2016 relating to a stock adjustment.

SCHEME OF ARRANGEMENT

The Company's scheme of arrangement with its creditors afforded the Company moratorium while building the financial resources to capacitate the Company to meet its financial obligations.

The Company is grateful for the support received from all its stakeholders and still requires such support notably from its creditors, employees, suppliers and shareholders. The Board remains confident that the turnaround efforts shall yield the desired results.

Chairperson's Statement cont'd

The narrowing of the loss position confirms the Company is on course with its recovery path.

OUTLOOK

As demonstrated by the financial results, there are signs of recovery. The narrowing of the loss position confirms the Company is on course with its recovery path. The strategic priorities for the Company's year-end were the following;

a) **Increased Production**
During the year under review, the Company focused on increasing production. Production increased to 1.2 million tonnes from the 0.97 million tonnes recorded in 2016.

b) **Open Cast Mining**
The Company's open cast operation contributed 589,142 tonnes for the year which represents 47% of the total year end production. There were constraints in the logistics and processing section of the value chain which are being addressed. Coal movement was largely by road which was an expensive mode of coal movement. The revival of the National Railways of Zimbabwe will come as a solution to the logistical requirements for the product to reach to customers in a cost effective way. Efforts continue to be made to secure working capital.

c) **Resuscitation of Underground Mine Operations**
The Company managed to resuscitate underground mine operations beginning the 4th quarter of 2017. While the resuscitating of the underground mine operations were delayed, its a sign towards recovery as production of high value products is set and the Company's capacity to generate export sales from coking coal and coke is enhanced. While foreign currency remained a challenge during the year, support was received from the Reserve Bank of Zimbabwe in availing foreign currency needed to import the key pieces of equipment for the underground mine.

Chairperson's Statement cont'd

The Company managed to resuscitate underground mine operations beginning the 4th quarter of 2017.

OUTLOOK (continued)

d) Coke Production

The Company's intended takeover project of the Hwange Coal Gasification Company (HCGC) Coke oven battery pursuant to a BOOT Agreement with its Chinese partners in HCGC was delayed. Engagements remain in place to ensure that this is achieved without placing risk on the Company.The cautionary that had been published was withdrawn because the takeover may be further delayed.The Company has placed more emphasis and attention on the resuscitation of its own coke oven battery.

e) Cost reduction

The Company adopted a low cost high productivity strategy. This has enabled the Company to significantly reduce its costs. The employment costs have reduced owing to the short time working arrangement as well as revision of employment benefits in line with industry best practice as well as Company's capacity to pay.

f) Zimbabwe Power Company's Stage 3 Expansion

The Company concluded an Exploration Agreement with Fugro Earth Resources to undertake exploration and drilling of the Western Areas Concession. Thereafter, mine development will follow after securing funding for this phase. Related to this, the Company has engaged KPMG Financial Advisory Services for purposes of fund raising for the Western Areas development.

g) Improve efficiencies and competitiveness

As the Company increases the thrust on the core business of mining, it will also look at ways of allowing other entities to assist in the running of town services such as road maintenance, electrical power distribution and sewage treatment. The adoption of enterprise resource planning systems to automate the administration of the business will also improve efficiencies and lower the cost per ton of coal produced.

Chairperson's Statement cont'd

Strategic plans to unearth the Company's potential are being developed

REALISATION OF POTENTIAL

Strategic plans to unearth the Company's potential are being developed and these include:-

a) ***Increasing the volume of high value and high margin coking coal***
Apart from resuscitating its underground mining operations, the Company will develop a second underground mining section so that coking coal production will increase in the coming year. In addition, opencast operations at the JKL pit will resume in order to increase high value coking coal in the product mix.

b) ***Rebuild or replacement of Hwange Colliery's Coke Oven Battery***
The company's coke oven battery was shut down in mid-2014 in a controlled manner in order to prevent damage to the oven furnaces. Despite many interventions over the years to implement a rolling rebuild, the plant was old and beyond its economic life. Therefore the Company has invited bidders to tender for the full rebuild of the coke oven battery, by-products plant and ancillary plants or the supply of a completely new coke oven battery of the same capacity together with the by-products and ancillary plant.

c) ***Fixed plant repair and restoration of full capacity***
As a mine that has operations spread-out on a wide geographic area, it is important to use efficient means of transporting coal from the pits to the processing plants and the rail siding. Therefore the repair and full capacity restoration of the coal handling plant, conveyor belts and the No 2 processing plant is a key enabler for high volume and least cost production.

d) ***Development of Western Areas and Lubimbi West and East Concessions***
The life of mine at the current open cast operations is estimated to be less than 5 years. Therefore the development of the Western Areas coal fields to a full scale mining operations is critical. A 25 year coal supply agreement was already signed with the Zimbabwe Power Company's Hwange Power Station Stage 3 expansion. In addition, a 25 year coal supply agreement was also signed with an Independent Power Producer whose operations will be located at Milibizi in Matebeleland North Province. Bidders have been invited to tender for development of the coal bed methane resources at Lubimbi East. These new developments are important for the future of the company as it turns around and re-aligns itself for higher volume production and focuses on least cost production techniques.

Chairperson's Statement cont'd

e) ***Increase volume of export sales***

Given the deliberate focus on increasing the mix of high value and margin coking coal and coke, the Company will grow its market share in the neighbouring countries. Hwange Colliery's coking coal and coke meets exacting quality specifications in the ferro-chrome industries and smelters. In collaboration with the National Railways of Zimbabwe, the Company will develop dedicated solutions for the delivery of coking coal and coke products to customers in the region and within the country.

DIRECTORATE

During the year under review Messrs W. T. Kutekwatekwa and A. M Ngapo resigned from the Board of Directors effective 18th and 28th of July 2017 respectively.

Mr W. Chitando who was serving as the Board Chairman resigned from the Board on the 7 th of December 2018 following his appointment as Minister of Mines and Mining Development. The Company acknowledges the contribution made by the three (3) resigned Directors and wishes them well in their current and future endeavours.

There are still vacancies on the Board which require shareholders to make appointments in order to strengthen the composition of the Board.

APPRECIATION

Whilst the Company was still in a loss position, the financial results demonstrate signs of recovery resultant from a concerted team effort to turnaround the Company. The Board is grateful for the support rendered by all stakeholders to its turnaround plans. I would like to express my gratitude to my fellow Directors, Management and Staff for their collective efforts and dedication to the Company.

J. MUSKWE (MRS)
Acting Chairperson
13 March 2018

Managing Director's Review of Operations

S. T. Makore
Managing Director

OVERVIEW

Highlights for the year under review are summarised below:

- Open pit mining increased to a peak of 300 000 metric tonnes per month
- Resuscitation of No 2 wet screening plant;
- Resumption of underground mining, producing 12 000 metric tonnes of coking coal;
- Medical Services division revenue grew by 19% to $0.67 million compared to the previous year.;
- Estates division revenue grew by 34% to $9,5 million compared to the previous year.

Managing Director's Review of Operations cont'd

I have pleasure in submitting my report on the Company's operations for the year ended 31 December 2017.

THE STRATEGIC DIRECTION

The Company adopted a five year strategic plan aimed at stopping the bleeding and least cost production. This five year strategic plan was a culmination of a company-wide approach involving and incorporating inputs from staff in all departments. From this strategic plan, an operating plan for the financial year 2017 was drawn up. The key elements of the strategic plan are as follows:

Creation of the operating space

The company's Creditors Scheme of Arrangement was overwhelmingly supported by the creditors both by number and value. Subsequently, the High Court sanctioned the scheme in May 2017. In accordance with the scheme, employee creditors were paid an initial deposit of 7% in June 2017 and the balance payable over 36 months beginning December 2017. Trade creditors were paid an initial deposit of 5% and the balance payable over 10 years including a grace period of 2 years. Statutory creditors will be paid over 15 years with a grace period of 2 years.

Through the scheme of arrangement, the company's debts were restructured to long term thereby protecting Company assets from execution in fulfilment of creditor claims. This created a balance between the Company's turnaround initiatives and the competing creditor interests as funds would be channelled towards operations while also paying creditors in a structured and affordable manner.

Company brand

During the period under review, the Company's brand improved after the Scheme of Arrangement approval and as a result of the increase in production. Media publications carried the positive news about the company's turnaround implementation. Coal deliveries for electricity generation improved and the resuscitation of underground mining operations

Managing Director's Review of Operations cont'd

made more traction. The company reported a gross profit compared to a gross loss which had been reported for more than 5 years. Development of the new concessions will position the Company's brand for new progress and developments associated with the anticipated growth of the national economy.

Increase and realignment of production

With the operating space afforded by the scheme of arrangement, the Company focussed its efforts and resources on increasing production. The Rapid Results approach, known as Project Gijima, was implemented to fast track productivity and efficiencies across all operations. Interventions into the repairs and maintenance of its own mining equipment improved reliability, availability and utilisation of the company's assets. Under Project Gijima, three buses for transportation of employees were resuscitated thus ensuring punctuality of staff and productivity improvement.

Open pit mining increased from an average of 30 000 metric tonnes per month in the first quarter and peaked at 300 000 metric tonnes per month in the third quarter. The steep increase in production exposed bottlenecks in the processing plants and deliveries of coal. The bottlenecks ranged from logistical constraints and aging plant and equipment to process coal. As a result, production in the fourth quarter had to be rescheduled to prevent further accumulation of coal stocks.

To manage logistics, continuous engagement and coordination with the National Railways of Zimbabwe continued with the result being improved wagons availability. The No 2 wet screening plant was resuscitated in the fourth quarter and contributed to the improvement in quality of coal, reduction of duff generation and regain of lost industrial customers. Production for 2017 was 1.2 million metric tonnes compared to 921 000 tonnes in the previous year. The major mining contractor contributed 53% to the overall production for the period under review.

The takeover of the Hwange Coal Gasification Company (HCGC) coke oven battery will take into account the remaining economic life of the asset. Coking coal sales to HCGC are done on a prepayment basis. Further discussions to takeover the coke oven battery will be done in the best interests of the Company to avoid taking over risks and liabilities.

Resuscitation of underground mining

During the period under review, the Company implemented actions to resuscitate its underground mining operations which were strategic to the Company's profitability and forex generation. This project had a budget of $6.2 million which included exchange of the Company's Continuous Miner with an OEM (Original Equipment Manufacturer) recommended pre-owned machine with an economic life of approximately 3 years before the next major service, refurbishment of two pre-owned shuttle cars plus the Company's own shuttle car, purchase of new roof bolter, feeder breaker, MPV, underground carrier, dewatering pumps, conveyor structure, electrical switchgear and communication system.

The pre-owned Continuous Miner was delivered in the third quarter of the year. The remaining equipment

Managing Director's Review of Operations cont'd

could not be delivered due to the acute shortage of foreign currency. Underground mining resumed in December 2017 using the delivered Continuous Miner and the old support equipment such as the single shuttle car, roof bolter and feeder breaker. Approximately 12 000 metric tonnes of coking coal was mined in December 2017.

Customer retention and diversification

The increased production and sales enabled the company to retain key customers and grow its market share. Sales for 2017 were 1.2 million metric tonnes which represented a 41% increase compared to the previous year. Thermal coal still contributed the largest portion of sales while industrial coal sales to the industrial customers and the tobacco sector also grew. Coking coal sales will be a major area of focus and growth as the production from 3 Main underground increases. The ultimate strategy will be coke production which is hinged on the takeover of the coke oven battery from Hwange Coal Gasification Company.

Increase in export sales

The Company's largest export market was Zambia. Export of industrial coal and coke to this market contributed to the export revenue. Trial orders of industrial coal to new blue chip customers in Zambia and South Africa were also undertaken. These new customers will be a source of market share growth for the export business. Export sales only contributed only 1% compared to the target of 25% contribution.

Focus on least cost reduction

Given the increasing competition in the coal mining sector, the Company implemented a series of cost reduction measures such as reduction of employment costs by 18% through the review the Company's human resources policies, short time working arrangements, reduction in the number sub-contractors by resuscitating its own equipment and reduction of fees for subcontracted services. A voluntary retrenchment programme was implemented in which approximately 227 staff took up the offer. At the end of 2017, the Company's headcount was 2 052 compared to 2 299 in the previous year. In order to stop the bleeding, a Closed Circuit TV system was introduced at high risk points especially the stores, coal and coke yards as well as security entry and exit points. A breathalyser unit was also introduced at security checkpoints to prevent entry to work by employees under the influence of alcohol.

New concessions

Western Areas

Special Grant 5950 was awarded to the Company in July 2015. The Environmental Impact Assessment was completed. The 25 years' coal supply agreement was signed with Zimbabwe Power Company to supply Hwange Power Station Stage 3 Expansion. In November 2017, the contract for exploration and drilling was signed with Fugro Earth Resources. The exploration and drilling programme will commence in 2018 and culminate in a resource statement by the end of the year. The Company engaged KPMG as its financial adviser to seek an investor or joint venture

Managing Director's Review of Operations cont'd

partner for the mine planning and development of this concession. In terms of the coal supply agreement, coal delivery to Hwange Power Station units 7 and 8 must commence within 3 years and expected to be sourced from this concession.

Lubimbi West
The Company was also awarded Special Grant 4764 in July 2015. The Environmental Impact Assessment was underway. The 25 years' coal supply agreement was signed with PER (Pan African Energy Resources) Lusulu Power. While PER Lusulu take steps to reach financial close for the project, both Hwange Colliery and PER Lusulu Power are seeking funding and joint venture partnerships for the mine planning and development of this coal concession. Coal supply is planned for 36 months from the date of financial close.

Lubimbi East
Special Grant 4364 was awarded to Hwange Colliery in July 2015. The Environmental Impact Assessment is in progress. This concession area has coal bed methane gas reserves. The Company has invited tenders for joint venture partnership for the feasibility studies, development and financing for this concession. The potential products that can be realised from this development are electricity, domestic gas, petroleum and fertiliser.

Capital Expenditure Projects

Second underground mining section
Given the firm coking coal prices and envisaged increase in domestic demand for coke, the Company invited tenders for development of a second underground mining section. This development will double coking coal production in approximately 12 months. The tender will include upgrade of the infrastructure to cater for the second and third underground sections. The Company's laboratory equipment will also be upgraded so that complete tests for phosphorus and sulphur will be carried locally. Most of the coking coal will be earmarked for exports.

Resuscitation of Hwange Colliery's coke oven battery
To increase the contribution to sales and margin of high value products, the Company invited tenders for the replacement or refurbishment of its coke oven battery. The tender enquiry will include funding for the project. Most of the coke will be earmarked for the domestic market and exports to Zambia and South Africa.

