RioZim Limited

RIOZIM LIMITED
ANNUAL REPORT 2017



Gold > Diamonds > Base Metals > Chrome > Energy

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

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To view the Online Annual Report, please visit our website at www.riozim.co.zw

Performance Highlights

KEY PERFORMANCE FEATURES

Year on year (2017 vs 2016)

GOLD PRODUCTION

31% increase to 2.1 tonnes from 1.6 tonnes.

REVENUE

36% increase to US$88.9 million from US$65.2 million.

OPERATING PROFIT

8% increase to US$8.1 million from US$7.5 million.

NET FINANCE COSTS

20% increase to US$6.5 million from US$5.4million.

PROFIT AFTER TAX

224% increase to US$8.1 million from US$2.5 million.

EBITDA

22% increase to US$13.4 millon from US$11 million.

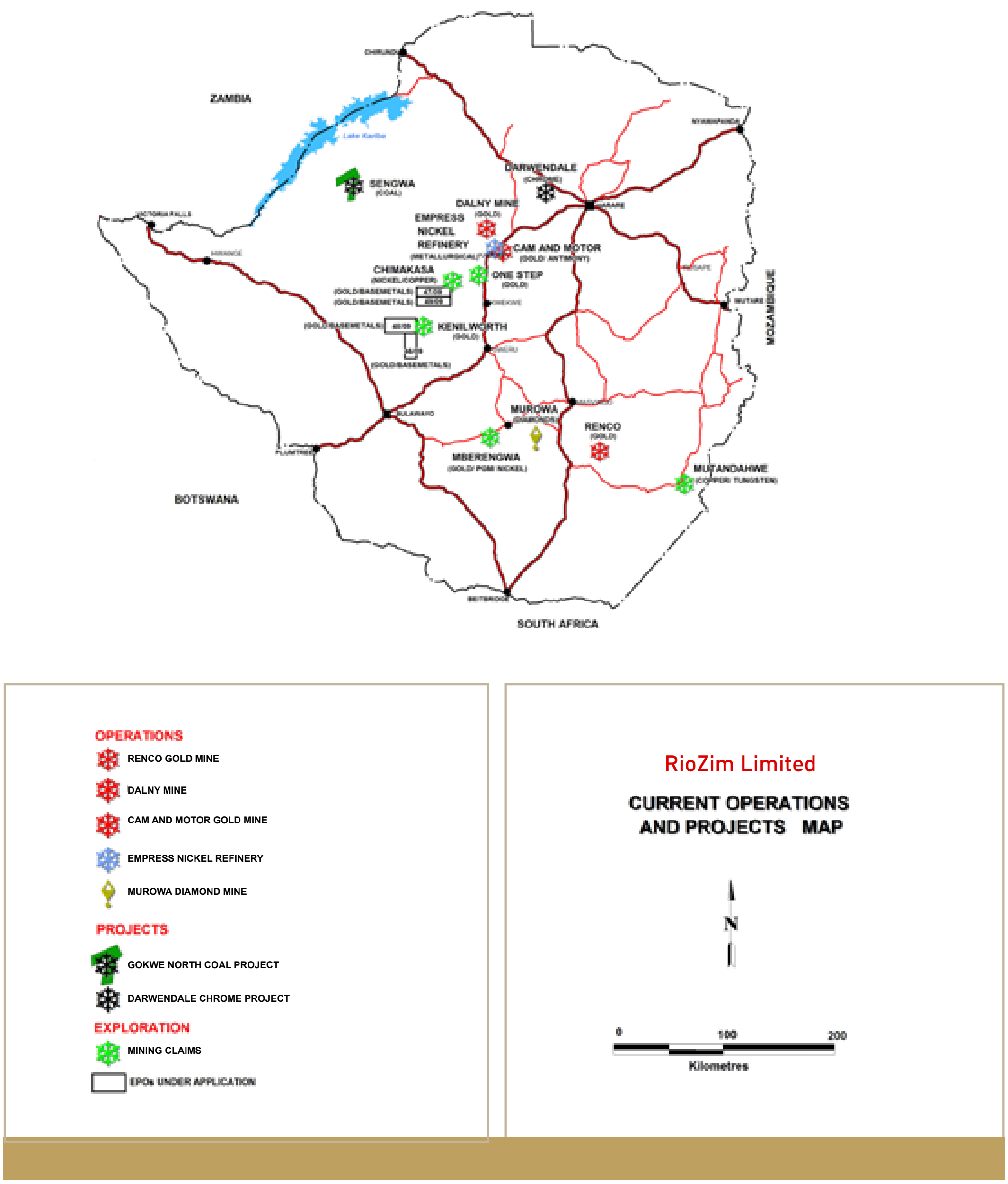
EARNINGS PER SHARE

212% increase to 6.64 cents from 2.13 cents.

Location of Operations

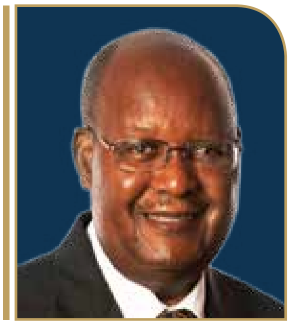
COMPANY OPERATIONS

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



RioZim Limited

Board of Directors



L P Chihota
Non-Executive Chairman

B Nkomo
Group Chief Executive Officer

S R Beebeejaun
Non-Executive Director

C Dengu
Non-Executive Director

G K Jain
Non-Executive Director
(Appointed April 2018)

K Matsheza
Non- Executive Director

M T Sachak
Non-Executive Director

I M Sharma
Non-Executive Director

Management

RioZim management attending strategic planning workshop in Harare

GROUP CHIEF EXECUTIVE OFFICER

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

CHIEF OPERATIONS OFFICER

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

CHIEF FINANCE OFFICER

S KATSANDE
CA (Z), RPA, B Compt (hons) (UNISA)

CORPORATE AFFAIRS EXECUTIVE

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

LEGAL COUNSEL AND GROUP SECRETARIAL

Z MAKORIE
LLBS (hons) (UZ)

GROUP HUMAN RESOURCES MANAGER

J NJANIKE
Bsc Economics, IPMZ, LCCI Mngt, MBA

FINANCIAL CONTROLLER

G MUBATA
CA (Z), CA (SA), BAcc (UZ), B Compt (hons) (UNISA)

SECRETARIES

RIOZIM MANAGEMENT SERVICES (PRIVATE) LIMITED

MANAGING DIRECTOR - BaseMetals

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

GENERAL MANAGER - Cam & Motor

T KADYAMUSUMA
Bsc Metallurgical Engineering (hons) (UZ)

MINE MANAGER - Dalny

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

GENERAL MANAGER - Renco

N MAFURUTU
Bsc Mining Engineering (hons), MBA

GROUP SUPPLY CHAIN MANAGER

L DUBE
HND Purchasing, Dip Bus Studies

CHIEF GEOLOGIST

P TAKAEDZA
Bsc Geology (UZ)

GENERAL MANAGER - Engineering Services

M MACHIKICHO
Bsc Mechanical Engineering (UZ)

RioZim Limited

Chairman's Statement

L P Chihota - Chairman

> "The Group's revenue grew by 36% to US$88.9million from US$65.2million that was achieved in the prior year."

INTRODUCTION

2017 proved to be a pivotal year for the Group which saw it attain a number of significant milestones. The year began with the Group deploying a very strong, skilled and experienced management team across its various operations. The team's main objective was to roll-out the Group's strategic initiatives for the year. These initiatives ranged from the conclusion of the Dalny acquisition, full commissioning of the Cam & Motor Gold Processing Plant, installation of the Floatation Circuit at Cam & Motor Mine, to investment in cutting-edge exploration equipment. I am pleased to report that these objectives were achieved and they have set a strong platform for the next level of the Group's growth.

Operationally, 2017 saw the Group achieve a 31% growth in gold production to 2.1 tonnes from 1.6 tonnes produced in 2016. Similarly, Murowa Diamonds attained a 69% growth in production when compared to 2016.

Unfortunately, the Group's plans of achieving a significant step-change in its performance were stalled by the incessant rains that were experienced in the first quarter of 2017. Furthermore the year under review, like 2016, was overshadowed by the fact that RioZim Limited only received not more than 14% of its gold export proceeds in foreign currency and the rest in Real Time Gross Settlement System Credits (RTGS). This consequently caused the Group substantial losses as the nature of the supporting manufacturing industry in the country means that RioZim's operations are dependent heavily on imported supplies for operations. The inability to import key consumables and spares directly due to a lack of access to the foreign currency that we generated led to the procurement of expensive consumables locally and as a result, certain costs escalated significantly. This was mainly due to the premium being charged by local suppliers as the purchasing power of the RTGS kept dropping significantly. The premiums charged often exceeded 100%.

The greatest long-term impact of our inability to access adequate foreign currency, which must not be underestimated, has been the substantial delay in capital expenditure for sustaining existing operations and expansion projects. Mining is a commodity business where the only metric that matters is achieving the lowest cost per unit of production. Therefore, the cumulative effect of being starved of foreign currency has materially affected our operations and we estimate the losses to be in excess of US$40 million in increased expenses and delayed capacity.

Chairman's Statement (cont.)

Part of Cam & Motor Plant

Economic Overview

The economy continued to face various challenges emanating from foreign currency shortages and an inability by the market to access affordable offshore lines of credit. These challenges coupled with the highly consumptive nature of the economy resulted in the country experiencing a liquidity crisis and consequently, the economy experienced a slowdown in growth and productivity.

We are pleased to note that the Government has introduced new policies to tackle some of these issues in an effort to improve business and investor confidence across the economy. These policies are being carried out under the new Administration's thrust of "Zimbabwe is Open for Business." However, despite these positive strides by Government, we note that there still remains room for further intervention in the mining sector. This sector continues to operate under a highly taxed regime, especially in the diamond subsector where extremely high royalties and proposed ground rental charges continue to affect the viability of operations. Furthermore, the suggestion that royalties should be treated as non-deductible for tax purposes remains inexplicable. Discussions are being held at various levels to have these policies reviewed so as to align them with other players in the region.

Group Performance

The Group's revenue grew by 36% to US$88.9 million from US$65.2 million that was achieved in the prior year. This was on the back of an average gold price of US$1 255/oz when compared to US$1 251/oz achieved in 2016.

It is also worth noting that this growth in revenue was achieved despite the fact that the Empress Nickel Refinery (ENR) remained under care and maintenance.

Overall, the Group closed the year with a profit before tax of US$7.9 million. This was an increase from the sum of US$ 1.8 million achieved in the year 2016.

Gold Business

The year started at a slow pace due to the incessant rains which were experienced in the first quarter of 2017, resulting in flooding and numerous power outages across all our operations. I am however pleased to note that the Group was able to overcome these challenges and production improved significantly during the second half of the year.