Managing Director's Review of Operations cont'd

SAFETY, HEALTH, ENVIRONMENT AND QUALITY

The Company's objective is zero harm to the environment, people and equipment. During the period under review, the milestone of 1.5 million fatality free hours was reached. Unfortunately the Company had a fatality in the last month of the year. This tragedy was investigated and further actions to learn and prevent the incident were recorded and disseminated. Pneumoconiosis coverage for the Company was more than 90% which is above the industry's average. Run-off water and storm water causes seasonal acid mine water drainage into the nearby Deka River. Monitoring of water pollution to the Deka River continued and stakeholder meetings were held to appraise coal mining companies and the community about the level of pollution into the river.

The Company has a Corporate Social Responsibility programme to install boreholes in the community which extract clean water for the community and livestock. The Company's certification for ISO 9001:2008 was approved by the Standards Association of Zimbabwe.

Period	Non Lost Shift Accidents	Lost Shift Accidents	Fatalities	Total
Year to Date 2017	5	22	1	27
Year to Date 2016	5	25	0	30

ESTATES DIVISION PERFORMANCE

Revenue grew by 34% to $9,5 million compared to the previous year. The revenue was generated from the following segments: real estate, retail, hospitality and education. It posted a profit of $1,4million compared to an operating profit $1,2million in the previous year. However, even though the division was profitable it was in a negative cash position due to offset arrangements with debtors especially former employees. The division commenced initiatives to register a community trust which will administer recreational and sporting activities in the community with funding from the beerhalls and the sports facilities. During the financial period 2017, the division also embarked on a project to re-paint houses. The rehabilitation of the aerodrome was 90% complete at the end of the year. An Enterprise Resource Planning system suitable for a municipality is being considered for implementation. Valuation of the town infrastructure and the houses will be done in order to understand the underlying value of the assets that are generating the income.

MEDICAL SERVICES DIVISION PERFORMANCE

Revenue grew by 19% to $0.67 million compared to the previous year. However, this division still reported a loss of $2 194 143 compared to an operating loss of $1,4million in the previous year. The Company contracted Cellmed to provide a medical aid service through a tender process. This service improved the division's cash flow and therefore availability of drugs and medication improved significantly by the end of the year. In addition, the Company contracted Nyaradzo funeral services to provide funeral cover to

Managing Director's Review of Operations cont'd

employees and their dependants through a tender process. The cash position of the division improved with the introduction of the medical aid for the company. It could not fund the patient management system which is still required to run the operations efficiently.

LEGAL AND REGULATORY

As a good corporate citizen the company endeavours to meet national and regional laws and regulations. The areas of interest are safety, competition, corporate governance, listing and disclosures, environment, labour and taxation. The Company's reputation is exposed if compliance with laws and regulations are not adhered to. The Company and or its officers have to be protected from penalties or criminal sanctions by conducting its business within the confines of the laws and regulations. During the year under review, the Company did not record any material penalties and/ or litigations owing to the restructuring of its debts under the scheme.

The new government has made investor friendly changes in the indigenisation laws and more changes are expected when the Mines and Minerals Act is promulgated.

TRAINING AND SKILLS DEVELOPMENT

Hwange Colliery has always taken pride in its capacity and capability to provide training to youths. The following training statistics bear testimony to this fact:

POST REPORTING DATE UPDATE

Coal fines

The Company invited tenders for beneficiation of the coal fines or purchase of bulk quantities on a prepaid basis as a way to raise capital. A number of customers have offered to purchase bulk quantities on a prepaid basis. Other offers that are being considered are for the manufacture of briquettes from the coal fines and also electricity generation and gasification of the coal fines.

Industrial relations

The Company's Scheme of Arrangement provided an initial deposit of 7% of the outstanding salary arrears to each employee. The creditors' balance was calculated as at 31st January 2017. This payment resulted in renewed optimism in the turnaround of the company. However the company was only able to pay 50% to each employee due to low cash receipts emanating from production and sales below break-even point. Approximately $24 million was carried over from 2017 as outstanding payments. Scheme of Arrangement instalments to employee creditors commenced in December 2017. Concurrent payment of scheme instalments to employee creditors and current salaries is envisaged when 3 Main underground mining production will be at full capacity, planned for May 2018. The industrial relations atmosphere deteriorated shortly after the close of the year resulting in demonstrations by the spouses of employees outside the company's main offices. This issue is being closely monitored while scheme instalments to employees are being paid monthly in accordance with the scheme provisions.

CONCLUSION

Despite the many challenges faced by the Company in 2017, many achievements were made which provide the foundation and impetus for the turnaround plan. The Scheme of Arrangement provided the broad space in which the company can implement its turnaround plans. The scheme is anchored on increased cash generation from increased production and sales. However increased production requires that the Company allocates more funding to its operations which means that it will have to focus on its core business of mining and reduce non-mining costs in line with industry best practises. Innovative ways to deal with the scheme obligations will be explored while production of high margin and value coking coal will be increased. The Board Management and staff showed resilience and remained focussed on its turnaround plan implementation.

I would like to thank our former Board Chairman, now Minister of Mines and Mining Development, Honourable W. Chitando for his leadership during the year. I also thank the Acting Chairperson, Mrs J. Muskwe and the entire Board, management and staff for their support, dedication and relentless commitment during the year. The Company's turnaround is real and continues to gather momentum.

STENJWA THOMAS MAKORE
MANAGING DIRECTOR

13 March 2018

Director's Report

for the year ended 31 December 2017

Shareholders with 5% or More Shares

Name	Shareholding (Shares)	Percentage
Government of Zimbabwe	67 555 968	36.77%
Messina Investments Limited [NNR]	30 698 467	16.71%
Mittal Steel African Investments	17 777 034	9.68%
National Social Security Authority	11 445 761	6.23%
Hamilton and Hamilton Trustees LTD-NNR	9 415 970	5.13%

SHARE CAPITAL

Authorised
As at 31 December 2017, the authorized share capital of the Company is 204 000 000 ordinary shares of USD 0.25 each.

Issued and fully paid up shares
The issued share capital at 31 December 2017 is **183 720 699** ordinary shares of USD 0.25 each.

Options
The Directors have control over the unissued ordinary shares amounting to **20 279 301** of USD 0.25 each which are set aside strictly for the Employee Share Option Scheme.

BORROWINGS

As at 31 December 2017, no loans were payable within one year (USD12.396 million in 2016) .The decrease is attributed to the restructuring of all loans under the scheme of arrangement, particularly the Zimbabwe Asset Management Corporation. Further, the Agribank loan was settled.

PROPERY, PLANT & EQUIPMENT

Capital expenditure for the year ended 31 December 2017 was **USD 1 707 063** (2016 - USD 102 142) while there were no receipts from disposal of property, plant and equipment (2016 – USD 98 762)

The Company's total property, plant and equipment amounted to **USD 107 569 137** (USD 119 261 362 in 2016).

DIRECTORATE

In terms of the Articles of Association, Mr S.T Makore and Mrs N. Masuku retire from the Board by rotation but, being eligible, offer themselves for re-election.

During the year under review Messrs W. T. Kutekwatekwa and A. M Ngapo resigned from the Board of Directors effective 18th and 28th July 2017 respectively.

Mr W. Chitando who was serving as the Board Chairman resigned from the Board on the 7 December 2017 following his appointment as Minister of Mines and Mining Development.

The Company acknowledges the contribution made by the three (3) resigned Directors and wishes them well in their current and future endeavours.

DIRECT AND INDIRECT SHAREHOLDING OF DIRECTORS

During the financial year under review, no Director held, directly or indirectly, shares in the Company.

Director's Report

for the year ended 31 December 2017

INCOME AND APPROPRIATIONS

The Company's Income and Appropriations Statements as at 31 December 2017 stood as follows:

	2017 USD	2016 USD
Profit/(loss) before finance costs	(30 712 608)	(86 551 623)
Net finance charges	(13 062 019)	(1 992 977)
Share of profit from equity accounted investments	-	(1 365 390)
Profit/(loss) before taxation	-	(89 909 990)
Taxation	-	-
Profit/(loss) after taxation	(43 837 740)	(89 909 990)
Retained profit/(loss) for the year	(258 591 953)	(168 681 963)
Retained profit/(loss) carried forward	(302 429 693)	(258 591 953)

AUDITORS

Members will be asked to re-appoint Messrs Grant Thornton Chartered Accountants (Zimbabwe), as auditors of the Company for the ensuing year and to fix their remuneration, excluding value added tax, of US$110 505 (2016 – US$97 399) for the financial year ended 31 December 2017.

STOCK EXCHANGES

The following additional information is provided with the requirements of the stock exchanges:

i. All the Company's sales and profit, were made and realized in Africa south of the equator;
ii There were no contracts with the Company in which any Director had an interest whether during or as at the end of the financial year; and
iii. The borrowings as at 31 December 2017are summarized as follows:

BORROWINGS:

	2017 USD	2016 USD
Authorised Borrowings		
Three times Shareholder's equity	-	-
Actual borrowings	151 303 807	92 107 845

By Order of the Board

A. MASIYA
HEAD LEGAL & COMPANY SECRETARY
13 March 2018

Grant Thornton
Camelsa Business Park
135 Enterprise Road, Highlands
PO Box CY 2619
Causeway, Harare
Zimbabwe

T +263 4 442511-4
F +263 4 442517 / 496985
E info@zw.gt.com
www.grantthornton.com

INDEPENDENT AUDITORS' REPORT

To the members of Hwange Colliery Company Limited

Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the Financial statements of Hwange Colliery Company Limited as set out on pages 10 to 54, which comprise the statement of financial position as at 31 December 2017, the statement of profit or loss and other comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and the notes to the Financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matters described in the Basis for Qualified Opinion paragraph, the accompanying financial statements present fairly, in all material respects, the financial position of Hwange Colliery Company Limited as at 31 December 2017, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Qualified Opinion

Going concern

As described in **notes 34.1 and 34.2** to these financial statements, the Company incurred a loss for the year of **USD43 837 740 (2016: USD89 909 990)** and, as at 31 December 2017, the Company's total liabilities exceeded its total assets by **USD211 581 962 (2016: USD167 744 222).**

As more fully disclosed in **note 34** to these financial statements, prior to entering into the Scheme of arrangement, the Company was subject to various lawsuits for failure to meet its obligations. The Scheme of arrangement was sanctioned by the High Court on the 15th of May 2017 and all actions, applications, execution of writs, summons and other processes against the Company were stayed.

Independent Auditors' Report (continued)

for the year ended 31 December 2017

The Company's Directors have initiated plans to address these and other challenges through increased focus on core business and a least cost production strategy amongst other turnaround initiatives as disclosed in note 34 to these financial statements.

The ability of the Company to continue to operate as a going concern is dependent on the success of the scheme of arrangement as well as the turnaround initiatives currently being pursued by the Directors.

Financial results of equity accounted investments included in the financial statements not audited

As described in note 16 to these financial statements, included in equity accounted investments are the Company's share of losses from its investments in associates and joint ventures, namely; Clay Products Limited, Zimchem Refiners (Private) Limited and Hwange Coal Gasification Company Limited. The financial statements of the associates and the joint venture company have not been audited. Accordingly, we were unable to determine whether any adjustments might be necessary to the share of loss from equity accounted investments, and the effect this might have on the financial statements.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the 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 matters described in the Basis for Qualified Opinion section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key Audit Matter	How our audit addressed the key Audit Matter
Allowance for credit losses The Company has trade receivables amounting to USD 45 444 344 (2016: USD 33 426 017) and allowance for credit losses of USD 23 430 994 (2016: USD 20 539 295) as disclosed in note 21 to these financial statements and form a major portion of the Company's assets. We considered this area a key audit matter as it requires the application of subjective assumptions and judgement by management.	• We reviewed the methodology and assumptions used in determining the allowance for credit losses by reference to internal and external evidence, as well as the appropriateness of the process of making such estimates. • Performed an independent assessment of the allowance for credit losses and compared our results to the management estimate so as to ascertain the adequacy of allowance for credit losses. We considered management's judgement to be reasonable and we satisfied ourselves that the allowance for credit losses provided by the Company is appropriate.

Independent Auditors' Report (continued)

for the year ended 31 December 2017

Recognition of revenue Revenue is a key measure used to evaluate the performance of the Company. ISA 240, *The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements*, presumes that there are risks of fraud in revenue recognition and requires the auditor to treat those assessed risks of material misstatement due to fraud as significant risks. The material misstatement may arise as a result of revenue being presented at amounts higher than what has been generated by the Company. This is a significant risk and accordingly a key audit matter.	• We identified the occurrence, completeness and cut-off of revenue as key focus areas of our audit. • Our audit procedures included testing of design, existence and operating effectiveness of internal controls implemented as well as test of details to ensure accurate processing of revenue transactions. • We identified key controls and tested these controls to obtain satisfaction that they were operating effectively throughout the year under review. • The results of our controls testing formed the basis for the nature and scoping of the additional test of details, which mainly consisted of testing individual transactions by reconciling them to external sources (supporting documentation). • We performed analytical procedures and assessed the reasonableness of explanations provided by management. We satisfied ourselves that the Company's revenue recognition is appropriate.
Valuation of inventory for coal and coal related products The inventory of the company includes coal and coal related products and most of the costs of production are fixed costs. The Company is currently operating at below full capacity and there is a risk that the unit cost of production exceeds the net realisable value of the coal and coal related products upon sale to customers. The Company sells coal fines to cement and brick manufactures and has included in its inventories, coal fines valued at USD 9 732 259 as at 31 December 2017. Coal fines are a by-product from crushing and processing of coal various sizes of coal products. There is no observable market to determine the fair value of coal fines, and as a result there is a risk that the carrying amount of coal fines inventory may exceed the net realisable value.	• Our audit procedures included attendance at year-end physical inventory counts to observe how management and the experts/surveyors involved quantified the inventory. • We considered the competence of the surveyors as evidenced by certification, license or recognition by the appropriate professional board. • We reviewed the results of their reports, and sought to understand and corroborate the reasons for significant or unusual movements in inventory quantities. • We reviewed the methods and assumptions used by the experts. • We reviewed the most recent prices at which coal and coal related products had been sold to customers and verified whether the inventory was carried at the lower of cost and net realisable value.

Independent Auditors' Report (continued)

for the year ended 31 December 2017

The valuation of coal and coal related products has been considered a key audit matter.	• Inspected the invoices of coal fines sold in the last quarter of 2017 and first quarter of 2018 to assess the reasonableness of the net realisable value used by management. • Reviewed the financial statements to ascertain whether the inventory for coal and coal related products had been correctly classified as either current or non-current assets. • Inspected the financial statements to ascertain whether management had made appropriate disclosures with regards to coal and coal related products. We are satisfied that coal and coal related products, including coal fines, have been properly valued and classified in the financial statements.
Provision for rehabilitation The provision is based upon current cost estimates and has been determined with reference to current legal requirements and technology. At each reporting date the rehabilitation provision is reviewed and re-measured in line with changes in observable assumptions, and the latest estimates of the costs to be incurred based on area of disturbance at reporting date. This area is a key audit matter as the determination of the restoration liability involves a level of complex calculations and significant management judgement.	• We evaluated the assessment made by management of the provision for rehabilitation to test adequacy. • We performed an independent assessment of the provision for rehabilitation and compared our results to the management estimate so as to ascertain the adequacy of the provision for rehabilitation. • The assessment was based on the total area mined out during the period under review. • Reviewing the appropriateness of the related disclosures within the financial statements. We are satisfied that the provision for rehabilitation, has been properly valued and classified in the financial statements.

Independent Auditors' Report (continued)

for the year ended 31 December 2017

Trade and other payables **Understatement of payables** The company has been failing to settle its creditors as they fall due. As at 31 December 2017, the Company had payables amounting to USD 24 364 013. There is a risk that the payables are understated due to non-recognition of interest charges by suppliers on overdue amounts. This is a significant risk and accordingly a key audit matter.	• Reviewed the creditors' reconciliation statements prepared by management. • Obtained confirmations directly from creditors with material balances as at 31 December 2017. • Ensured that management adjusted the ledger balances to reflect the effect of the differences between the confirmed balances and those in the ledger. • Vouched a sample of cash disbursements recorded just after year end to receiving reports and invoices from suppliers.
Stripping activity asset The Group has stripping costs of a surface mine of USD 8 871 563. The stripping cost relates to an estimated costs of overburden removal activity in surface mine operation for each individual pit to access the coal deposits underground. The valuation of stripping cost for a surface of mine was determined by identifying costs directly incurred to perform the stripping activity that improve access to coal. The stripping activity asset is a key audit matter as this is a significant amount and the determination of the current asset portion involves significant management judgement.	• Tested stripping cost calculation. • Inquired with the Chief Surveyor for the method, steps, and estimated result of the stripping activity plan. • Agree opening balances to prior year schedules. • Recalculate the current year pre-stripping costs using hectares exposed and the cost per hectare as detailed in the product flow. We are satisfied that the stripping activity asset, has been properly valued and classified in the financial statements.
Income taxes and deferred tax In the context of our audit of the Company's financial statements, income taxes and deferred tax were considered to be key audit matters because they entail significant management judgement as summarized below. **Income taxes:** The assessment process for income taxes is complex and the amounts involved are material to the financial statements, taken as a whole.	• We involved our tax specialist to evaluate the recognition and measurement of tax liabilities.

Independent Auditors' Report (continued)

for the year ended 31 December 2017

In determining the amounts to be taxed, the Company makes judgments and estimates in relation to tax issues. Deferred tax: The Company has a significant amount of deferred tax assets, mainly resulting from net operating losses. The risk exists that future profits will not be sufficient to fully recover the deferred tax assets. This is a significant risk and accordingly a key audit matter.	• We tested the completeness and accuracy of the amounts reported for current tax through review of correspondence with tax authorities and tax returns submitted during the year. • In this area, our audit procedures included, among others, using our own tax specialists to assist us in assessing the appropriateness of the level of deferred tax liability balance recognized in the balance sheet. • We mainly focused on the long-term forecasts and critically assessed the assumptions and judgments included in these forecasts by considering the historical accuracy of forecasts and the sensitivities of the profit forecasts. Based on the procedures performed, we consider management's key assumptions to be within a reasonable range. We also assessed the adequacy of the tax disclosures in the financial statements.

Other information

The Directors are responsible for the other information. The other information comprises the Directors' Report, Chairman's Statement and Company Secretary's Certificate, as required by the Companies Act (Chapter 24:03), which we obtained prior to the date of this auditors' report. The other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance or conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the 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 that we 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.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 Financial statements.

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

- Identify and assess the risks of material misstatement of the 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's 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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Financial statements, including the disclosures, and whether the 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 Company to express an opinion on the Financial statements. We are responsible for the direction, supervision and performance of the Company audit. We remain solely responsible for our audit opinion.

Independent Auditors' Report (continued)

for the year ended 31 December 2017

We communicate with those charged with governance 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 those charged with governance 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 those charged with governance, we determine those matters that were of most significance in the audit of the 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 Financial statements have been properly prepared in compliance with the requirements of the Companies Act (Chapter 24:03) and the relevant Statutory Instruments SI 33/99 and SI 62/96.

The engagement partner on the audit resulting in this Independent auditor's report is Farai Chibisa.

Grant Thornton

Farai Chibisa
Partner

Registered Public Auditor (PAAB No: 0547)

Grant Thornton
Chartered Accountants (Zimbabwe)
Registered Public Auditors

28 March 2018

HARARE

Statement of Profit or Loss and Other Comprehensive Income

for the year ended 31 December 2017

		Notes	2017 USD	2016 USD
Revenue		5	54 497 858	39 911 465
Cost of sales			(53 150 059)	(77 742 700)
Gross profit/(loss)			1 347 799	(37 831 235)
Other income		7	795 358	545 008
Other gains and losses		8	(3 609)	790 000
Marketing costs			(1 232 479)	(2 473 101)
Administrative costs			(25 098 636)	(47 582 295)
Loss on disposal of Treasury Bills			(6 521 040)	-
Operating loss before interest and tax			(30 712 608)	(86 551 623)
Finance costs		9	(13 062 019)	(1 992 977)
Share of loss from equity accounted investments		10	(63 113)	(1 365 390)
Loss before tax		11	(43 837 740)	(89 909 990)
Income tax expense		12	-	-
LOSS FOR THE YEAR			(43 837 740)	(89 909 990)
Other comprehensive income:				
Share of other comprehensive income of equity accounted investments, net of tax			-	-
Other comprehensive income, net of tax			-	-
TOTAL COMPREHENSIVE LOSS FOR THE YEAR			(43 837 740)	(89 909 990)
Attributable loss per share	- basic	13.1	(0.24)	(0.49)
	- diluted	13.2	(0.24)	(0.49)
Headline loss per share	- basic	13.3	(0.20)	(0.48)
	- diluted	13.4	(0.20)	(0.48)

Statement of Financial Position

as at 31 December 2017

	Notes	2017 USD	2016 USD
ASSETS			
Non current assets			
Property, plant and equipment	14	107 569 137	119 261 362
Investment property	15	4 490 000	4 490 000
Investments accounted for using the equity method	16	14 753 031	14 816 144
Intangible assets	17	699 311	968 842
Inventories - non current portion	18	8 138 714	9 218 421
		135 650 193	148 754 769
Current assets			
Stripping activity asset	19	8 871 563	-
Inventories	20	13 413 017	15 228 838
Trade and other receivables	21	31 427 775	18 295 306
Cash and cash equivalents	23	8 864 181	340 024
		62 576 536	33 864 168
Total assets		198 226 729	182 618 937
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	24.1	45 962 789	45 962 789
Share premium	24.2	577 956	577 956
Non-distributable reserve	24.3	4 358 468	4 358 468
Revaluation reserve	24.4	39 948 518	39 948 518
Accumulated losses		(302 429 693)	(258 591 953)
		(211 581 962)	(167 744 222)
Non current liabilities			
Finance lease liability	26	600 000	700 000
Borrowings	27.1	150 312 838	78 634 350
Long term creditors	28	210 226 850	-
Income tax liability	30	10 054 850	-
		371 194 538	79 334 350
Current liabilities			
Finance lease liability	26	390 969	377 161
Borrowings	27.2	-	12 396 334
Trade and other payables	28	24 364 013	237 037 122
Provisions	29	13 859 171	11 163 342
Current income tax liability		-	10 054 850
		38 614 153	271 028 809
Total equity and liabilities		198 226 729	182 618 937

J. MUSKWE
CHAIRPERSON (Acting)

S. T. MAKORE
MANAGING DIRECTOR

Statement of Changes in Equity

for the year ended 31 December 2017

	Share capital USD	Share premium USD	Non-distributable reserves USD	Revaluation reserve USD	Accumulated losses USD	Total USD
Balance at 1 January 2016	45 962 789	577 956	4 358 468	39 948 518	(168 681 963)	(77 834 232)
Total comprehensive loss for the year	-	-	-	-	(89 909 990)	(89 909 990)
Balance at 31 December 2016	45 962 789	577 956	4 358 468	39 948 518	(258 591 953)	(167 744 222)
Balance at 1 January 2017	45 962 789	577 956	4 358 468	39 948 518	(258 591 953)	(167 744 222)
Total comprehensive loss for the year	-	-	-	-	(43 837 740)	(43 837 740)
Balance at 31 December 2016	45 962 789	577 956	4 358 468	39 948 518	(302 429 693)	(211 581 962)

Statement of Cash Flows

for the year ended 31 December 2017

	Notes	2017 USD	2016 USD
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		(43 837 740)	(89 909 990)
Adjustment for non-cash items:			
Foreign exchange gain/(loss)		3 609	(790 000)
Impairment of stripping activity asset	19	-	4 849 819
Depreciation		13 399 288	17 035 805
Amortisation		269 530	269 530
Loss on disposal		-	149 499
Share of loss from equity accounted investments		63 113	1 365 390
Finance costs		13 062 019	1 992 977
Discount received		(1 756 767)	-
Insurance claim		(129)	(33 500)
Loan interest charges written off		-	(2 001 243)
Operating cash flow before changes in working capital		(18 797 079)	(67 071 714)
Changes in working capital:			
Decrease in inventory		2 895 528	19 951 225
Increase in stripping activity asset		(8 871 563)	-
(Increase)/decrease in receivables		(13 132 469)	13 592 311
Increase/(decrease) in provisions		2 695 829	(3 102 035)
Decrease in trade and other payables		(212 673 109)	(4 468 766)
Cash utilised in operating activities		(247 882 860)	(41 098 979)
Interest paid		-	(19 725)
Tax paid		-	-
Net cash flows utilised in operating activities		(247 882 860)	(41 118 704)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment		(1 707 063)	(68 642)
Net cash flows utilised in investing activities		(1 707 963)	(68 642)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in long-term creditors		210 226 850	-
Proceeds from borrowings		52 284 000	59 216 000
Repayment of borrowings		(4 335 506)	(18 216 000)
Insurance claim		129	-
Net cash flows generated from financing activities		258 175 473	41 000 000
Net decrease in cash and cash equivalents		8 585 550	(187 346)
Cash and cash equivalents at beginning of the year		278 631	465 977
Cash and cash equivalents at end of year	23	8 864 181	278 631

Statement of Accounting Policies

for the year ended 31 December 2017

1 Nature of operations and general information

Hwange Colliery Company Limited is a Company whose principal activities include extraction, processing and distribution of coal and coal products and provision of health services and various retail goods and services. Its activities are grouped into the following three (3) areas:

i) Mining - the extracting, processing and distribution of coal and coal products.

ii) Medical services - provides healthcare to staff members and the surrounding community.

iii) Estates - the division provides properties for rental and sell retail goods and services.

The Company is a limited liability Company incorporated and domiciled in Zimbabwe. It is listed primarily on the Zimbabwe Stock Exchange (ZSE), and has secondary listing on the Johannesburg Stock Exchange (JSE) and London Stock Exchange (LSE).

The company's financial statements were authorised for issue by the board of directors on 13th March 2018.

Presentation currency
These financial statements are presented in United States Dollars being the functional and reporting currency of the primary economic environment in which the Company operates.

2 Statement of compliance

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The financial statements are based on statutory records that are maintained under the historical cost convention. Investment property, land and buildings are held under the fair value model.

3 Changes in accounting policies

3.1 New and revised standards and interpretations - Adopted

The Company has not adopted any new standards or amendments that have a significant impact on the Company's results or financial position.

3.2 Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Company

IFRS 15 'Revenue from Contracts with Customers'
"IFRS 15 presents new requirements for the recognition of revenue, replacing IAS 18 'Revenue', IAS 11 'Construction Contracts', and several revenue-related Interpretations. The new standard establishes a control-based revenue recognition model and provides additional guidance in many areas not covered in detail under existing IFRSs, including how to account for arrangements with multiple performance obligations, variable pricing, customer refund rights, supplier repurchase options, and other common complexities.

IFRS 15 is effective for reporting periods beginning on or after 1 January 2018. The Company's management have not yet assessed the impact of IFRS 15 on these financial statements.

IFRS 9 'Financial Instruments'
The IASB recently released IFRS 9 'Financial Instruments' (2014), representing the completion of its project to replace IAS 39 'Financial Instruments: Recognition and measurement'. The new standard introduces extensive changes to IAS 39's guidance on the classification and measurement of financial assets and introduces a new 'expected credit loss' model for the impairment of financial assets. IFRS 9 also provides new guidance on the application of hedge accounting. The Company's management have yet to assess the impact of IFRS 9 on these financial statements. The new standard is required to be applied for annual reporting periods beginning on or after 1 January 2018.

IFRS 16 'Leases'
IFRS 16 will replace IAS 17 and three related Interpretations. It completes the IASB's long-running project to overhaul lease accounting. Leases will be recorded on the statement of financial position in the form of a right-of-use asset and a lease liability. IFRS 16 is effective from periods beginning on or after 1 January 2019. Management is yet to fully assess the impact of the Standard and therefore is unable to provide quantified information. However, in order to determine the impact the Company is in the process of:

Statement of Accounting Policies (continued)

for the year ended 31 December 2017

- performing a full review of all agreements to assess whether any additional contracts will now become a lease under IFRS 16's new definition.

- deciding which transitional provision to adopt; either full retrospective application or partial retrospective application (which means comparatives do not need to be restated). The partial application method also provides optional relief from reassessing whether contracts in place are, or contain, a lease, as well as other reliefs. Deciding which of these practical expedients to adopt is important as they are one-off choices.

- assessing their current disclosures for finance leases (Note 28) and operating leases as these are likely to form the basis of the amounts to be capitalised and become right-of-use assets.

- determining which optional accounting simplifications apply to their lease portfolio and if they are going to use these exemptions.

4 Summary of accounting policies

4.1 Overall considerations
The financial statements have been prepared using the measurement bases specified by IFRSs for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies below:

4.2 Investment in associates and joint ventures
Investments in associates and joint ventures are accounted for using the equity method.

The carrying amount of the investments is increased or decreased to recognise the Company's share of the profit or loss and other comprehensive income of the associate or joint venture. These changes include subsequent depreciation, amortisation or impairment of the fair value adjustments of the assets and liabilities.

Unrealised gains/losses on transactions between the Company and its associates or joint ventures are eliminated to the extent of the Company's interest in those entities. Where unrealised losses are eliminated, the underlying asset is also tested for impairment.

4.3 Revenue recognition
Revenue comprises revenue from the sale of goods and the rendering of services. Revenue is measured by reference to the fair value of consideration received or receivable by the Company for goods supplied and services provided, excluding sales taxes, rebates, and trade discounts.