- **Cam & Motor Mine** – This remained our flagship operation and it produced 974kgs of gold during the year under review. Following its cold commissioning

Chairman's Statement (cont.)

in October 2016, the plant went through a subdued start due to limited plant availability which occurred in the first quarter of the year. During this period, the new plant continued to experience various teething problems principally in the milling and crushing sections. Interventions to fully optimize the plant were successfully carried out in the second half of the year enabling the Mine to claw back lost ground. However, due to foreign currency constraints, execution of some of the earmarked projects was delayed. Once these projects are fully commissioned, this Mine has the potential of being one of the country's' leading gold producers.

• **Renco Mine** - The Mine produced 688kgs of gold, 3% short of prior year's production of 712kgs. The production at Renco was affected by subdued ore grades and an inconsistent ore body due to legacy mine development constraints. An accelerated exploration and development program has been put in place to reverse the status quo so as to improve mining flexibility as well as provide a better and more accurate definition of the grades and ore body. Milled tonnage increased considerably as witnessed by an 11% growth in 2017 when compared to the prior year. This was attributable to improved ore generation from underground as well as above budget plant availability and utilization. The volume increase in milled tons significantly compensated for the decline in head grade and was supported by improved recoveries which settled at above industry average. Overall, production at Renco Mine could have been better if it was not for the major breakdown of the main hoist which resulted in a protracted period of lost production in the second half of the year.

• **Dalny Mine** - The acquisition of Palatial Gold Investments (Private) Limited, the company that houses Dalny Mine, was successfully concluded in the second quarter of 2017. This transaction was in line with our strategy to strengthen our position in the sector and it enabled the Group to extend its national footprint by adding Chakari District to its portfolio. Dalny Mine had previously been under care and maintenance since 2013 and during the period under review, open cast mining was commenced and 409kgs of gold were produced. The Group's plan going forward is to delineate more ore resources at the operation and commence underground mining in the near future.

Base Metals

ENR remained under care and maintenance while undertaking a number of projects to preserve the integrity of the Refinery. These projects generated US$701 thousand in operating profit, thus contributing positively to the Group's overall profitability. The economic value added by the Refinery not only to our operations but to the community of Kadoma at large is acknowledged by the Company and as such, we continue to look for alternative supplies of raw material to bring the Refinery back to full production. This remains a strategic resource for the Group and studies have confirmed that the Refinery can be upgraded at a relatively low cost in order to refine lithium concentrate to technical and battery grade lithium. We believe that the local beneficiation of lithium is not only of importance to the Group but the country as a whole.

Diamonds

The Group's Associate, Murowa Diamonds (Private) Limited has continued to build its performance on the back of a number of plans which were started in 2016. These initiatives include rolling out a new mine plan, tripling of the plant's processing capacity and investment in owner mining. In 2017, the Associate recorded a 69% growth in volumes and returned to profitability, thus posting a share of profit of US$1.4 million (2016: US$267 thousand loss).

Chrome

Due to strengthening chrome prices and renewed investor interest, the Board is monitoring the situation very closely and is considering the possibility of various partnerships with established players in the industry.

Chairman's Statement (cont.)

Energy

Sengwa has a confirmed substantial coal resource measuring 1.3 billion tonnes and due to projected power deficits, it remains a key resource within the Group's strategy. As a result of recent political developments, a clear and improved indigenisation framework and tax incentives offered by the new administration, we are pleased to note that investor appetite in the project has improved. Stakeholders will be kept informed as the project progresses.

Sustainability

At the centre of all that we do as a Group is our commitment to making a lasting and positive contribution to the economic and social development of the communities in which we operate. These contributions are driven by the activities of the RioZim Foundation Trust (the "Foundation"). In 2017, the Foundation devoted significant time in community engagements as it sought to understand the needs of the various communities in which we operate. We built bridges, factory shells, roads and also rehabilitated boreholes, schools, and clinics in the host communities within which the Group operates.

The Group continues to increase its outreach programs and corporate social investment as it returns to a state of sustainable profitability.

Outlook

The Group remains focused on delivering on several initiatives that are targeted at achieving sustainable profitability and growth. The first of these initiatives being the accelerated exploration and development program which is aimed at identifying new mining areas and enhancing the Group's flexibility in the management of its ore grade. In addition to this, the Company intends to increase operational efficiencies, particularly gold recoveries through the commissioning of a floatation circuit at Cam & Motor Mine in the second quarter of 2018.
The Company also remains focused on its

"The Group remains focused on delivering on several initiatives that are targeted at achieving sustainable profitability and growth."

Chairman's Statement (cont.)

objective of becoming a leader in innovative, environmentally-friendly and sustainable mining practices. Accordingly, the Company is applying both internal and global expertise to devise such a solution for the recovery of gold from refractory ore. In addition to the internal benefits the solution will bring to the Group, it will also enable third parties to process material locally in line with the country's beneficiation program. The move towards acquiring such a solution is at an advanced stage.

Empress Nickel Refinery remains a strategic asset for the Group and the country at large as it has the potential to generate significant amounts of foreign currency once its operations fully resume. The Group plans to upgrade the Refinery so that it can process material other than base metals. In line with this, the Group is currently exploring various methods of upgrading the Refinery so that it is able to beneficiate lithium concentrates in light of the huge investor appetite to exploit lithium in the country.

The success of these initiatives and indeed the overall operation depends heavily on our ability to access the much needed foreign currency that we generate during 2018.
Every effort is being made to this effect. Looking forward, the Board and I believe that the future for RioZim is exciting as we operate in a sector that is expected to grow in the coming years.

Directorate

On the 1st of July 2017, Bhekinkosi Nkomo (Bheki), who had been the Group Finance Director was elevated to the role of Group Chief Executive Officer (CEO). Bheki had been serving the Company as the Group CEO in an acting capacity since the 1st of November 2016. Prior to his appointment, Bheki diligently served the company for five years and had been an integral part of the team that helped steer the Group to its present state of financial stability. On behalf of the Board, Management and staff, we wish to thank him for his contribution and wish him continued success in leading the Group to greater heights.

Appreciation

I would like to extend the Board's sincerest gratitude to RioZim's entire staff for their continued loyalty, support, hard work, and professionalism. I also wish to thank our valued shareholders who continue to support the Group in its turnaround strategy.

The RioZim Board, Management, Staff and myself, all look forward to delivering another year of real growth for the benefit of all our stakeholders, including our shareholders, communities and the nation at large.

L P CHIHOTA
Board Chairman

23 March 2018

ENR

Empress Nickel Refinery remains a strategic asset for the Group and the country at large as it has the potential to generate significant amounts of foreign currency once its operations fully resume. The Group plans to upgrade the Refinery so that it can process material other than base metals.

Group Chief Executive Officer's Review

B Nkomo - Group Chief Executive Officer

INTRODUCTION

It is my distinguished privilege to reflect on yet another year of growth and positive returns for RioZim Limited, as the Company continues to pursue value creation for all of its stakeholders.

RioZim has over the past few years demonstrated its exceptional ability to achieve a positive set of results, notwithstanding the challenging environment within which it operates. Notably, over the past five years, the Company has been able to achieve the following significant milestones-

- Recovered from a loss of US$4.7million in 2013 to a profit of US$8.1million in 2017.
- Reduced its cost of debt, which in the year 2013 was in excess of 25%, to 10% following a successful debt restructuring exercise implemented in 2015.
- Increased its gold production from 0.6tons in 2013 to 2.1 tons in the year under review.
- Increased the number of its gold mines from 1 in 2015 to 3 in 2017.
- Realised a consistent improvement in its share price from 33cents per share in 2013 to 120cents per share in 2017.

In 2017, the Group capitalised on the momentum generated in 2016 with the full commissioning of the Cam & Motor plant in January, conclusion of the Dalny acquisition in May and investment in exploration and development activities.

"In 2017 the Group produced 2.1tons of gold representing a growth in production of 31% compared to the 1.6tons produced in 2016."

Operating Environment

The full implementation of our 2017 strategic objectives was regrettably met with many challenges in the year under review. These challenges included an inconsistent supply of power at our operations, an inhibitive regulatory framework and a perennial shortage of foreign currency, the results of which all had a negative impact on our operating costs and project commissioning timelines.

The Government introduced legislation that restricted the importation of certain goods in order to protect local manufacturers. Whilst the motive behind this protective legislation was commendable, the pricing of the protected goods was not monitored and this unfortunately resulted in the Group, in some instances, purchasing from the local market at prices as high as three times the import price. This inadvertently had a negative impact on our operating margins. The situation was further aggravated by insufficient foreign currency in the market. Specifically, in 2017 the Group accessed only 14% of its foreign currency earnings against the stipulated allocation of 50%. Accordingly, the commissioning of the flotation circuit at Cam and Motor Mine which was targeted for the second half of 2017 was delayed due to the Group's inability to access sufficient foreign currency to fund the project. Therefore, the increase in production volumes that were dependent on the installation and commissioning of the Flotation plant were lost.

The above cocktail of issues effectively increased the overall cost of production and limited the Group's available cash flows for investing in sustaining and growing operations.

Generally speaking, the mining sector requires a lot of capital which in turn requires the presence of favourable policies in order to promote the

Group Chief Executive Officer's Review (cont.)

An aerial view of Cam & Motor Mine

much needed investment. Whilst the Country has witnessed significant policy improvements since the fourth quarter of 2017 following the political changes thereto, the effect of these changes will only be felt in 2018. Through the Chamber of Mines, the Group continues to lobby the Government for further changes that will allow the mining sector to grow to its full potential. In particular, issues that require immediate attention include the non-deductibility of royalties in the calculation of income tax as well as the royalties of 15% on diamonds and high ground rental charges. As long as these issues remain unresolved, the local mining sector remains non-competitive and unfavourable when compared to other mining countries in the region.

Financial Performance

The Group's revenue grew by 36% to US$88.9million from US$65.2million in 2016. The increase in revenue was driven by not only the increase in gold production, but also a marginally favourable gold price and the successful slag treatment project implemented at ENR which generated annual revenue of $8.9million.

Murowa Diamonds continued its strong growth trajectory, producing 732kcts during 2017 which was a 69% jump from the 432kcts produced in 2016. RioZim realised a share of profit of US$1.4 million compared to the share of loss of $267 thousand recorded in 2016.

On the back of improved production, the Group generated US$13.4 million in Earnings Before Interest, Tax, Depreciation & Amortisation (EBITDA) excluding non recurring items as compared to US$9.7million in the previous year. The EBITDA generated aided in driving the thrust of the Group to invest in cash generating assets. A total amount of US$18million was directed towards capital expenditure projects, of which US$6million related to the acquisition of Dalny Mine. Capital expenditure was funded with both internally generated funds and external borrowings.

OPERATIONS OVERVIEW

Renco Gold Mine

Two years after an intensive capacitation programme implemented in 2015, the Mine realised growth in ore generation, recovery and milling. The operation demonstrated an exceptional milling performance with the plant operating at near nameplate levels. Plant recoveries went up to 90% which was at the top end of the local industry average. The operation achieved a production of 688kg, 3% below the 712Kg recorded in 2016. The slight decline in production was attributable to a declining ore grade and a major breakdown of the main hoist in the second half of the year.