4.3.1 Sale of goods
Revenue from sale of coal and related products is recognised when the Company has transferred to the buyer the significant risks and rewards of ownership, generally when the customer has taken undisputed delivery of the goods.

4.3.2 Dividend income
Dividend revenue from investments is recognised when the Shareholder's right to receive payment has been established.

4.3.3 Interest income
Interest revenue is accrued on a time basis, by reference to the principal outstanding and at effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts, through the expected life of the financial asset to that asset's net carrying amount.

4.3.4 Rendering of services
Revenue from the rendering of services from the hospital, estates and investment property is recognised in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

4.4 Operating expenses
Operating expenses are recognised in profit or loss upon utilisation of the service or at the date of their origin. Expenditure for warranties is recognised and charged against the associated provision when the related revenue is recognised.

4.5 Finance costs
Finance costs are reported on an accrual basis using the effective interest method.

Statement of Accounting Policies (continued)

for the year ended 31 December 2017

4.6 Earnings per share

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary Shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees.

4.7 Property, plant and equipment

Freehold land and buildings and property, plant and machinery are stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Increases in the carrying amount arising on revaluation of land and buildings are credited to capital reserves in the Shareholders' equity. Decreases that offset previous increases of the same asset are charged against capital reserves directly in equity; all other decreases are charged to profit or loss. Each year the difference, between depreciation based on the revalued carrying amount of the asset charged to statement of comprehensive income and depreciation based on the asset's original cost, is transferred from "capital reserves" to "retained earnings".

4.7.1 Depreciation

Land, capital work in progress and pre-stripped overburden are not depreciated. All other property, plant and equipment are depreciated on a straight line basis or amortised at rates estimated to write-off the cost or valuation of such assets over their expected useful lives

The expected useful lives are as follows:

Buildings	35 to 40 years
Permanent works	7 to 40 years
Plant, machinery and movable equipment	7 to 30 years
Motor vehicles	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

4.7.2 Gains and losses on disposal

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within other income in profit or loss.

4.8 Intangible assets

Intangible assets include acquired mining rights and acquired and internally developed software used in production or administration that qualify for recognition as an intangible assets. They are accounted for using the cost model whereby capitalised costs are amortised on a straight-line basis over their estimated useful lives, as these assets are considered finite. Residual values and useful lives are reviewed at each reporting date. In addition, they are subject to impairment testing. The following useful lives are applied:

Mining rights	- amortised over the estimated life of coal reserves
ERP and other software's	- 10 years

Amortisation charge for the year is included within 'depreciation, amortisation and impairment of non-financial assets'.

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and install the specific software. Subsequent expenditure on brands is expensed as incurred. Costs associated with maintaining computer software, i.e. expenditure relating to patches and other minor updates as well as their installation, are expensed as incurred.

Statement of Accounting Policies (continued)

for the year ended 31 December 2017

4.9 Impairment of non-financial assets

Assets that are subject to depreciation and amortisation are reviewed for impairment, whenever events or changes in circumstances indicated that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset' s fair value less cost to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lower levels for which there are separate identifiable cash flows (cash- generating units). Non-financial assets that suffered an impairment, are reviewed for possible reversal of the impairment at each reporting date.

4.10 Investment property

Investment property, which is property held to earn rentals and/or for capital appreciation, is measured initially at its cost, including transaction costs. Subsequent to initial recognition, investment property is measured at fair value determined by external independent valuers'. Investment property is not subject to depreciation. Gains and losses arising from changes in the fair value of investment property are recognised in profit or loss.

On disposal of an investment property, the difference between the net disposal proceeds and the carrying amount is charged or credited to profit or loss; any amounts on capital reserves relating to that investment property are transferred to retained earnings.

4.11 Financial assets

The Company classifies its financial assets in the following categories: at fair value through profit or loss and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

4.11.1 Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

The Company's financial assets are marketable securities that are carried at market value, which is calculated by reference to quoted selling prices at the date of business on the reporting date.

4.11.2 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the reporting date. These are classified as non-current assets. The Company's loans and receivables comprise 'trade and other receivables' and 'cash and cash equivalents' in the statement of financial position.

4.11.3 Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in profit or loss within "selling and marketing costs". When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against "selling and marketing costs" in profit or loss.

4.11.4 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the reporting date.

4.12 Stripping activity asset

Stripping asset activity represents the cost of overburden removed to expose coal and is capitalised during the course of development. The portion relating to reserves expected to be mined in the next twelve months (12) is transferred to current assets and is charged to cost of production as the coal is mined whilst the portion that is expected to be mined after twenty four (24) months is recognised under non-current assets as other assets.

After initial recognition, the stripping activity asset is carried at cost less depreciation and impairment losses.

4.13 Inventories

Inventories are stated at the lower of cost and net realisable value. The cost of consumable stores is determined using the weighted average cost method. The cost of finished goods is determined on an average cost of production basis. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

Statement of Accounting Policies (continued)

for the year ended 31 December 2017

4.14 Share capital

Ordinary shares are classified as equity. Mandatorily redeemable preference shares are classified as liabilities.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where a Company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

4.15 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the statement of profit or loss, except to the extent that it relates to items recognised directly in equity.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in associates, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

4.16 Leases

Leases of property, plant and equipment where the Company has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the statement of profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

4.17 Dividend distribution

Dividend distribution to the Company's Shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's Shareholders.

4.18 Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

4.19 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective interest method.

Statement of Accounting Policies (continued)

for the year ended 31 December 2017

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

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

4.20 Employee benefits

4.20.1 Pension and retirement schemes

The Company is a member of the Mining Industry Pension Fund which is independently administered as a defined contribution scheme. All full time permanent employees are members and the scheme provides for contributions by both employer and employee. The Company's contributions to the defined contribution pension plans are charged to statement of profit or loss in the year to which they relate. The Company and all employees must contribute to the National Social Security Authority statutory pension and benefits scheme, which is a defined contribution scheme.

4.20.2 Equity compensation benefits

The stock option program allows employees to acquire shares in the Company. When the options are exercised equity is increased by the amount of the proceeds received.

4.20.3 Short-term employee benefits

Short term employee benefits, including holiday entitlement, are measured at an undiscounted amount and recognised as an expense in the profit or loss during the period in which the services are rendered. Short term benefits expected to be paid are recognised as a liability (accrued expense), after deducting any amount already paid.

4.21 Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be remote.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

4.21.1 Rehabilitation and restoration costs

The Company recognises provisions for the restoration and rehabilitation of mined areas. The provision recognised represents management's best estimate of the present value of the future costs required. Significant estimates and assumptions are made in determining the amount of restoration and rehabilitation provisions. Those estimates and assumptions deal with uncertainties such as: requirements of the relevant legal and regulatory framework; the magnitude of possible contamination and the timing, extent and costs of required restoration and rehabilitation activity. These uncertainties may result in future actual expenditure differing from the amounts currently provided.

The provision recognised for each site is periodically reviewed and updated based on the facts and circumstances available at the time. Changes to the estimated future costs for operating sites are recognised in the statement of financial position by adjusting the restoration and rehabilitation provision.

4.22 Segment reporting

The Company has three operating segments: the Mining, Medical Services and Estates. In identifying these operating segments, management generally follows the Company's service lines representing its main products and services.

Each of these operating segments is managed separately as each requires different technologies, marketing approaches and other resources. All inter-segment transfers are carried out at arm's length basis.

For management purposes, the Company uses the same measurement policies as those used in its financial statements.

Statement of Accounting Policies (continued)

for the year ended 31 December 2017

4.23 **Related parties**

For the purposes of these financial statements, a party is considered to be related to the Company if:

4.23.1 The party has the ability, directly or indirectly through one or more intermediaries, to control the Company or exercise significant influence over the Company in making financial and operating policy decisions, or has joint control over the Company;

4.23.2 The Company and the party are subject to common control;

4.23.3 The party is an associate of the Company or a joint venture in which the Company is a venturer;

4.23.4 The party is a member of key management personnel of the Company or the Company's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

4.23.5 The party is a close family member of a party referred to in 4.23.1 or is an entity under the control, joint control or significant influence of such individuals; or

4.23.6 The party is a post-employment benefit plan which is for the benefit of employees of the Company or of any entity that is a related party of the Company.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

Notes to the Financial Statements

for the year ended 31 December 2017

	2017 USD	2016 USD
5 Revenue		
Mining	44 292 950	32 274 013
Medical services	668 434	561 763
Estates	9 536 474	7 075 689
	54 497 858	39 911 465

6 Segment reporting

For management purposes, the Company is organised into divisions based on its products and services and has three reportable segments, as follows:
-The Mining Division, which mines and sells coal and coal products;
-The Medical services Division, which provides medical services; and
-The Estates Division, which leases property owned by the company.
No operating segments have been aggregated to form the above reportable operating segments.

Segment information for the reporting period is as follows:

Notes to the Financial Statements (continued)

for the year ended 31 December 2017

6 Segment reporting (contd)

Segment information for the reporting period is as follows:

	Mining USD	Medical Services USD	Estates USD	Total USD
2017				
Revenue				
From external customers	44 292 950	668 434	9 536 474	54 497 858
From other segments	-	1 327 596	540 728	1 868 324
Segment revenues	44 292 950	1 996 030	10 077 202	56 366 182
Other income	615 105	68 880	111 370	795 355
Cost of sales	(42 626 226)	(2 482 362)	(8 041 472)	(53 150 059)
Marketing costs	(1 232 479)	-	-	(1 232 479)
Other gains/losses	(3 609)	-	-	(3 609)
Redundancy costs	(3 914 047)	(159 418)	(308 599)	(4 382 064)
Loss on disposal of Treasury bills	(6 521 040)	-	-	(6 521 040)
Care and maintenance	(3 988 663)	-	-	(3 988 663)
Administration expenses	(16 214 826)	(332 744)	(2 048 659)	(18 596 229)
Segment operating (loss)/profit	(29 592 836)	(909 614)	(210 158)	(30 712 607)
Segment assets	106 838 702	-	3 740	106 842 442
2016				
Revenue				
From external customers	32 274 013	561 763	7 075 689	39 911 465
From other segments	-	1 891 206	729 371	2 620 577
Segment revenues	32 274 013	2 452 969	7 805 060	42 532 042
Other income	402 620	79 615	62 773	545 008
Cost of sales	(69 810 282)	(3 294 768)	(4 637 650)	(77 742 700)
Balance carried forward	(37 133 649)	(762 184)	3 230 183	(34 665 650)
Balance brought forward	(37 133 649)	(762 184)	3 230 183	(34 665 650)
Other income				
Marketing costs	(2 473 101)	-	-	(2 473 101)
Administration expenses	(38 978 873)	(700 888)	(1 914 535)	(41 594 296)
Segment operating loss	(78 585 623)	(1 463 072)	1 315 648	(78 733 047)
Segment assets	118 254 986	20 867	985 509	119 261 362

Management currently identifies the Company's three business lines as its operating segments. These operating segments are monitored by the Company's Board of Directors and strategic decisions are made on the basis of adjusted segment operating results.

	2017 USD	2016 USD
The Company's revenues from external customers are divided into the following geographical areas:		
Sales within Zimbabwe	51 970 674	38 619 198
Sales elsewhere in Sub-Saharan Africa	2 527 184	1 292 267
Total revenue	54 497 858	39 911 465

Notes to the Financial Statements (continued)

for the year ended 31 December 2017

	2017 USD	2016 USD
7 Other income		
Insurance claims	129	33 500
Rental income	528 879	407 193
Sale of scrap metal	90 037	12 312
Sundry income	176 313	92 003
	795 358	545 008
8 Other gains and losses		
Foreign exchange loss	3 609	-
Fair value gains on investment property (note 15)	-	790 000
	3 609	790 000
9 Finance costs		
Interest on loans and overdrafts	12 884 362	1 872 844
Interest on leases	177 657	120 133
	13 062 019	1 992 977

Interest on loans and overdraft comprise of interest charged on the Government of Zimbabwe treasury bills at a rate of 7% per annum , ZAMCO and EXIM loan and finance lease facilities at an interest rate of 7% and 5% per annum respectively.

10 Share of losses from equity accounted investments

Included in this amount is the Company's share of loss after tax from:

	2017 USD	2016 USD
Clay Products (Private) Limited	(63 113)	(168 035)
Hwange Coal Gasification Company	-	(1 197 355)
	(63 113)	(1 365 390)

The share of loss of Zimchem Refiners (Private) Limited amounting to USD 595 888 was not recorded in these financial statements as the cumulative share of losses exceeds the carrying amount of the investment in the associate.

The share of loss for Clay products of USD 189 704 was restricted to the balance of the carrying amount of the investment of USD 63 113.

Unaudited financial information for Clay Products (Private) Limited and Zimchem Refiners (Private) Limited has been included in these financial statements as the audited financial information was not available.

11 Loss before tax

Loss before tax for the year has been arrived at after charging the following:

	2017 USD	2016 USD
Allowance for credit losses	2 891 699	10 787 450
Amortisation	269 530	269 530
Annual licence fees - mining rights	125 000	248 430
Audit fees	110 505	97 399
Depreciation on property, plant and equipment	13 399 288	17 035 805
Directors' emoluments:		
- Executive Directors	439 606	327 451
- Non-Executive Directors	143 319	113 827
Employee benefits expense (note 12.1)	26 783 564	28 466 494
Impairment loss on stripping activity asset (note 20)	-	4 849 819
Loss on disposal of assets	-	149 499
Retrenchment package	4 382 064	2 020 787
Loss on disposal of Treasury bills	6 521 040	-

Notes to the Financial Statements (continued)

for the year ended 31 December 2017

		2017 USD	2016 USD
11	**Loss before tax**		
11.1	**Employee benefits expense**		
	Salaries and other contributions	25 175 753	26 945 033
	Contribution to Mining Industry Pension Fund	1 056 360	1 114 083
	Contribution to National Social Security Authority	551 451	407 378
		26 783 564	28 466 494
	Employee benefit expense amounting to **USD 11 558 294 (2016: USD 15 135 433)** was charged directly to cost of sales.		
12	**Income tax**		
12.1	**Current tax**:		
	Current tax	-	-
	Deferred tax	-	-
	Income tax (credit)/expense	-	-
12.2	**Tax reconciliation:**		
	Loss before tax	(43 837 740)	(89 909 990)
	Notional tax thereon at a rate of 25.75%	(11 288 218)	(23 151 822)
	Tax effect of:		
	Non deductible/(taxable) items		
	- Income not subject to tax	(128 217)	(16 525)
	- Expenses not deductible in determining tax	9 068 174	4 692 003
	Unrecognised tax losses	2 348 261	18 476 344
	Tax (credit)/expense	-	-
12.3	**Deferred tax movement**		
	Balance at 1 January	-	-
	Debit / (credit) to profit or loss	-	-
	Balance at 31 December	-	-
12.4	**Deferred tax liabilities:**		
	Capital allowances and other		
	Balance at 1 January	22 541 304	29 718 259
	(Credit)/debit to profit or loss	(4 535 193)	(7 176 955)
	Balance at 31 December	18 006 111	22 541 304
12.5	**Deferred tax assets:**		
	Assessed loss		
	Balance at 1 January	(22 541 304)	(29 718 259)
	Debit to profit or loss	4 535 193	7 176 955
	Balance at 31 December	(18 006 111)	(22 541 304)

As at year end, the Company had assessed tax losses amounting to USD 238 224 811 (2016: USD 280 075 198). The Company has a history of recent losses and the deferred tax asset recognised in relation to the assessed loss has been limited to USD18 006 111, being the cumulative taxable temporary differences as at 31 December 2017.

The unrecognised assessed loss of USD 168 298 164 will be recognised in future when sufficient taxable profit will be available against which the unused tax losses or unused tax credits can be utilised by the Company. The unrecognised tax losses are carried forward indefinitely.

Notes to the Financial Statements (continued)

for the year ended 31 December 2017

	2017 USD	2016 USD
13 Loss per share		
13.1 Basic		
Loss attributable to shareholders	(43 837 740)	(89 909 990)
Weighted average number of ordinary shares in issue	183 720 699	183 720 699
Basic loss per share	(0.24)	(0.49)

Basic loss per share is calculated by dividing the loss attributable to shareholders by the weighted average number of ordinary shares in issue during the year, excluding the average number of ordinary shares purchased by the Company and held as treasury shares.

13.2 Diluted

For diluted loss per share the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. The Company has one category of dilutive potential ordinary shares being share options granted to employees.

The loss used in the calculation of all diluted loss per share measures are the same as those for the equivalent basic loss per share measures, as outlined above.

In diluted loss per share the share options calculation is done to determine the number of shares that could have been acquired (determined as the average annual share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. This calculation serves to determine the " unpurchased " shares to be added to the ordinary shares outstanding for the purpose of computing the dilution; for the share option calculation no adjustment is made to profit.

	2017 USD	2016 USD
Loss used to determine diluted loss per share	(43 837 740)	(89 909 990)
Weighted average number of ordinary shares in issues	183 720 699	183 720 699
Diluted loss per share	(0.24)	(0.49)

13.3 Headline loss per share

Headline loss per share excludes all items of a capital nature and represents an after tax amount. It is calculated by dividing the headline loss shown below by the number of shares in issue during the year:

	2017 USD	2016 USD
IAS 33 - Loss for the year	(43 837 740)	(89 909 990)
Non - recurring items:		
Proceeds on sale of scrap	(90 037)	(12 312)
Retrenchement costs	4 382 064	2 020 787
Loss on disposal of Treasury Bills	6 521 040	-
Tax effect of the above	(2 260 089)	(517 182)
Headline loss	(37 320 784)	(88 418 697)
Weighted average number of ordinary shares in issue	183 720 699	183 720 699
Headline loss per share	(0.20)	(0.48)

13.4 Diluted headline loss per share

	2017 USD	2016 USD
Loss used to determine diluted headline loss per share	(37 320 784)	(88 418 697)
Weighted average number of ordinary shares in issue	183 720 699	183 720 699
Diluted headline loss per share	(0.20)	(0.48)

Notes to the Financial Statements (continued)

for the year ended 31 December 2017

14 Property, plant and equipment

	Freehold land and buildings USD	Plant, machinery and movables USD	Motor vehicles USD	Capital work in progress USD	Total USD
Year ended 31 December 2017					
Cost/ gross carrying amount					
Balance at 1 January	102 833 842	116 385 108	2 937 602	2 940 251	225 096 803
Additions	-	-	317 019	1 390 044	1 707 063
Disposals	-	-	-	-	-
Balance 31 December	102 833 842	116 385 108	3 254 621	4 330 295	226 803 866
Depreciation and impairment					
Balance at 1 January	31 159 879	72 011 531	2 664 031	-	105 835 441
Depreciation charge for the year	2 910 100	10 351 394	137 794	-	13 399 288
Depreciation on disposals	-	-	-	-	-
Balance 31 December	34 069 979	82 362 925	2 801 825	-	119 234 729
Carrying amount 31 December	68 763 863	34 022 183	452 796	4 330 295	107 569 137
Year ended 31 December 2016					
Balance at 1 January	103 017 842	116 385 108	3 795 469	2 871 609	226 070 028
Additions	-	-	33 500	68 642	102 142
Disposals	(184 000)	-	(891 367)	-	(1 075 367)
Transfer to plant and machinery	-	-	-	-	-
Balance 31 December	102 833 842	116 385 108	2 937 602	2 940 251	225 096 803
Depreciation and impairment					
Balance at 1 January	28 532 172	57 805 358	3 387 974	-	89 725 504
Depreciation charge for the year	2 662 230	14 206 173	167 402	-	17 035 805
Depreciation on disposals	(34 523)	891 345	-	-	925 868
Balance 31 December	31 159 879	72 011 531	2 664 031	-	105 835 441
Carrying amount 31 December	71 673 963	44 373 577	273 571	2 940 251	119 261 362

14.1 Finance lease arrangements

The Company has certain property that is held under a finance lease arrangement. As at 31 December 2017, the carrying amount of the property is USD 720 931 (2016: USD 775 095) included in freehold land and buildings. Finance lease liabilities are secured by the related assets held under finance leases. Future minimum lease payments at 31 December were as follows:

Notes to the Financial Statements (continued)

for the year ended 31 December 2017

14.1 Finance lease arrangements

The Company has certain property that is held under a finance lease arrangement. As at 31 December 2017, the carrying amount of the property is USD 720 931 (2016: USD 775 095) included in freehold land and buildings. Finance lease liabilities are secured by the related assets held under finance leases. Future minimum lease payments at 31 December were as follows:

	Minimum lease payments due			
	Within 1 year USD	1 to 5 years USD	After 5 years USD	Total USD
31 December 2017				
Principal repayments	400 000	100 000	500 000	1 000 000
Finance charges accrued	(9 031)	-	-	(9 031)
Total	390 969	100 000	500 000	990 969
31 December 2016				
Principal repayments	300 000	200 000	500 000	1 000 000
Finance charges accrued	77 161	-	-	77 161
Total	377 161	200 000	500 000	1 077 161

The lease agreements include fixed lease payments and a purchase option at the end of the lease term. The agreements are non-cancellable but do not contain any further restrictions.

No contingent rents were recognised as an expense in the reporting periods under review, and no future sublease income is expected to be received as all assets are used exclusively by the Company.

	2017 USD	2016 USD
15 Investment property		
Valuation at 1 January	4 490 000	3 700 000
Fair value gains (included in other gains and losses)	-	790 000
At 31 December	4 490 000	4 490 000

Investment property is comprised of as follows:
Land situated at Lot 7 of Stand 2185, Salisbury Township Harare with an administration building thereon.
Land situated at Stand 555, Bulawayo Township Bulawayo with an administration building thereon.
Land situated at Stand 701 Bulawayo Township with a residential building thereon.
Land situated at Stand 690 Bulawayo Township with a residential building thereon.

Note 32.1 sets out how the fair value of the investment properties has been determined.

	2017 USD	2016 USD
15.1 The following amount has been recognised in the statement of comprehensive income:		
Rental income	528 879	407 193
16 Investments accounted for using the equity method		
Investments in associates **(note 16.1)**	-	63 113
Investments in joint venture **(note 16.2)**	14 753 031	14 753 031
	14 753 031	14 816 144

Notes to the Financial Statements (continued)

for the year ended 31 December 2017

	2017 USD	2016 USD
16.1 Investments in associates		
Carrying amount as at 1 January	63 113	231 148
Share of loss	(63 113)	(168 035)
Share of other comprehensive income	-	-
Dividends paid	-	-
Carrying amount as at 31 December	-	63 113

The Company holds a 49% voting and equity interest in Clay Products (Private) Limited. Hwange Colliery Company Limited also holds a 44% voting and equity interest in Zimchem Refineries (Private) Limited. The investments are accounted for under the equity method.

The shares are not publicly listed on a stock exchange and hence published price quotes are not available. The aggregate amounts of certain financial information of the associates can be summarised as follows:

	Clay Products		Zimchem	
	2017 USD	2016 USD	2017 USD	2016 USD
Assets	2 827 176	2 562 080	1 984 009	2 855 022
Liabilities	3 741 126	2 905 009	6 285 979	6 258 618
Revenues	570 198	556 613	1 411 335	1 164 152
Loss for the year	(387 152)	(342 930)	(1 354 292)	(1 407 380)
Loss for the year attributable to Hwange Colliery Company Limited	(189 704)	(168 035)	(595 888)	(619 247)

The Company did not recognise its share of losses for the year amounting to **USD 595 888 (2016: USD 619 247)** for Zimchem Refiners (Private) Limited as the share of cumulative losses exceed the carrying amount of the investment in the associate.

The Company incurred a share of loss for the year amounting to **USD 189 704 (2016: USD 168 035)** for Clay Products (Private) Limited. However the Company recognised a share of loss amounting to **USD 63 113** limited to the carrying amount of the investment in the associate.

Dividends are subject to the approval of at least 51% of all shareholders of the associates. The Company did not receive dividends during the 2017 and 2016 financial years.

The Company has not incurred any contingent liabilities or other commitments relating to the investment in associates.

*Unaudited financial information for associates has been included in these financial statements as the audited financial information was not available.

	2017 USD	2016 USD
16.2 Investments in joint venture		
Carrying amount as at 1 January	14 753 031	15 950 386
Additional investment	-	-
Share of loss	-	(1 197 355)
Dividends received	-	-
Carrying amount as at 31 December	14 753 031	14 753 031

Notes to the Financial Statements (continued)

for the year ended 31 December 2017

16.3 Investment in joint venture

Hwange Coal Gasification Company (Private) Limited is the only jointly controlled entity and the ultimate ownership interest is 25%. Hwange Colliery Company Limited's investment in the joint venture is being acquired on a piecemeal basis. The investment in the joint venture has been accounted for using the equity method.

The aggregate amounts relating to Hwange Coal Gasification Company are as follows:

	2017 USD	2016 USD
Non-current assets	47 081 554	47 081 554
Current assets	36 526 062	36 526 062
Total assets	83 607 616	83 607 616
Non-current liabilities	26 687 951	26 687 951
Current liabilities	8 430 295	8 430 295
Total liabilities	35 118 246	35 118 246
Revenue	-	7 562 886
Expenses	-	12 352 305
Loss after tax	-	(4 789 419)

Notes to the Financial Statements (continued)

for the year ended 31 December 2017

	Exploration and evaluation asset USD	Mining rights USD	ERP development and other software USD	Total USD
17 Intangible assets				
2017				
Cost/ Gross carrying amount				
Balance at 1 January 2017	7 705	200 000	2 028 630	2 236 335
Additions	-	-	-	-
Balance at 31 December 2017	7 705	200 000	2 028 630	2 236 335
Amortisation and impairment				
Balance at 1 January 2017	-	94 445	1 173 049	1 267 494
Amortisation	-	66 667	202 863	269 530
Impairment losses **(note 9)**	-	-	-	-
Balance at 31 December 2017	-	161 112	1 375 912	1 537 024
Carrying amount 31 December 2017	7 705	38 888	652 718	699 311
2016				
Cost/ Gross carrying amount				
Balance at 1 January 2016	7 705	200 000	2 028 630	2 236 335
Additions	-	-	-	-
Balance at 31 December 2016	7 705	200 000	2 028 630	2 236 335
Amortisation and impairment				
Balance at 1 January 2016	-	27 778	970 186	997 964
Amortisation	-	66 667	202 863	269 530
Impairment losses (note 9)	-	-	-	-
Balance at 31 December 2016	-	94 445	1 173 049	1 267 494
Carrying amount 31 December 2016	7 705	105 555	855 582	968 842

The Company has an enterprise resource planning (ERP) software that supports the administration and control of the Company. Some modules for mine planning and marketing are still to be developed. Mining rights comprise coal mining claims which are yet to be mined. No intangible assets have been pledged as security for liabilities.

17.1 Mining rights

The Company has five (5) mining concessions, Hwange option area, Hwange Concession, Western areas of Hwange town, Lubimbi East and Lubimbi West. The special grants, Western areas of Hwange town, Lubimbi East and Lubimbi West measure 9 648, 4 200 and 10 995 hectares of minable area respectively and were awarded by the Government of Zimbabwe on 31 July 2015. These Concessions will increase the life of the mine by an estimated 50 years.

Notes to the Financial Statements (continued)

for the year ended 31 December 2017

	2017 USD	2016 USD
18 Inventories - non current portion		
Balance at 1 January	10 683 011	23 325 595
Additions to stockpiles	-	-
Cost of sales	-	(605 329)
Coal fines write down to net realisable value	-	(10 683 008)
Sales	(950 752)	(1 354 248)
Balance at 31 December	9 732 259	10 683 011
Balance at end of year is classified as follows:		
Non-current portion	8 138 714	9 218 421
Current portion (included in inventories)	1 593 545	1 464 590
	9 732 259	10 683 011

The Company accumulated coal fines over the years for which an active market was identified in 2009. Coal fines in excess of the average annual uptake of the product have been classified to non-current assets.

No coal fines were written down in 2017 (2016: USD 10 638 008).

	2017 USD	2016 USD
19 Stripping activity asset		
Balance at 1 January	-	4 849 819
Current year pre-stripping costs	8 871 563	-
Costs charged to cost of sales	-	-
Impairment of stripping activity assest	-	(4 849 819)
Balance at 31 December	8 871 563	-
Balance at end of year allocated as follows:		
Non-current assets	-	-
Current assets	8 871 563	-
Balance at end of year	8 871 563	-
20 Inventories		
Raw materials / consumables	9 144 098	8 656 781
Finished goods		
- Coal	2 675 375	4 244 693
- Coal fines (note 18)	1 593 545	1 464 590
- Coke	-	862 774
	13 413 017	15 228 838

During the year ended 31 December 2017, a total of USD307 544 (2016: USD 995 201) worth of inventories was included in profit and loss as an expense resulting from write down of inventories to net realisable value.

No reversal of previous write-downs was recognised as a reduction of expense in 2017 (2016: nil)

Notes to the Financial Statements (continued)

for the year ended 31 December 2017

	2017 USD	2016 USD
21 Trade and other receivables		
Trade receivables, gross	45 444 344	33 426 017
Allowance for credit losses	(23 430 994)	(20 539 295)
Trade receivables, net	22 013 350	12 886 722
Other receivables	9 414 425	5 408 584
	31 427 775	18 295 306

All amounts are short-term. The net carrying value of trade receivables is considered a reasonable approximation of fair value.

Included in trade receivables is an amount of USD 14 622 776 (2016: USD 9 067 817) relating to related party receivables (note 23.2).