In line with the Group's thrust to invest in cutting edge exploration equipment, the exploration and development activities resulted in the stabilisation of the grade in the second half of the year. Going-forward, the exploration program is expected to delineate more resources in the short to medium term. The focus for Renco Mine now is to capitalise on the momentum created in 2017 in upgrading the resources to enable the operation to mine from proven reserves, replace resources at twice the rate of depletion and to create a bankable resource base.

Group Chief Executive Officer's Review (cont.)

"Two years after an intensive capacitation programme implemented in 2015, Renco Gold Mine realised growth in ore generation, recovery and milling........ The focus for the mine is now to capitalise on the momentum created in 2017 to replace resources at twice the rate of depletion and create a bankable resource base"

The table below shows a reconciliation of the ore reserves and resources of Renco as at 31 December 2017:

Renco Resource Statement	Tonnes	Grade (g/t)	Content (kg)
Proved ore reserves as at 1 January 2017	22,620	7.23	164
Plus developed during the year	51,120	4.79	245
Less depleted by mining during the year	10,790	5.13	55
Proved ore reserves as at 31 December 2017	**62,950**	**5.62**	**354**
Probable ore reserves as at 1 January 2017	1,428,287	6.68	9,540
Plus developed during the year	56,270	4.77	268
Less depleted during the year	1,225,130	6.79	8,313
Probable ore reserves as at 31 December 2017	**259,427**	**5.76**	**1,495**
Total mineral reserves as at 31 December 2017	**322,377**	**5.74**	**1,849**
Total mineral reserves as at 31 December 2016	1,450,907	6.69	9,704
Indicated mineral resources as at 31 December 2017	**1,309,230**	**6.29**	**8,240**
Measured mineral resources as at 31 December 2017	**143,980**	**5.38**	**775**
Measured mineral resources as at 31 December 2016	143,980	5.38	775
Inferred mineral resources as at 31 December 2017	**3,218,760**	**5.38**	**22,996**
Inferred mineral resources as at 31 December 2016	3,218,760	7.14	22,996

Group Chief Executive Officer's Review (cont.)

Renco Mine (continued)

In 2018, the Group is geared to transform Renco into a high volume low grade mine by increasing the plant processing capacity in a phased approach. The first phase of the plant expansion will be an optimisation of the existing plant capacities and subsequent phases will include an upgrade of the optimised plant. We are positive that this operating model will increase output and further lower the Mine's cost of production.

Cam & Motor Mine

Cam & Motor Mine operates from proven reserves of the Cam and Motor lodes and the full commissioning of the Cam & Motor plant in January 2017 was yet another milestone for the Group. During the year under review the Mine produced 974kg and thus contributed 47% to the Group's gold output. This production was significant for a processing plant that since its cold commissioning in 2016 has faced more than its fair share of challenges.

Mining operations during the year were affected by:

- Incessant rains in Q1 which resulted in flooding of the pits.
- Inability to blast the full strike of the Motor and Cam pits due to the proximity of third party properties and protracted relocations.
- Significant downtime experienced due to prolonged premature failures on certain components of the plant, in particular the milling and leaching sections.

A plant stabilisation program was rolled out in phases to replace failing components which improved mill feed and production in the second half of the year.

In the second half of 2017, the Group commenced the construction and installation of a flotation plant in order to effectively treat the significant sulphide reserves at Cam & Motor. As mentioned earlier the commencement and completion of this project was delayed by foreign currency shortages and commissioning is now scheduled for the second quarter of 2018. In-order to recover gold bullion from the concentrate output of the flotation circuit, the Group also embarked on obtaining an environmentally-friendly solution. The solution which has been identified utilises leading technologies and will be the first such plant in Zimbabwe. The completion of these projects will cement Cam and Motor mine as the flagship gold mine of the Group.

Cam & Motor Mine

Group Chief Executive Officer's Review (cont.)

Below is the reconciliation of ore reserves and resources for Cam & Motor Mine as at 31 December 2017:

Cam & Motor Resource Statement	Tonnes	Grade (g/t)	Content (kg)
Proved ore reserves as at 1 January 2017	3,603,197	5.32	19,153
Less depleted by mining during the year	574,138	3.46	1,987
Proved ore reserves as at 31 December 2017	**3,029,059**	**5.67**	**17,166**
Probable ore reserves as at 1 January 2017	**379,424**	**4.82**	**1,624**
Probable ore reserves as at 31 December 2017	**379,424**	**4.82**	**1,624**
Total mineral reserves as at 31 December 2017	**3,408 483**	**5.51**	**18,790**
Total mineral reserves as at 31 December 2016	3,982,621	5.22	20,777
Indicated mineral resources as at 31 December 2017	**437,480**	**3,43**	**1,499**
Indicated mineral resources as at 31 December 2016	244,700	3.40	832
Measured mineral resources as at 31 December 2017	**961,700**	**4.50**	**4,328**
Measured mineral resources as at 31 December 2016	961,700	4.50	4,328
Inferred mineral resources as at 31 December 2017	**650,960**	**2.28**	**1,486**
Inferred mineral resources as at 31 December 2016	387,600	2.80	1,085

Dalny Mine

The Dalny Mine was acquired whilst under care and maintenance in 2017. Immediately following its acquisition, the Mine was quickly brought into production creating employment for approximately 400 people and it contributed 409Kg to the Group's total gold production.

It is worth noting that the Mine has a declared underground resource which could not be immediately accessed post acquisition due to flooding of the mine shafts. The short-term strategy therefore was to commence operations with open cast mining complemented with ore supplies from Cam & Motor while dewatering the shafts.

Post-acquisition, RioZim exhibited its ability to resuscitate and grow operations through the following milestones: -

- A 20% contribution to the group's total gold output.
- The rolling out of an extensive exploration program.
- The successful development of open pitable areas which ended reliance on Cam & Motor ore in the third quarter.
- The significant progress that was made towards accessing the declared underground resource.

Going forward the focus will be on continued dewatering of the shafts to enable access to the declared underground resources and the acceleration of the exploration and development program that began in 2017.

Group Chief Executive Officer's Review (cont.)

Below is the reconciliation of ore reserves and resources for Dalny Mine as at 31 December 2017:

Dalny Resource Statement	Tonnes	Grade (g/t)	Content (kg)
Proved ore reserves as at 1 January 2017	**205,010**	**7.23**	**996**
Plus developed during the year	32,444	5.50	178
Proved ore reserves as at 31 December 2017	**237,454**	**4.94**	**1,174**
Probable ore reserves as at 1 January 2017	**223,620**	**4.46**	**998**
Plus developed during the year	37,877	5.30	201
Probable ore reserves as at 31 December 2017	**261,497**	**4.58**	**1,199**
Total mineral reserves as at 31 December 2017	**498,951**	**4.76**	**2,373**
Total mineral reserves as at 31 December 2016	428,630	4.65	1,994
Indicated mineral resources as at 31 December 2017	**903,440**	**4.18**	**3,779**
Indicated mineral resources as at 31 December 2016	600,600	4.65	2,792
Measured mineral resources as at 31 December 2017	**641,715**	**7.20**	**4,618**
Measured mineral resources as at 31 December 2016	660,850	7.13	4,711
Inferred mineral resources as at 31 December 2017	**268,861**	**4.64**	**1,249**
Inferred mineral resources as at 31 December 2016	189,761	5.33	1,011

Empress Nickel Refinery

Empress Nickel Refinery ("ENR") is a strategic unit not only for the Group but for the country due to its ability to earn substantial foreign currency. The plant is available to beneficiate all copper and nickel concentrates produced in the country into London Metal Exchange (LME) grade metal. The Refinery is also unique as it can be reconfigured to beneficiate spodumene concentrate (coming from the initial processing of lithium) and produce both technical and battery grade lithium carbonate. Feasibility studies have been carried out on the Refinery and the Group is keenly aware of the requirements to upgrade the plant to process concentrates.

During the year under review ENR remained under care and maintenance due to non-availability of matte. However, the operation managed to generate revenue of US$8.9million through a profitable slag treatment project which was sufficient to cover its operating costs and contribute US$1.5million to EBITDA.

ENR remains ready to beneficiate matte and the Group has maintained its workforce in anticipation of obtaining matte supply from local sources.

Sengwa Colliery

The Company remains dedicated to extracting value from its coal fields in Sengwa. This will be achieved through the construction of a mine mouth ultra-super critical thermal power station (with maximum efficiency and the lowest emissions) in phases of 700MW up to a total of 2800MW.

Group Chief Executive Officer's Review (cont.)

The recent policy developments, including an improved indigenisation framework, setting up of special economic zones and tax incentives offered for energy projects, have resulted in renewed investor interest in the Sengwa Power Project.

Over the years exploration work was completed at a significant cost which delineated a resource of circa 1.3 billion tonnes of coal as shown on the resource statement below:

Resource Category	Measured	Indicated	Inferred	Total
Tonnes 000s	519 068	513 422	328 324	**1 360 814**
Stripping ratio (bcm/t)	2.66	3.20	6.70	**5.90**
Thickness (m)	21.53	20.00	19.70	
Moisture (%ad)	2.57	3.00	3.10	
Ash (%ad)	34.40	37.20	38.30	
Sulphur (% ad)	0.33	0.35	0.33	
Energy (MJ/Kg ad)	19.57	18.29	17.77	

The Group has received expressions of interest from several renowned international companies that have both the financial capability and proven track record in the construction and operation of thermal power plants across the world. We are optimistic about the prospects of this project.

In the meantime the company has secured the appropriate private power producing and distributing licenses.

Associate – Murowa Diamonds (Private) Limited

The improvement of Murowa's performance in 2017 was driven by -

- A new mining plan that was rolled out during the year.
- The tripling of the plant processing capacity in order to increase feed rate and output.
- Embarking on owner mining instead of contract mining in order to obtain greater control over mining operations and reduce mining costs.

Consequently this has returned the operation to profitability in the year under review, increased foreign currency generation and amplified contribution to the national fiscus and improved investment in the surrounding community.

The operation produced 732kcts which was a 69% growth from the 2016 production resulting in the Group's share of profit increasing to US$1.4million from a share of loss of US$267 thousand in 2016.

The associate has a robust strategic plan which is focused on cutting costs, increasing production and obtaining intensive ore body knowledge to extend the life of mine. The implementation of this plan will be dependent on the direction and form the indigenisation framework will take as future projects will require significant investments, the bulk of which will be sourced from foreign markets. The strategic plan will also be funded through a mixture of internally generated funds, debt and equity.

Human Resources

RioZim is focused on developing talent and creating the next generation of leaders specifically in the mining industry. Our staff complement grew by 11% to 2,378. This is in-line with the growth of our operations and the continued drive to capacitate the group with talented and driven individuals.