All of the Company's trade and other receivables have been reviewed for indicators of impairment. Certain trade receivables were found to be impaired and an increase in allowance for credit losses of USD 2 891 699 (2016:USD 10 787 450) has been recognised. The increase in allowance for credit losses is included within administration expenses. The impaired trade receivables are mostly due from customers that are experiencing financial difficulties.

The movement in the allowance for credit losses can be reconciled as follows:

	2017 USD	2016 USD
Balance 1 January	20 539 295	9 751 845
Amounts written off (uncollectable)	-	-
Increase in allowance for credit losses	2 891 699	10 787 450
Balance 31 December	23 430 994	20 539 295

22 Related party disclosures

22.1 Related party relationships

The Company's related parties include associates, joint ventures and key management as described below:

Related party	Relationship	Nature of Transactions
Hwange Coal Gasification Company	Joint venture company	Sale of goods
Clay Products (Private) Limited	Associate company	Sale of goods
Zimchem Refineries (Private) Limited	Associate company	Sale of goods
Executive Management	Key management personnel	Remuneration, loans and advances

Unless otherwise stated, none of the transactions incorporate special terms and conditions and no guarantees were given or received. Outstanding balances are usually settled in cash.

Notes to the Financial Statements (continued)

for the year ended 31 December 2017

22.2 Related party balances and transactions

Included in the trade receivable and trade payable balances are related party balances that resulted from transactions that occurred between Hwange Colliery Company Limited and its related parties.

	2017 USD	2016 USD
Related party receivables:		
Hwange Coal Gasification Company	15 229 281	8 820 694
Clay Products (Private) Limited	53 341	9 797
Zimchem Refineries (Private) Limited	235 581	237 328
	15 518 203	9 067 819
Related party payables:		
Hwange Coal Gasification Company	14 011 004	11 217 557
Zimchem Refineries (Private) Limited	39 666	37 773
	14 050 670	11 255 330

Transactions with Hwange Coal Gasification Company (HCGC)
HCCL sells coking coal to HCGC in the ordinary course of business. During the year ended 31 December 2017, HCCL sold coking coking coal worth USD 4 833 006 (2016: USD 3 527 997) to HCGC.

Transactions with Clay Products (Private) Limited
HCCL sells coal and coal products to Clay Products (Private) Limited in the ordinary course of business. During the year ended 31 December 2017, HCCL sold coal products worth USD 7 705 (2016: USD 9 797) to Clay Products.

Transactions with Zimchem Refineries (Private) Limited
HCCL sales coal and coal products to Zimchem Refineries (Private) Limited and purchases chemicals from the associate company in the ordinary course of business. During the year ended 31 December 2017, HCCL sold coal products worth USD 19 481 (2016: USD 14 721) to Zimchem Refineries.

Loans from shareholders
Included in the non-current portion of the balance relating to borrowings (note 28), are loans issued by the Government of Zimbabwe through the Ministry of Finance and Economic Development in December 2016 as part of the ongoing restructuring plan. The loan is as follows:

	2017 USD	2016 USD
Government of Zimbabwe (note 28)	119 955 416	59 216 000

22.3 Transactions with key management personnel

Key management of the Company are the executive members of HCCL's board of directors and senior management personnel. Key management personnel's remuneration includes the following expenses:

	2017 USD	2016 USD
Short-term employee benefits:		
Salaries including bonuses	1 737 733	2 314 728
Other benefits and allowances	1 425 184	717 706
	3 162 917	3 032 434
Post-employment benefits:		
Defined contribution pension plans	122 273	231 473
Total remuneration	3 285 191	3 263 907

Notes to the Financial Statements (continued)

for the year ended 31 December 2017

23 Cash and cash equivalents

For the purposes of statement of cash flows, cash and cash equivalents include cash on hand and in banks net of outstanding bank overdrafts.

	2017 USD	2016 USD
Bank and cash balances	8 864 181	340 024
Bank overdrafts	-	(61 393)
	8 864 181	278 613

The bank overdrafts are unsecured. The interest rate ranges between 7% to 9% per annum.

24 Share capital and reserves

24.1 Authorised

	2017 USD	2016 USD
204 000 000 Ordinary shares of USD0.25 each	51 000 000	51 000 000
Issued and fully paid		
110 237 432 Ordinary shares of USD0.25 each	27 559 358	27 559 358
5 925 699 Ordinary shares issued under share option scheme	1 514 039	1 514 039
67 557 568 "A" Ordinary shares of USD0.25 each	16 889 392	16 889 392
	45 962 789	45 962 789

24.2 Share premium

	2017 USD	2016 USD
Balance at 1 January	577 956	577 956
Movements during the year	-	-
Balance at 31 December	577 956	577 956

The share premium is as a result of employee share options exercised in 2012 and 2013.

24.3 Non-distributable reserve

	2017 USD	2016 USD
Balance at 1 January	4 358 468	4 358 468
Transfer within the reserves	-	-
Balance at 31 December	4 358 468	4 358 468

The non-distributable reserve is attributable to the net effect of the restatement of assets and liabilities previously denominated in Zimbabwean dollars on 21 January 2009. The assets and liabilities were restated to the United States Dollars using the guidance issued by the Public Accountants and Auditors Board and Zimbabwe Stock Exchange in 2009.

24.4 Revaluation reserve

	2017 USD	2016 USD
Balance at 1 January	39 948 518	39 948 518
Movements during the year	-	-
Balance at 31 December	39 948 518	39 948 518

The movement in the revaluation reserve is attributable to the revaluation of the Company's investment properties perfomed by Messrs Dawn Properies on 31 December 2016.

Notes to the Financial Statements (continued)

for the year ended 31 December 2017

24.5 Employee share option scheme

As at 31 December 2017, the Company maintained an employee share option scheme known as the "Hwange Colliery Company Limited Share Option Scheme." The scheme is designed to attract and retain employees. Share options under this scheme are allocated annually to employees if a specified period of service has been completed. The period of service ranges from 1 to 5 years depending on the employee's grade. Upon vesting, each option allows the holder to purchase ordinary shares at a discount of 80% of the market price determined at grant date.

During the year ended 31 December 2017 no shares (2016: nil) were allocated to employees under the employee share option scheme.

24.6 Directors' interests

At 31 December 2017, the current Directors did not hold any beneficial and non-beneficial ordinary shares in the Company.

24.7 Borrowing powers

In terms of the Articles of Association paragraph 60, registered with the Registrar of Companies on 21 April 1992, the total borrowing powers of the company may not, without the sanction of a General Meeting, exceed an amount equal to three (3) times the aggregate of the nominal amount of the issued and paid up capital and the capital and revenue reserves of the Company.

As at 31 December 2017, total borrowings amounted to USD 150 312 839 (2016: USD 88 423 385). As a result of the negative equity the borrowings will need to be sanctioned at an Annual General meeting.

The Company failed to comply with the borrowing powers in accordance with the Company's Articles of Association.

Notes to the Financial Statements (continued)

for the year ended 31 December 2017

25 Directors' remuneration

Remuneration of the Company's Directors' disclosed is pursuant to Section 8.63(l) of the JSE Listing requirements. The Directors' remuneration for the year ended 31 December 2017 was as follows:

Executive Director	Salary USD	Retirement and medical contributions USD	Other benefits and allowances USD	2017 Total USD	2016 Total USD
Mr. S.T. Makore - Managing Director (Appointed 1 June 2014)	247 104	19 628	172 874	439 606	327 451

Non-Executive

	Fees USD	Board meetings USD	Audit committee USD	Human Resources committee USD	Marketing committee USD	Technical committee USD	Other USD	2017 Total USD	2016 Total USD
Directors									
Mrs. J. Muskwe Acting Chairman (Appointed 07/12/2017)	13 500	1 200	-	750	900	-	4 244	20 594	26 308
Mr. W. Chitando (Chairman) (Resigned 11/12/2017)	1 210	1 200	600	750	900	150	4 855	29 665	19 622
Mr. J. Chininga (Resigned 19/05/2016)	-	-	-	-	-	-	-	-	7 910
Mr. V. Vera	16 500	1 500	450	-	750	300	4 244	23 744	28 573
Mr. W. Kutekwatekwa (Resigned 18/07/2017)	9 540	900	450	450	-	750	4 244	16 334	15 667
Mrs. N. Masuku (Appointed 13/05/2016)	4 730	1 500	750	-	-	900	4 244	22 124	14 872
Mr. A. Ngapo (Resigned 28/07/2017)	7 740	900	-	-	-	-	4 244	12 884	375
Mr E. N Tome (Appointed 24/03/2017)	11 520	1 200	600	-	750	600	3 304	17 974	-
Mr. S. Chibanguza (Resigned 29 February 2016)	-	-	-	-	-	-	-	-	500
	94 740	8 400	2 850	1 950	3 300	2 700	29 379	143 319	113 827

Notes to the Financial Statements (continued)

for the year ended 31 December 2017

		2017 USD	2016 USD
26	**Finance lease liability**		
	Non-current	600 000	700 000
	Current	390 969	377 161
		990 969	1 077 161
	The finance lease liability carrying amount is disclosed as follows:		
26.1	**OK Zimbabwe**		
	Long term portion	600 000	700 000
	Add: Short term portion	390 969	377 161
		990 969	1 077 161
	Finance lease liability		
	Principal	1 000 000	1 000 000
	Accrued interest	(9 031)	77 161
		990 969	1 077 161

This OK Zimbabwe lease is a Build Operate and Transfer agreement for the establishment of a supermarket building which OK Zimbabwe funded the construction of the building for its own occupation for a period of nine years and eleven months. The estimated cost of construction is USD 1 000 000 and the interest rate is 10 % per annum.

		2017 USD	2016 USD
26.2	**Reserve Bank of Zimbabwe**		
	Long term portion	-	-
	Short term portion	-	-
	Total	-	-
	Principal	-	18 216 000
	Interest	-	-
	Repayment	-	(18 216 000)
		-	-

In 2015, the Reserve Bank of Zimbabwe assumed the PTA finance lease facility of USD 18 216 000 which was obtained by the Company in 2015 relating to the acquisition of coal mining equipment from Belaz. The finance lease facility was assumed by the Reserve Bank of Zimbabwe as a secured, 3 year term loan at an interest rate of LIBOR + 9% p.a. The loan was securitised by the following:

i) A First Ranked Mortgage Bond over the Company's immovable property known as Coal House situated at 17 Nelson Mandela Avenue, Harare;
ii) A First Ranked Mortgage Bond over the Company's immovable property known as Coal House situated at 95 Robert Mugabe Street, Bulawayo;
iii) A First Ranked Notarial General Covering Bond on the Company's movable assets both present and future;
iv) Proceeds of the Off Take Agreements which shall be paid to the Collection Agent; and
v) An insurance policy covering fire, burglary, and flood in respect of all the goods, secured property, and comprehensive motor insurance in respect of vehicles and assets of the Company for the duration of the lease.

The finance lease was paid in full following the assumption of the loan by the Government of Zimbabwe through the Ministry of Finance and Economic Development. Refer to note 28.

Notes to the Financial Statements (continued)

for the year ended 31 December 2017

		2017 USD	2016 USD
27	**Borrowings**		
27.1	**Long term loans**		
	Export Import Bank of India (EXIM)	13 703 666	13 005 760
	Government of Zimbabwe	119 955 416	59 216 000
	Zimbabwe Asset Management Corporation (ZAMCO)	16 653 756	16 201 625
		150 312 838	88 423 385
	less - Current portion of long term loans	-	(9 789 035)
		150 312 838	78 634 350
27.2	**Short term loans**		
	Overdrafts	-	61 393
	Agribank	-	2 545 906
	Add current portion of long term loans	-	9 789 035
		-	12 396 334

27.3 Borrowing terms

Export Import Bank of India (EXIM)
This is a USD 13 703 666 (principal and interest) loan guaranteed by the Reserve Bank of Zimbabwe, taken for the purposes of financing the purchase of coal mining equipment. Interest is charged at a rate of LIBOR + 3.5 % p.a.

Government of Zimbabwe
As part of the ongoing restructuring plan, the Government of Zimbabwe through the Ministry of Finance and Economic Development issued treasury bills of USD 41 million and USD 18.216 million in settlement of the Mota Engil and RBZ/PTA Bank loan, respectively. The Government of Zimbabwe has agreed that the Government support be treated as a loan payable over 15 years with a 7% interest per annum in accordance with the provisions of the scheme of arrangement

An additional USD 52.3 million worth of treasury bills was issued towards the proposed Scheme of Arrangement bringing the total support from the Government of Zimbabwe to USD 111.5 million worth of treasury bills.

Zimbabwe Asset Management Corporation (ZAMCO)
Zimbabwe Asset Management Corporation (ZAMCO) took over USD 16 201 625 (principal and interest) outstanding on the BancABC loan on 1 September 2015 in a debt restructuring exercise. The ZAMCO loan now forms part of the scheme of arrangement and a debenture with a ten year tenure has been issued. The debenture has a two year moratorium ending in May 2019. It is to be settled in half yearly equal repayments.

Notes to the Financial Statements (continued)

for the year ended 31 December 2017

		2017 USD	2016 USD
28	**Trade and other payables - Current**		
	Trade	9 382 539	60 741 155
	Other	14 981 474	176 295 967
		24 364 013	237 037 122
	Trade and other payables-Long term		
	Trade	73 277 839	-
	Other	136 949 011	-
		210 226 850	-
29	**Provisions**		
	Provision for rehabilitation (note 30.1)	7 217 507	6 371 883
	Other provisions (note 30.2)	6 641 664	4 791 459
		13 859 171	11 163 342
29.1	Provision for rehabilitation		
	At 1 January	6 371 883	5 726 693
	Charged to profit or loss:		
	Additional provisions made during the year	845 624	645 190
	Amounts used during the year	-	-
	At 31 December	7 217 507	6 371 883

The Company has an obligation to undertake rehabilitation and restoration when environmental disturbance is caused by the ongoing mining activities. The provision for rehabilitation costs recognised in these financial statements relates to previously mined areas.

The rehabilitation provision included in the financial statements is an estimate of the cost that will be incurred for the rehabilitation and restoration of the environment. The Directors are aware of the Company's responsibility for the rehabilitation and restoration of the environment and have come up with an estimate of the costs that would be incurred to rehabilitate and restore the mined areas.

		2017 USD	2016 USD
29.2	Other provisions		
	Death benefits	3 528 558	3 007 717
	Leave pay and bonus provisions	3 113 105	1 783 742
		6 641 664	4 791 459
30	**Income tax liability**		
	Balance at 1 January	10 054 850	10 054 850
	Movement	-	-
	Balance at 31 December	10 054 850	10 054 850

Notes to the Financial Statements (continued)

for the year ended 31 December 2017

32 Fair value measurement

32.1 Fair value measurement of non-financial assets

The following table shows the Levels within the hierarchy of non-financial assets measured at fair value on a recurring basis at 31 December 2017:

31 December 2017	Level 1 USD	Level 2 USD	Level 3 USD	Total USD
Investment property:				
Land situated in Harare with an administration building.	3 400 000	-	-	3 400 000
Land situated in Bulawayo with an administration building.	1 000 000	-	-	1 000 000
Land situated in Bulawayo with a residential building.	50 000	-	-	50 000
Land situated in Bulawayo with a residential building.	40 000	-	-	40 000
	4 490 000	-	-	4 490 000

31 December 2016	Level 1 USD	Level 2 USD	Level 3 USD	Total USD
Investment property:				
Land situated in Harare with an administration building.	3 400 000	-	-	3 400 000
Land situated in Bulawayo with an administration building.	1 000 000	-	-	1 000 000
Land situated in Bulawayo with a residential building.	50 000	-	-	50 000
Land situated in Bulawayo with a residential building.	40 000	-	-	40 000
	4 490 000	-	-	4 490 000

The investment properties were valued on 31 December 2016 by Messrs Dawn Properties, an independent, professionally qualified valuer. The fair value was determined based on current prices in an active market for similar property in the same location and condition. A fair value gain of USD790 000 was realised in 2016 as a result of the independent valuation exercise. Management determined that the effect of changes in fair values between the valuation report date and reporting date is immaterial.

33 Critical accounting estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

33.1 Accounting judgements

Current and deferred tax
The Company is subject to income tax; significant judgment is required in determining the provision. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Company recognises liabilities for anticipated tax assessment based on estimates of whether additional taxes will be due. Where the final outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

Where the actual final outcome (on the judgment areas) differs from management estimates, the Company will need to increase the income and deferred tax liability if unfavourable or decrease the income and deferred tax liability if favourable.

33.2 Accounting estimates and assumptions

The Company makes assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

Property, plant and equipment.
Items of property, plant and equipment are depreciated over their estimated useful lives taking into account residual values where appropriate. The useful lives and the residual values are re-assessed annually and may vary due to factors such as technological innovation and maintenance programmes in place.

Impairment of non-financial assets
In assessing impairment, management estimates the recoverable amount of each asset or cash-generating units based on expected future cash flows and uses an interest rate to discount them. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate.

Inventories
Management estimates the net realisable values of inventories, taking into account the most reliable evidence available at each reporting date. The future realisation of these inventories may be affected by future technology or other market-driven changes that may reduce future selling prices.

Notes to the Financial Statements (continued)

for the year ended 31 December 2017

34 Going concern

The Company is experiencing the following challenges which have an effect on its ability to continue operating as a going concern:

34.1 Recurring losses

The Company incurred a loss for the year of USD 43 837 740 (2016 : USD89 909 990). The reduction in the reported loss by the Company is attributable to an increase in production volumes from 969 153 tonnes in 2016 to 1 280 829 tonnes in 2017 and various cost cutting measures implemented by the Company.

34.2 Negative equity

As at 31 December 2017, the Company's total liabilities exceeded total assets resulting in a negative equity position of USD 211 581 962 (2016: USD 167 744 222). This is attributable to recurring losses which eroded the capital and reserves.

34.3 Low machine availability

The Company experienced low machine availability mainly as a result of technical challenges faced in operating the equipment and indaquate working capital.

In view of the above, the Directors have assessed the ability of the Company to continue to operate as a going concern and are of the view that the preparation of these financial statements on a going concern basis is appropriate as supported by the following plans which are intended to address these challenges:

Scheme of Arrangement

As at 31 December 2016, the Company had litigation claims brought against it as follows:

	USD
Value of cases for which judgement has been passed against the Company*	27 924 528
Value of cases pending judgement at the courts	17 411 297
Total value of litigation cases	45 335 825

The Company entered into a Scheme of Arrangement which was approved by its creditors in April 2017 and sanctioned by the High Court on the 15th of May 2017. The Scheme of Arrangement was aimed at creating operating space for the Company to focus on its turnaround plans without the pressure from creditors while at the same time addressing creditors' claims in a systematic manner.

The Scheme of Arrangement included a conversion of short term debts into long term debts thus restructuring the Company's balance sheet and making it attractive to financial institutions to extend lines of credit.

All lawsuits against the Company and all matters as had been set down at Court were removed from the Court Rolls. In the result, all matters involving labour, bulk of which relate to outstanding salaries were ring fenced for payment under the scheme of arrangement.

Notes to the Financial Statements (continued)

for the year ended 31 December 2017

34 Going concern (continued)

Focus on core business and least cost production strategy

The Company is no longer a monopoly. New entrants with a lower overhead cost have entered the coal mining sector. The Company continues to review its cost structure so that it is able to compete in the face of competition. Apart from employment related cost reductions, the Company is determined to focus on its core business and allow the non-core units to operate independently without any financial support from the mining operations. The Company will sweat its assets and unlock value from its non-core assets so that it is able to direct its resources towards increasing production and also deal with its debts in the Scheme of Arrangement. Valuation of the town infrastructure and properties has been initiated in an effort to determine how much of the scheme debts could be covered by the sale of these assets. The approval of the shareholders shall be sought at the appropriate time.

Improving the sales mix and increasing production

While the Company is focussed on ramping up production to above break-even point, it is also cognisant of the fact that the sales mix is important in order to lower the break-even point and to achieve profitability. Therefore the mining contractor's operations are dedicated to mining the lower value thermal and industrial coal while the Company's capacity has been deployed to mine higher value coking coal.

The company has secured working capital facilities to import the remaining underground mining equipment and to carry out mid-life interventions on its own mining equipment. The thrust is to rely more on its own capacity and to reduce equipment hire. At the same time, the Company will develop and secure export markets in Zambia, South Africa and the Democratic Republic of Congo so that it can finance its imported production inputs such as spare parts and explosives. The rapid results initiatives and principles will continue to be inculcated in its production and maintenance processes in order to improve productivity and efficiencies. The Company's negotiations to take over the Hwange Coal Gasification Company coke oven batteries are underway along with the enquiries to replace or rebuild its own coke oven batteries. The first section of the underground mine will be operating at full capacity by the mid 2018 after operations resumed in December 2017. The development of a second and a third portal at underground mining is at the initial stages.

Customer centricity and increasing export sales

In the domestic and regional market, the Company's coal has a reputation for its high quality. The market has been segmented in a way that recognises high, medium and low volume users. As determined by the purchasing pattern, customer loyalty programmes have been mapped out to improve customer retention. Thermal and industrial coal customers are encouraged to keep strategic stock on their premises in order to overcome periods of low coal supply due to break downs or other unforeseen circumstances. For the tobacco farmers' market, coal merchants are the preferred distribution channel to this market segment so that products are available as close as possible to the end user. The Company's thrust is to increase export sales of coking coal and coke given their higher price and margin. The target markets are Zambia, South Africa and the Democratic Republic of Congo. The Company is promoting annual supply contracts in order to assure customers of product availability.

Notes to the Financial Statements (continued)

for the year ended 31 December 2017

35 Financial instruments by category

31 December 2017

	Loans and receivables USD	Financial assets at fair value through profit or loss USD	Total USD
Assets as per statement of financial position			
Trade and other receivables	31 427 775	-	31 427 775
Cash and cash equivalents	8 864 181	-	8 864 181
Total	40 291 956	-	40 291 956

	financial liabilities at fair value through profit or loss USD	Other financial liabilities at amortised cost USD	Total USD
Liabilities as per statement of financial position			
Borrowings (excluding finance lease liabilities)	-	150 312 838	150 312 838
Finance lease liabilities	-	990 969	990 969
Trade and other payables	-	24 364 013	24 364 013
Total	-	175 667 820	175 667 820

	Loans and receivables USD	Financial assets at fair value through profit or loss USD	Total USD
Assets as per statement of financial position			
Trade and other receivables	18 295 306	-	18 295 306
Cash and cash equivalents	278 631	-	278 631
Total	18 573 937	-	18 573 937

	financial liabilities at fair value through profit or loss USD	Other financial liabilities at amortised cost USD	Total USD
Liabilities as per statement of financial position			
Borrowings (excluding finance lease liabilities)	-	91 030 684	91 030 684
Finance lease liabilities	-	1 077 161	1 077 161
Trade and other payables	-	237 037 122	237 037 122
Total	-	329 144 967	329 144 967

36 Financial risk management objectives and policies

The Company's principal financial liabilities comprise finance lease liabilities, loans payable, bank overdrafts and trade payables. The main purpose of these financial liabilities is to raise finance for the Company's operations. The Company has various financial assets such as trade receivables and cash and short term deposits, which arise directly from its operations. Exposure to credit, interest rate and currency risk arises in the normal course of Company's business and these are main risks arising from the Company`s financial instruments.

The Board of Directors reviews and agrees policies for managing each of these risks which are summarised below:

Notes to the Financial Statements (continued)

for the year ended 31 December 2017

36 Financial risk management objectives and policies (continued)

36.1 Credit risk

Management has a credit policy in place and the exposure to credit risk is monitored on an on-going basis. The Company assumes foreign credit risk only on customers approved by the Board and follows credit review procedures for local credit customers.

Investments are allowed only in liquid securities and only with approved financial institutions. At the reporting date there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amounts of each financial asset in the statement of financial position.

36.2 Interest rate risk

The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's long and short term debt obligations and bank overdrafts. The Company's policy is to manage its interest cost using fixed rate debts.

36.3 Currency risk

The Company is exposed to foreign currency risk on transactions that are denominated in a currency other than the United States Dollar. The currency giving rise to this risk is primarily the South African Rand.

In respect of all monetary assets and liabilities held in currencies other than the United States Dollar, the Company ensures that the net exposure is kept to an acceptable level, by buying or selling foreign currencies at spot rates where necessary to address short-term imbalances.

The Company's exposure to foreign currency changes is not significant.

36.4 Liquidity risk

Liquidity risk is that the Company might be unable to meet its obligations. The Company manages its liquidity needs by monitoring scheduled debt servicing payments for long-term financial liabilities as well as forecast cash inflows and outflows due in day-to-day business. The data used for analysing these cash flows is consistent with that used in the contractual maturity analysis below. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30-day projection. Long-term liquidity needs for a 180-day and a 360-day lookout period are identified monthly. Net cash requirements are compared to available borrowing facilities in order to determine headroom or any shortfalls. This analysis shows that available borrowing facilities are expected to be sufficient over the lookout period.

The Company's objective is to maintain cash and marketable securities to meet its liquidity requirements for 30-day periods at a minimum. This objective was not adequately met for the reporting periods. Funding for long-term liquidity needs is not readily available on the market due to tight liquidity on the local and regional financial markets.

The Company considers expected cash flows from financial assets in assessing and managing liquidity risk, in particular its cash resources and trade receivables. The Company's existing cash resources and trade receivables do not exceed the current cash outflow requirements. Cash flows from trade and other receivables are all collectible within six months and trade and other payables are contractually due within six months.

Notes to the Financial Statements (continued)

for the year ended 31 December 2017

36.4 Liquidity risk

The table below summarises the maturity profile of the Company's financial liabilities at the year end based on contractual undiscounted payments.

	Current		Non current	
	within 6 months USD	6 to 12 months USD	1 to 5 years USD	Later than 5 years USD
At 31 December 2017				
Bank overdraft	-	-	-	-
Trade and other payables	24 364 013	-	210 226 850	-
Finance lease liabilities	390 969	-	600 000	-
Loans payable	-	-	150 312 838	-
	24 754 982	-	361 139 688	-
At 31 December 2016				
Bank overdraft	61 393	-	-	-
Trade and other payables	237 037 122	-	-	-
Finance lease liabilities	377 161	-	700 000	-
Loans payable	12 396 334	-	78 634 350	-
	249 872 010	-	79 334 350	-

37 Capital management policies and procedure

The Company's capital management objectives are designed to ensure the Company's ability to continue as a going concern and to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk. The Company monitors capital on the basis of the carrying amount of debt finance as a portion of the Company's total debt plus equity finance as presented on the face of the statement of financial position. Management's goal in capital management is to maintain a debt capital-to-overall financing ratio of 1 : 2. This is in line with the Company's covenants resulting from the debt finances it has taken out.

The Company sets the amount of debt capital in proportion to its overall financing structure, i.e. equity and financial liabilities. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

Capital for the reporting period under review is summarised as follows:

	2017 USD	2016 USD
Debt capital	151 303 807	92 107 845
Equity capital	(211 581 962)	(167 744 222)
Debt capital	151 303 807	92 107 845
Overall financing (debt + equity)	(60 278 155)	(75 636 377)
Debt capital-to-overall financing ratio	(251%)	(122%)

Notes to the Financial Statements (continued)

for the year ended 31 December 2017

38 Contingent liabilities

38.1 Significant litigation cases

Litigation cases have been included in the value of cases pending judgement at the courts in note 34 above:

39 Events after the reporting date

At the date of approval of the financial statements on 13 March 2018 there were no adjusting events or significant non-adjusting events that occurred between the 31 December reporting date and the date of approval.

40 Changes in Directorship

The following changes in Directorship took place after the reporting date:

40.1 Resignations

The following Non-Executive Directors resigned from the Board on dates noted below:

Mr. W. Chitando	7 December 2017
Mr. W. Kutekwatekwa	18 July 2017
Mr. A. Ngapo	28 July 2017

40.2 Appointments

The following Non Executive Directors were appointed to the Board in the year 2017

Mrs. J. Muskwe (Acting Board Chairperson)	15 December 2017
Mr E. N. Tome	24 March 2017

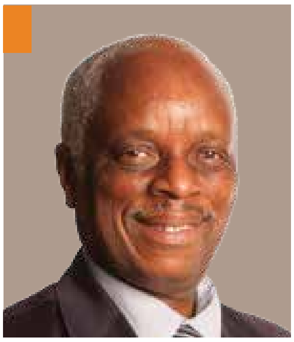
Governance

Directorate

Mrs J. Muskwe
Chairperson - Acting
Nationality: Zimbabwean
Appointed May 2016
Area of Expertise: Social Science

S. T. Makore
Managing Director
Nationality: Zimbabwean
Appointed June 2014
Area of Expertise: Engineering

Mrs N. Masuku
Non-Executive Director
Nationality: Zimbabwean
Appointed May 2016
Area of Expertise: Geophysics



V. Vera
Non-Executive Director
Nationality: Zimbabwean
Appointed: August 2011
Area of Expertise: Metallurgy

E. Tome
Non- Executive Director
Nationality: Zimbabwean
Appointed: March 2017
Area of Expertise: Finance

Full and detailed resumés of all members of Hwange Colliery Company Limited board of directors are available at https://www.hwangecolliery.net

Board & Key Management

BOARD OF DIRECTORS

	Position	Appointment/ Resignation
W. Chitando	(Chairman)	Resigned 7 December 2017
J. Muskwe	(Acting Chairperson)	Effective 15 December 2017
S. T. Makore	(Managing Director)	
W.T. Kutekwatekwa	Non-executive	Resigned 18 July 2017
N. Masuku	Non-executive	
V. Vera	Non-executive	
A. Ngapo	Non-executive	Resigned 28 July 2017
E. N. Tome	Non-executive	

KEY MANAGEMENT

Name	Position
A. Masiya	Head, Legal & Company Secretary
S. Manamike	Executive, Operations
T. Marapira	Executive, Finance & Administration
R. Munangwa	Executive, Services

Director's Responsibility and Approval of Financial Statements

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE

It is the Directors' responsibility to ensure that the financial statements fairly present the state of affairs of the Company. The external auditors are responsible for independently reviewing and reporting on the financial statements.