I am glad to welcome all the talented individuals who joined the RioZim team during the year under review. RioZim remains committed to developing and nurturing local skills and as such the Group continues to recruit attachment students and graduate trainees from local learning institutions and communities where our operations are located.

Corporate Social Investment

We remain committed to the welfare of the communities in which we operate and as such corporate social investments are implemented through the RioZim Foundation. The 2017 priorities for the Foundation were in three main areas namely water security, education and infrastructure development. This resulted in numerous projects being implemented including but not limited to the construction of two bridges on the Mazvihwa

Group Chief Executive Officer's Review (cont.)

to Zvishavane road, the construction of classroom blocks at three primary schools and the installation of boreholes to ensure access to clean water.

At RioZim, we also strive to prevent injuries and adhere to the Group's Safety & Health system which resulted in zero fatalities in 2017 (2016: 0).

Future Prospects

The recently announced progressive policy changes, meant to improve the ease of doing business have been positive especially for the mining industry which is capital intensive. In order to sustain the momentum and achieve the required growth for the country, we hope that other policy issues will be addressed in order to enhance growth across the entire mining value chain. Foreign currency availability will also remain a key issue in improving the operating landscape for the sector.

For the ensuing year the Group shall focus on:-

- Continued investment in exploration and development.
- Increasing throughput and production in gold and diamond operations.
- Concluding relocations at Cam and Motor Mine and setting up the necessary processing plants to recover gold from sulphide ore.
- Resuscitating ENR to bring it to full operation and pursuing lithium beneficiation.
- Securing an investor for Sengwa Power Station.
- Cutting costs and cost avoidance.
- Increasing our support and investment in host communities in order to improve the livelihoods of people.

These areas will enhance our focus on generating growth, positive returns and positive cash flows across our entire portfolio of assets.

Appreciation

To the RioZim team consisting of the Board of Directors, the executive team and each and every employee – I thank you for your guidance and support and doing so much more than showing up to work each day; your commitment and initiative are truly humbling. I would also like to thank all our stakeholders including our investors, regulators, bankers, suppliers and other business partners for their valuable support during the year and I remain grateful for your unwavering effort.

B NKOMO
Group Chief Executive Officer

Harare
23 March 2018

Health, Safety and Environment

INTRODUCTION

The improvement and maintenance of health and safety in the workplace is an integral aspect of the Group's objectives. The Group commits to pursuing sustainable development through various initiatives focused around improvement of workplace health and safety preservation of the environment. The year under review, was no different in relation thereto. The Group maintained a zero fatality record at all sites.

Health

The Group values highly the health of its employees. The Group's goal is to maintain occupational health cases at zero. In light of this, the Group strives to mitigate against the potential threats and dangers associated with the industry. An Occupational Hygiene and Environmental Monitoring survey was conducted by an external consultant to assess if any occupational health exposures to workplace stressors were present. Results showed that exposure to various workplace stressors were insignificant, however monitoring and mitigation remains a focus.

During the year the Group conducted training and medical surveillances including; pre-task risk assessments, occupational respiratory conditions training, STIs, HIV & AIDS awareness initiatives, training on food handling, rabies, Hazard Identification and Risk Analyses (HIRA) and noise induced hearing loss. Pneumoconiosis examinations were conducted at all sites, 100 percent passed, with Cam and Motor employees awaiting red tickets from the NSSA Medical Board. Pre-employment examinations were performed and all employees were fit for employment. Of particular note was a cholera threat that was successfully contained towards the end of the year under review. In accordance with the Chamber of Mines recommendations to have employees certified in the administration of First Aid, the Group conducted basic first aid training. Worthy of mention is the Murowa First Aid Team which participated in the Midlands Zonal First Aid competitions and took first place out of 5 teams and came second in the Chamber of Mines First Aid National Competitions.

The Health Promotion Day was the highlight of the year under review with various service providers screening employees and contractors for cancer of the cervix, cancer of the prostate and eye tests, with some receiving eyesight correction.

Safety

Due to the nature of the industry, safety procedures during all operations are prioritised and are

Health, Safety and Environment (cont.)

under continuous scrutiny and review. The Group recognises its legal and moral obligation to provide a safe working environment to all.

Various initiatives have been implemented to increase work place awareness of safety risks including participating in a mandatory health, safety and environment induction and refresher programmes that were offered during the year.

During the year under review, there was an increase in Lost Time Injuries (LTIs) from 12 in 2016 to 15 in 2017. A 'Safety Is Life Observe' (SILO) workshop was conducted for the leaders in order cultivate a culture that promotes safety in the workplace.

Environment

The Group strives to align its operations to meet international best standards for environmental practices. It employs a dedicated environmental management team that monitors water and waste management, air quality and land rehabilitation.

A comprehensive ban of kaylite use was implemented to comply with Environmental Management Agency (EMA) requirements during the year under review. The Group is proud to report that a representative from the Department of the Auditor General visited the Murowa mine site to check on compliance issues and closure plans and was impressed with the management system in place.

The gas emissions at the ENR Siro Smelter and Boiler stacks were within the prescribed EMA air emissions limits.

Dust suppression on haul roads was carried out throughout the year. Hazardous and Non-hazardous waste is being managed according to the Group's Waste Management Plans.

Cam & Motor Mine celebrated Tree Planting Day on the 15th of December 2017. The exercise was kick-started with the planting of 400 trees and the plan is to plant at least 2 000 trees for the 2018 season.

Social Performance

INTRODUCTION

In keeping with its culture of empowering the communities that host its mines, the Group undertook a number of corporate social investment projects across the country. The projects were done through the RioZim Foundation, the arm of the Group undertaking all corporate social activities.

THE FOUNDATION

The Board of Trustees for the RioZim Foundation remained unchanged during 2017. The Board members are Mr Lovemore Chihota, Mr Bhekinkosi Nkomo, Mr Muchadeyi Ashton Masunda, Mr Kumbirayi Katsande, Mr Eben Makonese, Dr Vincent Hungwe and Mrs Francisca Shonhiwa. The Trustees continue to focus on projects that improve the livelihoods of the Group's host communities.

Mrs Ellah Muchemwa resigned from the position of Executive Director of the RioZim Foundation during the course of the year, and was replaced by Mr Wilson Gwatiringa. We are grateful to Mrs Muchemwa for her service and welcome Mr Gwatiringa to the Foundation.

COMMUNITY PROJECTS

The Foundation, in collaboration with Group Business Units, namely; Renco Mine, Cam and Motor Mine, Dalny Mine, Empress Nickel Refinery and the Group's associate company, Murowa Diamonds, undertook a variety of high impact community projects in 2017. These projects include the following:

Water Security

- Provided clean water to Nyajena Rural Hospital.
- Assisted Nyajena Community by financing a livestock vaccination programme.
- Installed 3 boreholes in Makonese village and Muchibwa village.
- Provided irrigation materials for community gardens in villages near Renco Mine.
- Provided piped clean water to Muvhango village.

Education

- Implemented a bursary scheme that benefits 102 secondary and tertiary students in Mazvihwa.
- Constructed classroom blocks at Baradzanwa Primary School and Murowa Primary School.
- Provided computers to Baradzanwa School.
- Provided tools to the welding and garment factory shells at Murowa Ward for skills development.
- Rehabilitated Eiffel Flats School swimming pool.

Infrastructure Development

- Constructed Jimu bridge on the Mazvihwa to Zvishavane road.
- Rehabilitated the following roads: Chakari to Patchway Road, Renco Mine to Mashate Road and roads in the Mazvihwa communal area.
- Provided materials for the Muzondo Village Dip Tank in Nyajena.
- Provided financial assistance for the electrification of Davira Clinic in Chivi District.

Social Performance (Cont).

Murowa Diamonds, undertook a variety of high impact community projects in 2017.
These projects included the construction of Jimu bridge on the Mazvihwa to Zvishavane road.

Eiffel Flats Relocations

Relocation of properties in Phase 2 was completed during the year and significant progress was made with Phase 3. A major achievement was the commencement of the relocation of Eiffel Flats Hospital which is expected to be completed in the second quarter of 2018.

Stakeholder engagement and execution of the relocation programme will continue in 2018 to create space for expansion of the Cam and Motor open cast mining operations. This should see the conclusion of Phase 3 and significant progress with phase 4.

Labour Practices

INTRODUCTION

The Group focused on ensuring that its staff complement remained aligned with its production levels in order to keep labour costs in check. In a bid to empower the communities in the areas we operate, the Company has continued to provide employment opportunities and skills trainings to local people.

The various projects undertaken by the Company during the 2017 financial year have resulted in a gradual increase in staff complement. Total staff complement averaged 1 708 permanent staff in 2017 made up of 262 employees in the skilled labour category and 1 446 in the semi/unskilled labour category. In addition, the Group had an average of 670 contract employees giving a total Group average complement of 2 378.

HUMAN CAPITAL

Investing in our people

The various expansion initiatives undertaken by the Company require a team of committed and talented employees. To underline the above, the Company, throughout 2017, systematically pursued staff development programs with the aim of improving the Group's integral skills inventory.

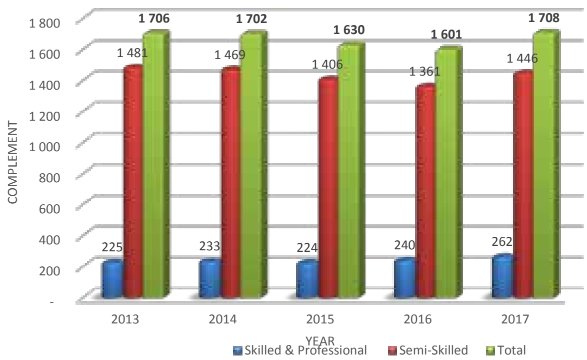
In order to buttress our goal of creating a skills inventory and at the same time supporting our host communities, the year 2017 witnessed the following initiatives:

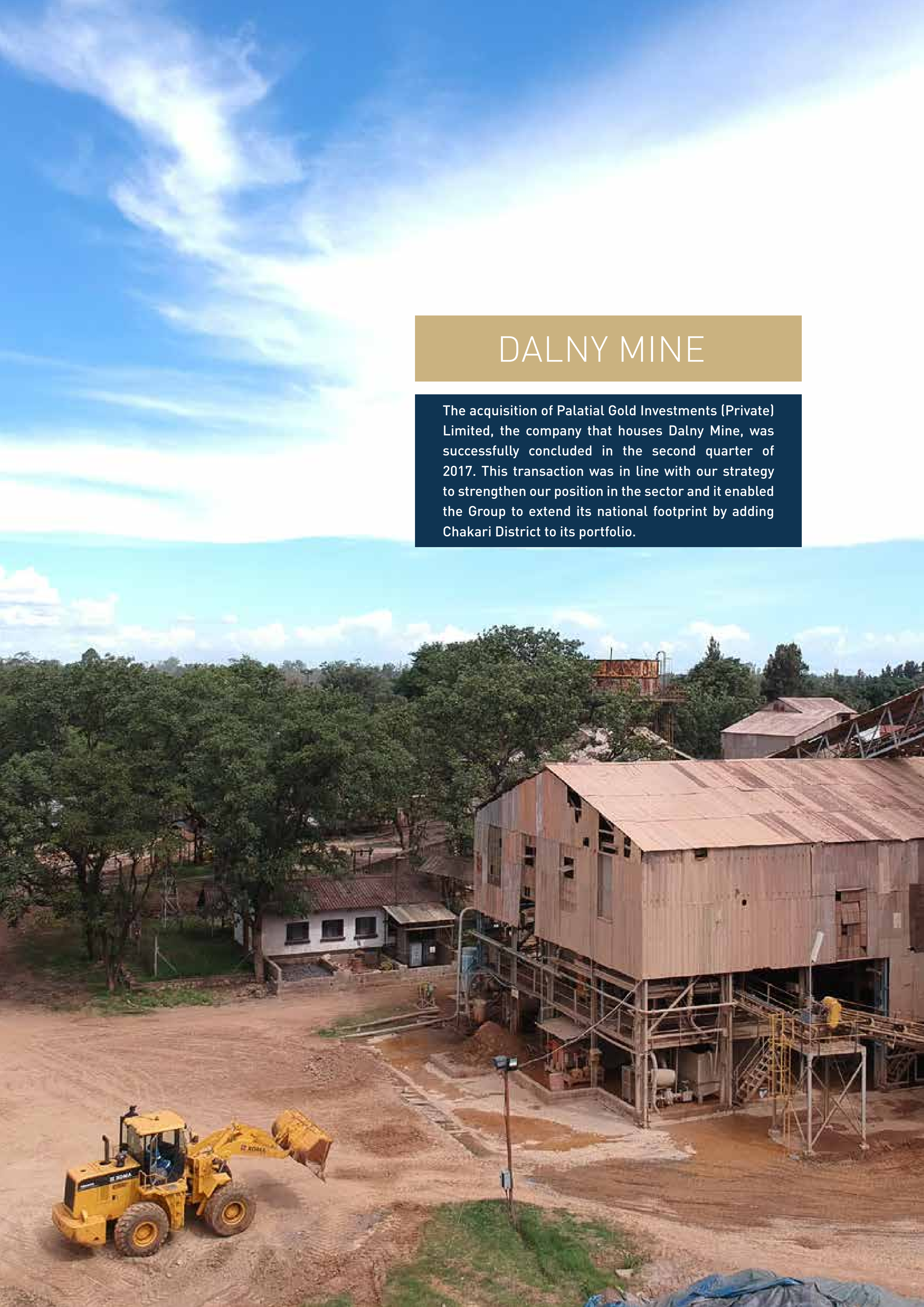
- Recruitment of semi-skilled employees and attachment students from local communities.
- Recruitment of top students as Graduate Trainees from leading local universities and colleges.
- Supporting the employees' career development through full payment of fees for any relevant self-development courses/ programs.

Industrial Practices

The Company enjoyed calm and positive industrial relations during the year. The Company also introduced various production incentives across its operations and these were well received by the employees at large. It is against this background that the Company was able to attain such commendable results in 2017 and also maintain motivated employees.

Permanent Employees (2013 - 2017)





DALNY MINE

The acquisition of Palatial Gold Investments (Private) Limited, the company that houses Dalny Mine, was successfully concluded in the second quarter of 2017. This transaction was in line with our strategy to strengthen our position in the sector and it enabled the Group to extend its national footprint by adding Chakari District to its portfolio.

Corporate Governance Statement

RioZim Limited believes that the maintenance of good corporate governance principles is an integral part of the manner in which business is conducted. The Company therefore conducts its business accordingly. The Company diligently subscribes to the principles of accountability, fairness, discipline, independence, integrity, social responsibility and transparency as laid out in the National Code on Corporate Governance Zimbabwe, the King IV Code on Corporate Governance and the Zimbabwe Stock Exchange Listing Requirements.

The Board and Management believe that through adherence to these principles, they are able to carry out their responsibilities effectively, faithfully and in the best interests of shareholders and various stakeholders.

BOARD OF DIRECTORS

Overview

The Board is responsible for setting up of the Company's policies and determining its strategy. It maintains full and effective control by meeting quarterly to monitor and assess operational and financial performance and reviewing the strategy, risk and planning of the Company. When required, the Board meets on an ad hoc basis to deliberate over matters of urgency. In 2017 the Board met six times.

Following Mr. Bhekinkosi Nkomo's appointment to Chief Executive Officer, the number of executive Directors has been reduced from two to one. The number of non- executive directors remains at six.
The table below details Directors' attendance at the Board Meetings for the year ended 31 December 2017.

L P Chihota	Non-Executive Chairman	6/6
C Dengu	Non-Executive Director	6/6
K Matsheza	Non-Executive Director	6/6
B Nkomo	Chief Executive Officer	6/6
S R Beebeejaun	Non-Executive Director	3/6
M T Sachak	Non-Executive Director	6/6
I M Sharma	Non-Executive Director	2/6

The Directors have unrestricted access to the advice and services of the Company Secretary, RioZim Management Services (Private) Limited, which is responsible for the Board and the Company's compliance to statutory procedures and regulations. By using a corporate company secretary, the Company benefits from a dependable pool of expertise and continuity. This, however does not preclude Directors from seeking independent professional advice when there is need.

Board Committees

In order to allocate due time and consideration to its vast responsibilities, the Board has delegated some of its tasks to specialised committees. The activities of each committee are governed and regulated by a Board Committee Charter. At the end of each committee meeting, highlights of the proceedings are prepared by the Company Secretary for circulation and discussion in the main Board meeting. The effectiveness of these committees is evaluated by the Board on an annual basis.

Corporate Governance Statement (Cont).

Audit and Risk Committee

The Audit and Risk Committee comprises three non-executive directors and is chaired by Mr. Caleb Dengu. The Executive Director and the head of the internal audit department may attend the meetings as invitees. The external auditors have unrestricted access to this committee. The Committee's responsibilities include the review of internal controls with reference to the findings of both internal and external auditors, the review of important accounting issues, establishing appropriate risk and control policies to areas of risk identified by Management and assuring the integrity and reliability of financial statements among other like matters.

Finance and Investment Committee

The Finance and Investment Committee comprises three non-executive directors and the Executive Director is an ex officio member. Mr. Mustafa T. Sachak chairs the committee which meets regularly. The committee's main objective is to provide strategic and tactical review of the Group's finance and investment projects. The reviews are always cognisant of prevailing economic conditions and agreed internal performance targets.

Remuneration and Nominations Committee

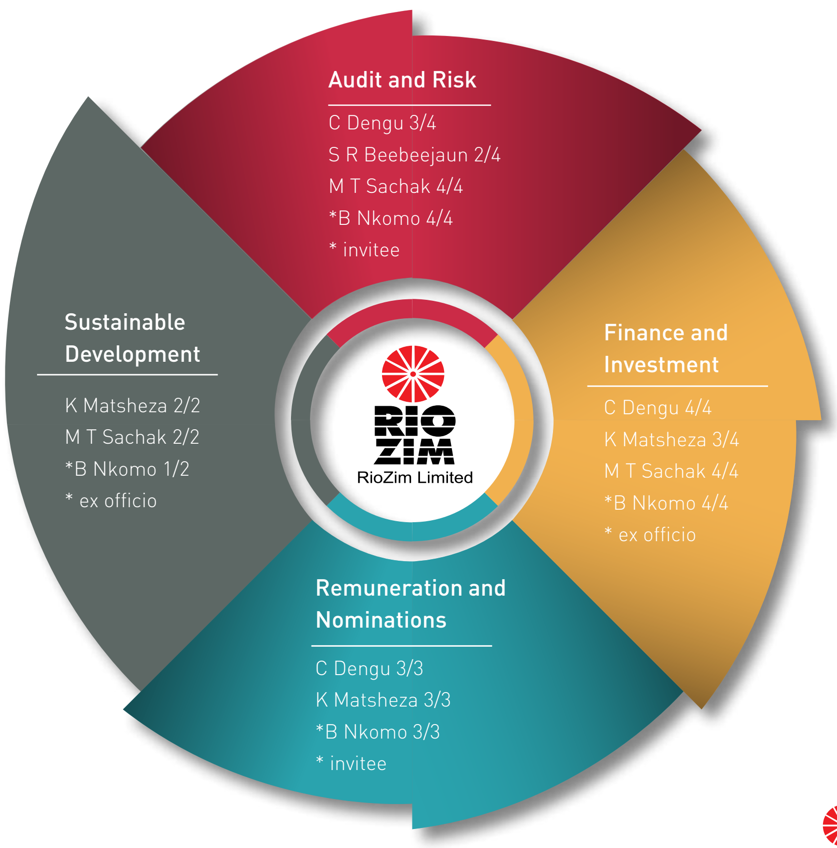
This Committee comprises two non-executive directors and the Chief Executive Officer may attend the meetings as an invitee. Mr. Caleb Dengu is the chairman of the committee which meets not less than twice a year. The Committee advises the Board on matters relating to personnel, particularly remuneration, incentives and talent management. Its aim is to ensure that the Group attracts and thereafter retains motivated, qualified, diverse and skilled personnel.

Sustainable Development Committee

The Committee comprises three non-executive directors and is chaired by Mr. Kurai Matsheza. It meets not less than twice a year. The primary function

Committee Attendance

The chart to the right details the attendance of Directors within the four committees.



Corporate Governance Statement (Cont).

of the committee is to assist the Board in matters concerning sustainability, stakeholder management, ensuring regulatory compliance, maintenance of social and environmental ethics. The aim of the committee is to preserve the Company's desire of being an accountable, conscious and responsible corporate citizen. All Mine Managers, Group Human Resources Manager and the Corporate Affairs Executive attend the Committee meeting.

Declaration of Directors' or Employee Interests

a) In accordance with the principle of transparency, the Company observes a closed period, from a month prior to the end of the relevant accounting period to the announcement of the interim or year-end results, as the case may be. During the closed period neither the Directors nor officers of the Group may deal, either directly or indirectly, in the shares of the Company. Outside of the closed periods, Directors and officers of the Company must obtain prior approval of the Company in order to deal in its shares.