The Directors have assessed the ability of the Company to continue as a going concern and believe that the preparation of these financial statements on a going concern basis is still appropriate. However, the Directors believe that under the current economic environment a continuous assessment of the ability of the Company to continue to operate as a going concern will need to be performed to determine the continued appropriateness of the going concern assumption that has been applied in the preparation of these financial statements.

The financial statements set out in this report have been prepared by management in accordance with International Financial Reporting Standards (IFRS). They are based on appropriate accounting policies which are supported by reasonable prudent judgements and estimates.

The Company's accounting and internal control systems are designed to provide reasonable assurance as to the integrity and reliability of the financial statements and to adequately safeguard, verify and maintain accountability of its assets. Such controls are based on established written policies and procedures and all employees are required to maintain the highest ethical standards in ensuring that the Company's business practices are conducted in a manner which in all reasonable circumstances is above reproach. Issues that come to the attention of the Directors have been addressed and the Directors confirm that the system of accounting and internal control is operating in a satisfactory manner.

The Company's financial statements which are set out on pages 20 to 64 were, in accordance with their responsibilities, approved by the Board of Directors on 13 March 2018 and are signed on its behalf by:

J. MUSKWE (MRS)
ACTING CHAIRPERSON

S. T. MAKORE
MANAGING DIRECTOR

These financial statements were prepared under the supervision of:

TAWANDA MARAPIRA (CIMA)
EXECUTIVE, FINANCE AND ADMINISTRATION
HWANGE COLLIERY COMPANY LIMITED

Corporate Governance

Hwange Colliery Company Limited follows the principles and general guidelines set out by the King Reports on Corporate Governance and the National Code on Corporate Governance. As a tri-listed Company, it also complies with the listing requirements of the Zimbabwe Stock Exchange, Johannesburg Stock Exchange and the London Stock Exchange.

CODES OF PRACTICE

The Board has established policies and procedures regulating its own processes to ensure good corporate governance.

DIRECTORATE

The Company's Articles of Association provide for a maximum of ten (10) directors of which one (1) of them is a Managing Director who is given executive functions. The Board is chaired by a non-executive director. Directors meet at least quarterly and these directors are subject to retirement by rotation and re-election by Shareholders in accordance with the Company's Articles of Association. Appointments of new directors, approved by the Board are subject to ratification by shareholders.

DIRECTORS' INTERESTS

In terms of good corporate governance and as provided by the Companies Act (Chapter 24:03) and the Company's Articles of Association, directors are required to declare in writing , during the year, whether they have material interests in any contracts or arrangements of significance with the Company which could give rise to conflict of interest. No such conflicts were reported during the year under review.

BOARD MEETINGS ATTENDANCE

Details of attendance by the Directors at Board and Committee meetings during the current financial year ended 31 December 2017 are set below:

NAME OF DIRECTOR	MAIN BOARD		HUMAN RESOURCES		AUDIT		MARKETING		TECHNICAL	
	Attended	Possible	Attended	Possible	Attended	Possible	Attended	Possible	Attended	Possible
Mr W Chitando	3	4	4	4	3	4	4	4	1	4
Mr S T Makore	4	4	4	4	4	4	4	4	4	4
Mrs J Masuku	4	4	-	-	4	4	-	-	4	4
Mrs J Muskwe	3	4	4	4	-	-	4	4	-	-
Mr E N Tome	3	4	-	-	3	4	3	4	3	4
Mr V Vera	4	4	-	-	2	4	3	4	2	4
Mr W T Kutek-watekwa	2	4	2	4	2	4	-	-	3	4
Mr A Ngapo	2	4	-	-	-	-	-	-	-	-

Company Secretary's Certification

A Masiya
Company Secretary

I, Allen Masiya, in my capacity as the Company Secretary of Hwange Colliery Company Limited do hereby certify that, to the best of my knowledge and belief, the Company has lodged with the Registrar of Companies all such returns as are required to be lodged by a public entity in terms of the Companies Act (Chapter 24:03) of the Republic of Zimbabwe, for the year ended 31 December 2017 and that all such returns are true, correct and up to date.

ALLEN MASIYA
HEAD, LEGAL COMPANY SECRETARY

13 March 2018

Five Year Record

for the year ended 31 December 2017

	12 Months December 2017	12 Months December 2016	12 Months December 2015	12 months December 2014	12 Months December 2013
Share Performance					
Shares in issue	183 720 699	183 720 699	183 720 699	183 720 699	183 720 699
Net asset value per share (cents)	86.88	(48.12)	(26.00)	21.00	47
Loss per share (cents)	(0.24)	(0.63)	(0.63)	(0.21)	(0.17)
Share price at 31 December (cents)	3	3	3	5	7
Number of shareholders	4 332	4 332	4 332	4 358	4 401
Results					
Turnover ($'US)	54 497 858	39 911 465	67 576 220	83 918 846	71 540 667
Profit/(Loss) after tax ($US)	(43 837 740)	(89 909 990)	(115 056 773)	(37 865 885)	(30 864 327)
Sales					
Coal tonnes	1 274 707	910 105	1 504 400	1 706 798	1 519 677
Coke tonnes	13 779	3 293	53 874	79 708	82 510
Financial ratios					
Issued share capital ($US)	45 962 789	45 962 789	45 962 789	45 962 789	45 962 789
Total reserves ($US)	(257 544 751)	(214 284 967)	(124 374 977)	(9 318 204)	29 125 637
Shareholders' equity ($US)	(211 581 962)	(167 744 222)	(77 834 232)	37 222 541	75 088 426
Deferred taxation ($US)				9 367 557	(9 132 289)
Long term liabilities ($US)	371 194 538	79 334 350	29 659 003	800 000	900 000
Current assets to current liabilities	1.62:1	0.12:1	0.23:1	0.42:1	0.52:1
Acid test (current assets excluding stock to current liabilities)	1.04:1	0.07:1	0.11:1	0.18:1	0.22:1
Long and medium term liabilities as a percentage of shareholders' equity (%)	175%	47%	38%	2	1
Number of employees	2 035	2 117	2 659	2 778	3 194

Top 20 Shareholders

for the year ended 31 December 2017

RANK	NAMES	TAX	INDUSTRY	SHARES	PERCENTAGE
1	GOVERNMENT OF ZIMBABWE	GOV	GOV	67,555,968	36.77
2	MESSINA INVESTMENTS LIMITED (NNR)	FC	FC	30,510,331	16.61
3	MITTAL STEEL AFRICAN INVESTMENTS	FC	FC	17,777,034	9.68
4	LONDON REGISTER	NNR	NNR	12,516,576	6.81
5	NATIONAL SOCIAL SECURITY AUTHORITY	PF	PF	11,445,761	6.23
6	HAMILTON & HAMILTON TRUSTEES LTD-NNR	FC	FC	9,415,970	5.13
7	JOHANNESBURG REGISTER	NNR	NNR	3,316,258	1.81
8	MR NICHOLAS RHODES HAMILTON-NNR	NNR	NNR	2,865,346	1.56
9	LOCAL AUTHORITIES PENSION FUND	PF	PF	1,854,571	1.01
10	STANBIC NOMINEES (PVT) LTD	LC	LN	1,260,852	0.69
11	TANRANGE INVESTMENTS (PVT) LTD	LR	LC	1,035,332	0.56
12	GURAMATUNHU FAMILY TRUST	LR	INV	1,008,458	0.55
13	ALEXANDER SETH HAMILTON	LR	LR	1,000,000	0.54
14	EUGENIE BRITANNIA HAMILTON	LR	LR	1,000,000	0.54
15	MAXMILIAN RHETT HAMILTON	LR	LR	1,000,000	0.54
16	ORRIE LINCOLN HAMILTON	LR	LR	1,000,000	0.54
17	RICHMOND LOUIS HAMILTON	LC	LR	1,000,000	0.54
18	NEPSON MOYO	TR	LR	749,884	0.41
19	TANVEST PRIVATE LIMITED	PF	LC	689,616	0.38
20	THOMPSON KAMBA	LR	LR	500,796	0.27
	Selected Shares			167,502,753	91.17
	Non - Selected Shares			16,217,946	8.83
	Issued Shares			183,720,699	100.00

Notice of Annual General Meeting

Notice is hereby given that the ninety fifth (95th) Annual General Meeting (AGM) of Shareholders of Hwange Colliery Company Limited will be held at Royal Harare Golf Club, 5th Street Extension Harare on Friday 29 June 2018 at 10:30 am for the following business:

1. ORDINARY BUSINESS

1.1. To receive and consider the audited accounts and the reports of the directors and of the auditors for the year ended 31 December 2017.

1.2. In terms of the Company's Articles, Mr Thomas Makore and Mrs Ntombizodwa Masuku retire from the Board by rotation at the forthcoming annual general meeting. Being eligible, Mrs Ntombizodwa Masuku offers herself for re-election.

As a consequence of his resignation from the Company, Mr Thomas Makore is not offering himself for re-election.

1.3. To approve the Directors' fees for the year ended 31 December 2017 of US$143 319.

1.4. To approve the remuneration of the auditors for the year ended 31 December 2017 of US$110 505.

1.5. To elect auditors of the Company, Grant Thornton Chartered Accountants (Zimbabwe) for the ensuing year.

2. SPECIAL BUSINESS

To consider and, if deemed fit, pass with or without modification, the following additional resolutions:

2.1 Borrowing Powers

To obtain by an Ordinary Resolution, the ratification of the Company's Borrowing Powers for the year ended 31 December 2017 (Per Article 60 of the Company's Articles of Association)

"THAT the Company's excess borrowings of US$150,312,839 (One hundred and fifty million, three hundred and twelve thousand, eight hundred and thirty-nine dollars) in the financial year ended 31 December 2017 be and is hereby ratified."

3. OTHER BUSINESS

To transact such other business as may be transacted at an Annual General Meeting.

4. PROXIES

Members are notified that they are entitled to appoint one or more proxies to act in their alternative, to attend and vote and speak in their place at the meeting. A proxy need not be a member of the Company. Proxies must be lodged at the registered office of the Company at least forty-eight hours before the meeting.

By order of the Board

A. MASIYA
HEAD, LEGAL & COMPANY SECRETARY
1 June 2018

Proxy Form

For use at the Ninety fifth (95th) Annual General meeting of the Company to be held at Royal Harare Golf Club, 5th Street Extension Harare on Friday 29 June 2018 at 10:30 am

The Secretary	or by post to
Hwange Colliery Company Limited	The Secretary
7th Floor, Coal House	Hwange Colliery Company Limited
17 Nelson Mandela Avenue	P O Box 2870
HARARE	HARARE
Zimbabwe	Zimbabwe

I/We ____of ____________________________

____________________________________ being the registered holders of ______________shares in Hwange Colliery Company Limited do hereby appoint:-

1.____ or failing him/her,

2.____ or failing him/her, the Chairman of the Annual General Meeting as my/our proxy to vote on my/our behalf at the Ninety fith (95th) Annual General Meeting of the Company which to be held at Royal Harare Golf Club, 5th Street Extension Harare on Friday 29 June 2018 at 10:30 am and at any adjournment thereof and to vote for me/us on my/our behalf or to abstain from voting as indicated below:

	FOR	AGAINST	ABSTAIN
ORDINARY BUSINESS			
1. Adoption of 2017 audited financial statements			
2. Re-election of Directors			
Mr T. Makore			
Mrs N. Masuku			
3. Approval of Directors' Fees – 2017			
4.1. Approval of auditors remuneration – 2017			
4.2 Re - appointment of auditors			
SPECIAL BUSINESS			
5.1 Ratification of Borrowing Powers - 2017			

______________________________ ______________________________

Signature Date

NOTES OF PROXY FORM

1. A Shareholder entitled to attend and vote may insert the name/s of one or more proxy/ies or the names of two alternative proxies of the Shareholder's choice in the space provided, with or without deleting "the Chairman of the Annual General Meeting". Any such proxy, the proxy will be exercised by the chairman of the meeting.
2. The person whose name appears first on the proxy form and is present at the meeting will be entitled to act as proxy to the exclusion of those whose names follow.
3. A proxy is entitled to one vote by a show of hands by a poll one vote in respect of each share held. A Shareholder's instructions to the proxy must be indicated in the appropriate space.
4. If a Shareholder does not indicate on this interment that his proxy is to vote in favour of or against any resolution or abstain from voting or gives contradictory instructions or should any further resolutions or any amendment/s which may be properly put before the Annual General Meeting be proposed, the proxy shall be entitled to vote as he/she thinks fit.
5. Any alteration or correction made to this form must be initialized by the signatory/ies.
6. The completion and lodging of this form will not preclude a Shareholder from attending the Annual general Meeting and speaking and voting in person thereat, to the exclusion of any proxy/ies appointed in terms hereof, should such Shareholder wish to do so.
7. Forms of proxy must be lodged with or posted to the Secretary, Hwange Colliery Company Limited, to be received no later than 48 hours before the time fixed for the meeting.
8. The Chairman of the meeting may accept or reject any proxy form which is completed and/or received other than in accordance with these instructions

CHANGE OF ADDRESS

If the address on the envelop of this letter is incorrect or has changed, please fill in the correct details below and return to the Secretary.

NAME ____

ADDRESS ____

Notes

Notes

REGISTERED OFFICE

7th Floor, Coal House
17 Nelson Mandela Avenue
P. O. Box 2870
Harare, Zimbabwe
Email: amasiya@hwangecolliery.co.zw
pacosec@hrehwange.co.zw

MAIN OPERATIONS

Hwange Colliery Company Limited
P.O. Box 123 Hwange, Zimbabwe
Tel: 263 - 81 - 23101/7, 23401/9
Fax: 263 - 81 - 22727, 23052/95

REGIONAL OFFICE

95 Robert Mugabe Way
P.O. Box 2316 TA, Bulawayo, Zimbabwe
Tel: 263 - 72444/8, 79264, 23052/95,
76440, 79706,
Fax: 263 - 9 - 76440, 72843

To view the Online Annual Report, please visit our website at www.hwangecolliery.net