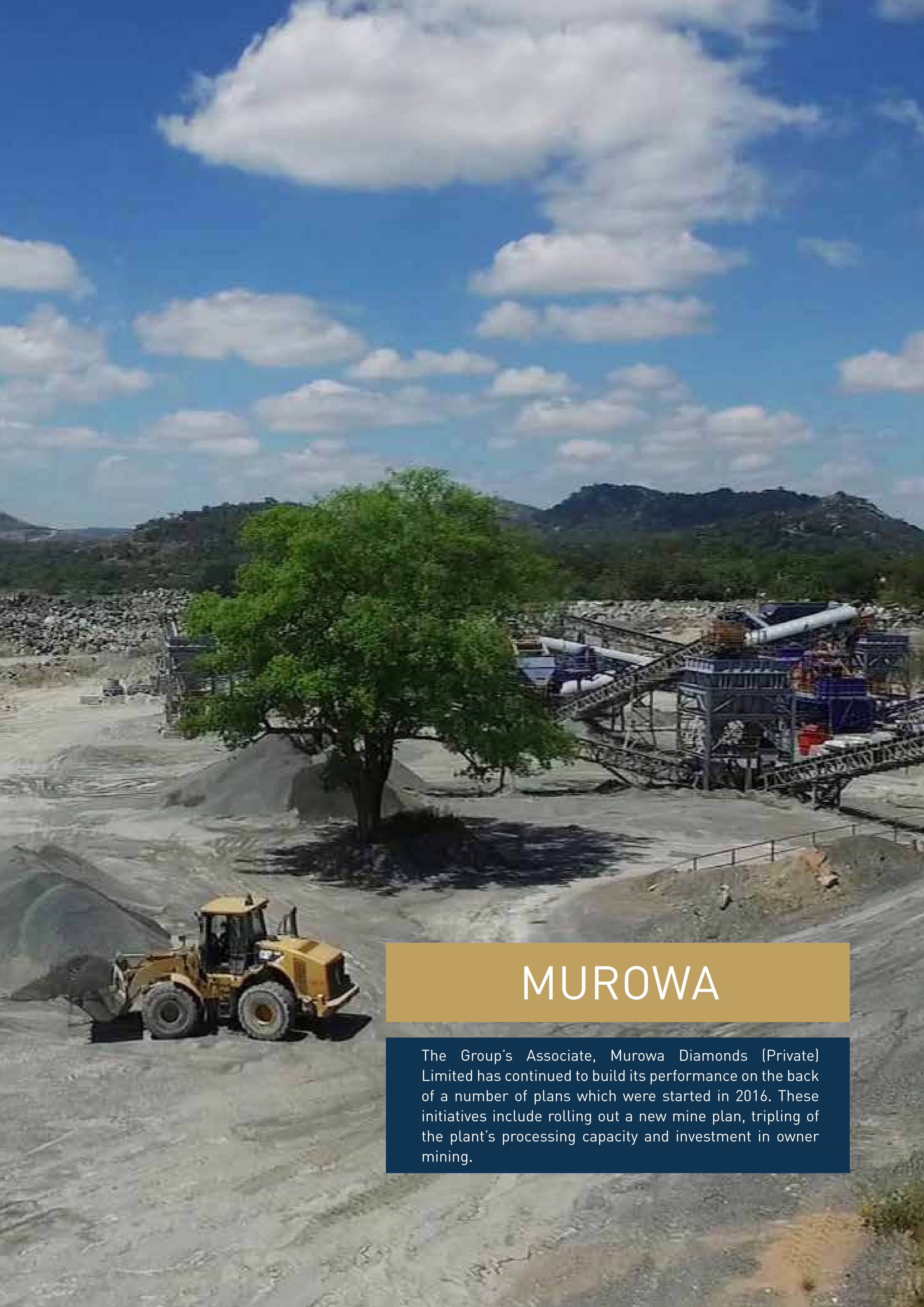
b) Directors and officers of the Company are obligated to declare any material interest they may have that may be deemed to be in conflict with their appointments.

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

i. In accordance with section 182 of the Companies Act [Chapter 24:03], and as detailed in the Direct and Indirect Shareholding of Directors page 35 of this Report, Messrs C Dengu and K Matsheza declared that they directly held shares in the Company. Mr. M Sachak declared that he held shares both directly and indirectly in the Company.

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

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



MUROWA

The Group's Associate, Murowa Diamonds (Private) Limited has continued to build its performance on the back of a number of plans which were started in 2016. These initiatives include rolling out a new mine plan, tripling of the plant's processing capacity and investment in owner mining.

Report of the Directors

The Directors hereby have the pleasure of presenting their report, together with the consolidated financial statements of RioZim Limited and its subsidiaries (together the "Group") for the year ended 31 December 2017.

FINANCIAL RESULTS

The year 2017 proved to be an important financial year for the Group. Despite experiencing various challenges emanating from incessant rains which were experienced during the first quarter of the year, foreign currency shortages and an increasing inability to access affordable offshore lines of credit, the Group performed well. It closed the year reporting a net profit after tax of US$8.1million as detailed in the extract of financials statements below:-

GROUP FINANCIAL RESULTS

	2017 US$ 000	2016 US$ 000
Revenue	88 855	65 218
Operating profit	8 115	7 534
Profit before tax	7 941	1 831
Income tax credit	134	718
Profit for the year	**8 075**	**2 549**
Total comprehensive income for the year	8 750	2 316
Dividends	-	-

Dividends

The Company's dividend policy states that the Company's ability to declare and pay dividends is based on the Company's level of profitability, internal cash requirements, on-going capital expenditure requirements, financial prudence, any contractual, legal or regulatory restrictions on the payment of dividends by the Company, its tax position and any other factors considered relevant by the Directors.
After a detailed consideration of the above policy, the Company's growth strategy, cash constraints and the need to invest cash in its growth plans , the Directors deemed it fit to not declare dividends for the year ending 31st December 2017.

Report of the Directors (Cont).

SHARE CAPITAL

The Company's share capital structure has not changed as detailed in the table below:-

Share capital	2017 No. of shares 000	2017 Nominal value US$000	2016 No. of shares 000	2016 Nominal value US$000
Authorised share capital				
Ordinary shares of US$0.01 each	140 000	1 400	140 000	1 400
Cumulative redeemable preference shares of US$0.01 each	10 000	100	10 000	100
Special Dividend Share of a nominal value of US$124 876	0.001	125	0.001	125
Total	**150 000**	**1 625**	**150 000**	**1 625**
Issued share Capital				
Ordinary shares of US$0.01 each	122 030	1 220	122 030	1 220
Cumulative redeemable preference shares of US$0.01 each*	10 000	100	10 000	100
Special Dividend Share of a nominal value of US$124 876**	0.001	125	0.001	125
Total	**132 030**	**1 445**	**132 030**	**1 445**

Notes:

*The cumulative redeemable preference shares have a fixed coupon rate of 9% and are redeemable on or before their 5th anniversary of 22 January 2021.
**The entitlement to the Special Dividend expired 31 December 2013 and the share now ranks equally with other ordinary shares.

Unissued shares	2017 No. of shares 000	2017 Nominal value US$000	2016 No. of shares 000	2016 Nominal value US$000
Ordinary shares of US$0.01 each	17 970	180	17 970	180

The Company has 17 970 000 (2016: 17 970 000) unissued shares. At the 62nd Annual General Meeting, the Company received authority from members to place 5% of the unissued shares under the control of the Directors until the next Annual General Meeting. The Company will be seeking authority for renewal of the same resolution as contained in the Notice of shareholders convening the 62nd Annual General meeting.

Report of the Directors (Cont).

AUDITORS

Ernst and Young Chartered Accountants (Zimbabwe) have indicated their willingness to continue as the auditors of the Company. Members will be asked to fix their remuneration for the past audit and confirm their re-appointment for the ensuing year at the 62nd Annual General Meeting.

DIRECTORATE

Composition

During the year under review, there was no change to the Company's non-executive directors.

Mr. Bhekinkosi Nkomo was substantively appointed Chief Executive Officer with effect from the 1st of July 2017. Mr Nkomo has been with the Company for the past five years and was part of the integral team that helped steer the Group to its present state of stability.

Subsequent to year end Mr G.K Jain was appointed to the Board as a non-executive director with effect from April 2018.

Director's Remuneration

A resolution will be proposed at the Annual General Meeting to approve the Directors' Remuneration amounting to US$181 000.00 for the period 1st January 2017 to 31st December 2017.

By order of the Board

RioZim Management Services (Private) Limited
(Secretaries)
Per Z Makorie

Harare
23 March 2018

CAM & MOTOR MINE

This remained our flagship operation and it produced 974kgs of gold during the year under review.

Directors' Responsibility for Financial Reporting

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

The Directors are required to:

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

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

Compliance with the Companies Act and Zimbabwe Stock Exchange (ZSE) Listing Requirements

These consolidated financial statements, which have been prepared under the historical cost convention, are in agreement with the underlying books and records and have been properly prepared and comply with the disclosure requirements of the Companies Act and the Zimbabwe Stock Exchange Listing Requirements in all material respects.

Compliance with International Financial Reporting Standards (IFRS)

The accompanying financial statements, have been prepared in accordance with International Financial Reporting Standards (IFRS) and suitable accounting policies have been used and applied consistently.

Going Concern

In assessing the going concern status of the Group the Directors took into consideration the Group's budgets, forecasts, and the Group's achievements in the current year under review that will have a positive bearing on the future performance and cash flows of the Group and believe that the Group will continue to operate as a going concern. Therefore the going concern basis has been adopted in the preparation of the accompanying financial statements.

Significant assumptions and estimates

The Directors believe that reasonable and prudent judgments and estimates have been made in the preparation of the financial statements. Additional reliance on technical matters has been placed on internal and external experts where neccessary.

The preparation of the financial statements and the process thereto was done under the supervision of Mr. S Katsande (PAAB Certificate Number 3533) and under the guidance of the Directors of the Company, who are vested with the governance and responsibility of these financial statements as is provided for in terms of the common law, Companies Act [Chapter 24:03] and other legislative and regulatory requirements

The financial statements for the year ended 31 December 2017 which appear on pages 43-105 have been approved by the Board of Directors and are signed on their behalf by:

L P CHIHOTA	**B NKOMO**
Board Chairman	Chief Executive Officer

23 March 2018

RioZim Limited

Direct and Indirect Shareholding of Directors

As at 31 December 2017

Director's Name	No. of Shares as at 31 December 2017
C Dengu	187
K Matsheza	3 040
M Sachak*	51 441
Total	**54 668**

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

There were no changes in the above direct and indirect shareholding of Directors as at 29 March 2018, the date of publication of these financial statements.

As at December 2016

Director's Name	No. of Shares as at 31 December 2016
C Dengu	187
M Sachak*	51 441
Total	**51 628**

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

Building a better working world

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF RIOZIM LIMITED

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of RioZim Limited ("the Group") set out on pages 43 to 105 which comprise the consolidated and company statements of financial position as at 31 December 2017, and the consolidated statement of profit or loss and other comprehensive income, the consolidated and company statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated and company financial position of RioZim Limited as at 31 December 2017, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to note 35 in the consolidated financial statements, which indicates that as at 31 December 2017, the Group's current liabilities exceeded its current assets by $32.3 million and that the Group had adverse solvency ratios. These conditions, along with other matters as set forth in note 35 to the consolidated financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Company and Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Independent Auditor's Report (Cont)

Key Audit Matters

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

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

Key Audit Matter	How the matter was addressed in the audit
Quantification (existence) of in-process metal inventories	
In process metal inventories as disclosed in Notes 4.8 and 19 to the consolidated financial statements are significant due to the magnitude of the balance of $34.6million which represent 23% of the Group's total assets. Determination of the quantities of in-process metal inventories involves estimation and the exercise of significant professional judgement. The quantification of the in -process metal inventories as guided by the experts engaged by the Company is based on the estimation of the volume of material in the plant and applying metal content percentages as determined through assaying techniques. Estimation of the Group's volumes is carried out by the Group's metallurgical department and is corroborated by an external metallurgist who performs an independent and concurrent verification process of the quantities on hand.	Our procedures included the following: • Attending and observing the year-end estimation process performed by the management's experts (internal and external). • Assessing the objectivity, competence and capabilities of the experts by reviewing their qualifications and professional experience with reference to the work they perform for the Group. • Reviewing the estimates of quantities of metals in process and assessing the reasonableness of the assumptions applied and the consistency of the methodology used in comparison to prior years.

Independent Auditor's Report (Cont)

As the Empress Nickel Refinery continued to be under care and maintenance throughout the year under consideration and post year end; there was minimal movement in the inventory during the year. Consistent with prior years, reliance was placed on the work of experts for the existence of in process inventory. The estimation of the volumes of in-process metal was considered significant to our audit due to the complex manner in which the volumes are determined which require involvement of experts.	• Reviewing management's theoretical throughput calculations of metal quantities and comparing these to the expert's estimated quantities and obtaining explanations from the metallurgists for any variances. • Reviewing the financial statements for adequacy of disclosures related to the estimate.
Key Audit Matter	How the matter was addressed in the audit
Recognition of deferred tax assets	
The group has continued to carry a deferred tax asset of $6.6million, arising from tax losses, on the statement of financial position as at 31 December 2017. International Financial Reporting Standards (IFRS) require that when an entity has a history of recent losses, the entity recognises a deferred tax asset arising from unused tax losses only to the extent that the entity has sufficient taxable temporary differences or there is convincing other evidence that sufficient taxable profit will be available against which the unused tax losses can be utilised by the entity. The recognition of deferred tax assets was significant to our audit due to the significant judgements applied to determine whether there is sufficient convincing evidence that future taxable income from which the unused tax losses can be utilised will be available.	Our procedures were focused on the review and evaluation of the estimated tax losses available to the Group as well as the progress on and outcomes (actual and planned) of the business restructuring initiatives that commenced in prior years which are currently being finalised by the Group. We also reviewed the projected cash flows and profitability levels to determine whether it is reasonable that there will be future taxable income. We reviewed the adequacy of disclosures in relation to current and deferred taxes which are included in notes 4.7 and 14 to the consolidated financial statements.

Independent Auditor's Report (Cont)

Key Audit Matter	How the matter was addressed in the audit
Impairment considerations	
The Group's mining assets comprise property, plant & equipment and exploration, evaluation & development assets. These assets constituted 55% of total assets as at 31 December 2017. As disclosed in note 4.6 to the financial statements, these assets are subject to an annual assessment for impairment by management. In performing the impairment testing for its cash generating units; the Group used various assumptions in respect of future market and economic conditions, metal prices, inflation rates, discount rates and life of mine projections. The annual impairment test was significant to the audit process due to the application of significant judgements involved in determining the value in use of each cash generating unit and assumptions on underlying industry, economic and other data used in the valuation models necessary to asses for impairment.	Our procedures involved: • Assessing and testing the key assumptions, methodologies, the discount rate and other data used by the Group in the impairment models. • Comparing some of the assumptions such as future inflation and mineral prices to external data and involving valuation experts to review appropriateness of discount rates applied to the models. • Where applicable assessing the reasonableness of underlying forecast financial information used by management in determining future cash flows. • Performing sensitivity and stress test analyses to the valuation models to establish the degree of headroom in each applicable case. • Assessing adequacy of the Group's disclosures included in Note 4.6 to the consolidated financial statements about those assumptions.

Other Information

Other information consists of Performance Highlights, Chairman's Statement, Group Chief Executive Officer's Review, Corporate Governance Statement, the Report of the Directors and the Directors' Responsibility Statement. Other information does not include the consolidated financial statements and our auditor's report thereon. The directors are responsible for the other information.

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

Independent Auditor's Report (Cont)

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

Responsibilities of the Directors for the Consolidated Financial Statements

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

Independent Auditor's Report (Cont)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Independent Auditor's Report (Cont)

Report on Other Legal and Regulatory Requirements

In our opinion, the consolidated financial statements, have in all material respects, been properly prepared in compliance with the disclosure requirements of and in the manner required by the Companies Act (Chapter 24:03).

The engagement partner on the audit resulting in this independent auditor's report is Mr David Gwande (PAAB Practising Certificate Number 132).

Ernst & Young

ERNST & YOUNG
CHARTERED ACCOUNTANTS (ZIMBABWE)
REGISTERED PUBLIC AUDITORS

28 March 2018

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2017

	Note	2017 US$ 000	2016 US$ 000
Revenue	7	88 855	65 218
Cost of sales		(60 576)	(44 009)
Gross profit		**28 279**	**21 209**
Distribution and selling costs		(126)	(80)
Administrative expenses		(24 226)	(18 305)
Loss on disposal of property, plant and equipment		-	(1)
Other income	10	4 188	4 711
Operating profit	8	**8 115**	**7 534**
Net finance costs		**(6 524)**	**(5 436)**
Finance income	11	-	70
Finance costs	12	(6 524)	(5 506)
Share of profit/(loss) from an associate	13	1 387	(267)
Bargain purchase gain	6	4 963	-
Profit before tax		**7 941**	**1 831**
Income tax credit	14	134	718
Profit for the year		**8 075**	**2 549**
Other comprehensive loss			
Other comprehensive loss to be reclassified to profit or loss in subsequent periods:			
Fair value losses on available -for- sale investments	18.1	(1)	(4)
Income tax effect	14	-	1
Net other comprehensive loss to be reclassified to profit or loss in subsequent periods		**(1)**	**(3)**
Other comprehensive income/(loss) not to be reclassified to profit or loss:			
Re-measurement gains/(losses) on defined benefit plans	28	676	(230)
Net other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent periods		**676**	**(230)**
Total other comprehensive income/(loss) for the year, net of tax		**675**	**(233)**
Total comprehensive income for the year, net of tax		**8 750**	**2 316**
Profit for the year attributable to:			
Owners of the parent		8 103	2 594
Non-controlling interests	23	(28)	(45)
		8 075	**2 549**
Total comprehensive income attributable to:			
Owners of the parent		8 778	2 361
Non-controlling interests	23	(28)	(45)
		8 750	**2 316**
Earnings per share (cents):			
Basic	15	6.64	2.13
Diluted basic	15	6.64	2.13

Statements of Financial Position

As at 31 December 2017

	Note	Group 2017 US$ 000	Group 2016 US$ 000	Company 2017 US$ 000	Company 2016 US$ 000
ASSETS					
Non current assets					
Property, plant and equipment	16	67 733	48 136	51 936	46 718
Exploration, evaluation and development assets	17	17 386	14 965	16 311	14 238
Investment in subsidiaries	18.2	-	-	166	166
Investment in associate company	13	4 747	3 360	8 041	8 041
Available for sale investments	18.1	201	202	201	202
Loans and receivables	18.3	-	686	-	686
Deferred tax assets	14	6 620	6 644	6 356	6 418
Total non-current assets		**96 687**	**73 993**	**83 011**	**76 469**
Current assets					
Inventories	19	41 257	43 701	40 600	43 701
Trade and other receivables	20.1	10 248	4 942	15 458	6 982
Derivative financial assets	20.2	3 441	-	3 441	-
Loans and receivables	18.3	8	-	8	-
Cash and cash equivalents	21	1 275	1 134	1 271	1 133
Total current assets		**56 229**	**49 777**	**60 778**	**51 816**
Total assets		**152 916**	**123 770**	**143 789**	**128 285**
EQUITY & LIABILITIES					
Shareholders' equity					
Share capital	22.1.3	1 345	1 345	1 345	1 345
Share premium	22.1.3	20 789	20 789	20 789	20 789
Available for sale reserve	22.2.1	141	142	141	142
Accumulated losses	22.2.2	(8 813)	(17 591)	(11 088)	(14 027)
Equity attributable to equity holders of the parent		**13 462**	**4 685**	**11 187**	**8 249**
Non-controlling interests	23	(699)	(671)	-	-
Total equity		**12 763**	**4 014**	**11 187**	**8 249**
Non-current liabilities					
Cumulative redeemable preference shares	24	33 434	33 434	33 434	33 434
Interest bearing loans and borrowings	25	4 993	3 333	4 993	3 333
Provisions	26	2 620	1 173	1 231	1 173
Fixed term payables	27.2	7 733	-	7 222	-
Deferred tax liabilities	14	2 093	-	-	-
Employee benefit liability	28	706	1 272	706	1 272
Total non-current liabilities		**51 579**	**39 212**	**47 586**	**39 212**
Current liabilities					
Trade and other payables	27.1	70 347	61 834	68 776	62 114
Fixed term payables	27.2	1 987	6 603	-	6 603
Interest-bearing loans and borrowings	25	16 240	12 107	16 240	12 107
Total current liabilities		**88 574**	**80 544**	**85 016**	**80 824**
Total liabilities		**140 153**	**119 756**	**132 602**	**120 036**
Total liabilities and shareholders' equity		**152 916**	**123 770**	**143 789**	**128 285**

These financial statements were approved by the Board of Directors on 23 March 2018 and signed on its behalf by:

L Chihota
Chairman

B Nkomo
Chief Executive Officer

RioZim Limited

Consolidated Statement of Cash Flows

For the year ended 31 December 2017

	Note	2017 US$ 000	2016 US$ 000
Cash flows from operating activities			
Operating profit		8 115	7 534
Adjustments to add/(deduct) non-cash items			
Depreciation of property,plant and equipment	16	4 050	2 367
Amortisation of capital development assets	17	1 228	1 134
Loss on disposal of property, plant and equipment	8	-	1
Unrealised exchange loss	8	300	187
Increase/(decrease) in mine rehabilitation provision	26	71	(59)
Net interest cost on defined benefit fund	8	117	92
Settlement discounts	10	-	(1 563)
Other non-cash income		(705)	(570)
Working capital adjustments:			
Change in inventories		3 101	(2 492)
Change in trade and other receivables		(5 056)	740
Change in derivative financial assets		(3 441)	241
Change in trade and other payables		6 099	6 369
Net cash flows from operating activities		**13 879**	**13 981**
Cash flows from investing activities			
Investment in exploration and evaluation assets	17	(3 301)	(706)
Additions to property, plant and equipment		(8 707)	(14 798)
Acquisition of a subsidiary,net of cash acquired	6	(2 925)	-
Proceeds from sale of loans and recievables		450	385
Proceeds on disposal of property, plant and equipment		-	66
Interest received from investing activities		-	70
Net cash used in investing activities		**(14 483)**	**(14 983)**
Cash flow from financing activities			
Inflows from borrowings		8 614	4 002
Repayment of borrowings		(5 126)	(5 720)
Interest paid		(2 743)	(1 998)
Net cash generated from/(used in) financing activities		**745**	**(3 716)**
Net increase/(decrease) in cash and cash equivalents		141	(4 718)
Cash and cash equivalents at beginning of period		1 134	5 852
Cash and cash equivalents at 31 December	21	**1 275**	**1 134**

RioZim Limited

Statements of Changes in Equity

For the year ended 31 December 2017

GROUP

	Attributable to equity holders of the parent						
	Share capital [Note 22.1.3] US$000	Share premium [Note 22.1.3] US$000	Available for sale reserve [Note 22.2.1] US$000	Accumulated losses [Note 22.2.2] US$000	Total US$000	Non controlling interest [Note 23] US$000	Total equity US$000
Balance as at 1 January 2016	1 345	20 789	145	(19 955)	2 324	(626)	1 698
Profit /(loss) for the year	-	-	-	2 594	2 594	(45)	2 549
Other comprehensive loss, net of tax	-	-	(3)	(230)	(233)	-	(233)
Total comprehensive (loss) / income	-	-	(3)	2 364	2 361	(45)	2 316
Balance as at 31 December 2016	1 345	20 789	142	(17 591)	4 685	(671)	4 014
Profit / (loss) for the year	-	-	-	8 103	8 103	(28)	8 075
Other comprehensive (loss) / income, net of tax	-	-	(1)	675	674	-	674
Total comprehensive (loss) / income	-	-	(1)	8 778	8 777	(28)	8 749
Balance as at 31 December 2017	1 345	20 789	141	(8 813)	13 462	(699)	12 763

COMPANY

	Share capital [Note 22.1.3] US$000	Share premium [Note 22.1.3] US$000	Available for sale reserve [Note 22.2.1] US$000	Accumulated losses [Note 22.2.2] US$000	Total equity US$000
Balance as at 1 January 2016	1 345	20 789	145	(15 219)	7 060
Profit for the year	-	-	-	1 422	1 422
Other comprehensive loss, net of tax	-	-	(3)	(230)	(233)
Total comprehensive (loss) /income	-	-	(3)	1 192	1 189
Balance as at 31 December 2016	1 345	20 789	142	(14 027)	8 249
Profit for the year	-	-	-	2 264	2 264
Other comprehensive (loss) / income, net of tax	-	-	(1)	675	674
Total comprehensive (loss) / income	-	-	(1)	2 939	2 938
Balance as at 31 December 2017	1 345	20 789	141	(11 088)	11 187

RioZim Limited

Notes to the Consolidated Financial Statements
For the year ended 31 December 2017

1. GENERAL INFORMATION

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

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

The Company is listed on the Zimbabwe Stock Exchange. These financial statements were authorised for issue by the Board of Directors on 23 March 2018.

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

2. BASIS OF PREPARATION

2.1 Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), the disclosure requirements of the Companies Act (Chapter 24:03) and the relevant statutory instruments (SI 33/99 and SI 62/96). The consolidated financial statements have been prepared on a historical cost basis, except where stated otherwise.

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

2.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 December 2017. Subsidiaries are entities controlled by the Group. Control exists when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

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

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

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

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

Notes to the Consolidated Financial Statements (Cont).
For the year ended 31 December 2017

2. BASIS OF PREPARATION (CONTINUED)

2.2 Basis of consolidation (continued)

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Investment in associate

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

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

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

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

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

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

Notes to the Consolidated Financial Statements (Cont).

For the year ended 31 December 2017

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Investment in associate (continued)

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

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

3.2 Joint arrangements

The Group undertakes certain business activities through joint arrangements. A joint arrangement is an arrangement over which two or more parties have joint control. Joint control is the contractually agreed sharing of control over an arrangement which exists only when the decisions about the relevant activities (being those that significantly affect the returns of the arrangement) require the unanimous consent of the parties sharing control. The Group's joint arrangements comprise of a joint operation.

Joint operations

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

In relation to its interests in JOs, the financial statements of the Group includes:

- Assets, including its share of any assets held jointly.
- Liabilities, including its share of any liabilities incurred jointly.
- Revenue from the sale of its share of the output arising from the joint operation.
- Expenses, including its share of any expenses incurred jointly.

All such amounts are measured in accordance with the terms of each arrangement which are in proportion to the Group's interest in the JO.

3.3 Foreign currencies

The Group's consolidated financial statements are presented in US dollars, which is also the Group's functional currency and presentation currency. The Group does not have any foreign operations.

Transactions in foreign currencies are initially recorded by each entity in the Group at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. All differences are taken to the profit or loss.

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

Notes to the Consolidated Financial Statements (Cont).

For the year ended 31 December 2017

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Property, plant and equipment

i) Initial Recognition

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

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

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

When significant parts of plant and equipment are required to be replaced at intervals, the Group depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met. Refer to significant accounting judgements, estimates and assumptions (Note 4.5) and provisions (Note 26) for further information about the recognised decommissioning provision.

ii) Subsequent measurement

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

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

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

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

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

Notes to the Consolidated Financial Statements (Cont).
For the year ended 31 December 2017

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Stripping (waste removal) costs

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

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

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

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

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

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

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

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

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

Notes to the Consolidated Financial Statements (Cont).

For the year ended 31 December 2017

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6. Exploration, evaluation and development expenditure

3.6.1 Exploration and evaluation expenditure

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

Exploration and evaluation activity includes:

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

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

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

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

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

3.6.2 Development expenditure

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

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

Notes to the Consolidated Financial Statements (Cont).

For the year ended 31 December 2017

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.7 Impairment of non-financial assets

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

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

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

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

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

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

3.8. Financial instruments

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

i) Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and Available For Sale (AFS) financial assets, as appropriate. All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

The Group's financial assets include cash and cash equivalents, trade and other receivables, derivative financial assets, long term receivables and available for sale investments.

Notes to the Consolidated Financial Statements (Cont).
For the year ended 31 December 2017

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.8. Financial instruments (continued)

Subsequent measurement
For purposes of subsequent measurement, financial assets are classified in four categories:
- Financial assets at fair value through profit or loss
- Loans and receivables
- Held-to-maturity investments
- AFS financial assets

Available-for-sale investments
Available-for-sale investments include equity investments. Equity investments classified as available for sale are those that are neither classified as held for trading nor designated at fair value through profit or loss.

After initial measurement, AFS financial assets are subsequently measured at fair value with unrealised gains or losses recognised in OCI and credited to the AFS reserve until the investment is derecognised, at which time, the cumulative gain or loss is recognised in other operating income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the AFS reserve to the statement of profit or loss in finance costs. Interest earned whilst holding AFS financial assets is reported as interest income using the EIR method. The Group evaluates whether the ability and intention to sell its AFS financial assets in the near term is still appropriate.

Loans and receivables
This category is the most relevant to the Group. Loans and receivables are non-derivative financial assets with fixed or determinable payment terms that are not quoted in active markets. The Group's loans and receivables comprise of government treasury bills, 'Trade and other receivables' and 'Cash and cash equivalents' which are classified under current assets except for maturities greater than 12 months after the reporting date which are classified under non-current assets.

After initial measurement, such financial assets are subsequently measured at amortised cost using the EIR method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the statement of profit or loss. The losses arising from impairment are recognised in the statement of profit or loss in finance costs for loans and in cost of sales or other operating expenses for receivables.

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments, as defined by IAS 39.

This category also applies to the Group`s Quotational derivative assets. The "Quotational Period" is the period after the physical shipment of goods during which the price and grade of minerals sold is subject to change due to fluctuations in commodity prices and also upon testing by the counterparty of the mineral content.

Notes to the Consolidated Financial Statements (Cont).
For the year ended 31 December 2017

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.8. Financial instruments (continued)

i) Financial assets (continued)

Derecognition

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

- The rights to receive cash flows from the asset have expired;

Or

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

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

Impairment of financial assets

The Group assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, and there is observable data indicating that there is a measurable decrease in the estimated future cash flows, such as arrears or economic conditions that correlate with defaults. The amount of impairment will be the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount for trade and other receivables will be reduced through the use of an allowance account whilst for all other financial assets the impairment loss is adjusted directly on the carrying amount. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

Available-for-sale investments

For AFS financial assets, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

Notes to the Consolidated Financial Statements (Cont).

For the year ended 31 December 2017

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.8. Financial instruments (continued)

i) Financial assets (continued)

Available-for-sale investments (continued)

In the case of equity investments, objective evidence of impairment would include a significant or prolonged decline in the fair value of the investment below its cost. The determination of what is 'significant' or 'prolonged' requires judgment. In making this judgment, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition costs and fair value, less any impairment loss on that investment previously recognised in other comprehensive income (OCI) is removed from OCI and recognised in profit or loss. Impairment losses on equity investments are not reversed through profit or loss; increases in their fair value after impairment are recognised in OCI.

ii) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings or payables, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include 'trade and other payables' and 'loans and borrowings' as financial liabilities in the scope of IAS 39.

Subsequent measurement

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

Trade and other payables

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

Interest-bearing loans and borrowings, fixed term payables and cumulative redeemable preference shares

Interest-bearing loans and borrowings, fixed term payables and cumulative redeemable preference shares are subsequently measured at amortised cost using the effective interest rate (EIR) method. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in profit or loss.

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

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

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

Notes to the Consolidated Financial Statements (Cont).

For the year ended 31 December 2017

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.8. Financial instruments (continued)

ii) Financial liabilities (continued)

Derecognition

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

3.9 Inventories

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

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

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

3.10 Taxation

Income tax expense/credit represents the sum of the current tax and deferred tax.

i) Current tax

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

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

i) Deferred tax

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

Notes to the Consolidated Financial Statements (Cont).

For the year ended 31 December 2017

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.10 Taxation (continued)

ii) Deferred tax (continued)

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

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

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

ii) Value Added Tax (VAT)

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

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

3.11 Employee benefits

i) Pension and other post-employment benefits

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

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

Notes to the Consolidated Financial Statements (Cont).
For the year ended 31 December 2017

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.11 Employee benefits (continued)

i) Pension and other post-employment benefits (continued)

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

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

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

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

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

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

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

3.12 Provisions

i) General

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

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

ii) Rehabilitation provision

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

Notes to the Consolidated Financial Statements (Cont).

For the year ended 31 December 2017

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.12 Provisions (continued)

ii) Rehabilitation provision (continued)

The obligation generally arises when the asset is installed or the ground/environment is disturbed at the mining operation's location. When the liability is initially recognised, the present value of the estimated costs is capitalised by increasing the carrying amount of the related mining assets to the extent that it was incurred as a result of the development/construction of the mine. Any rehabilitation obligations that arise through the production of inventory are recognised as part of the related inventory item. Additional disturbances which arise due to further development/construction at the mine are recognised as additions or charges to the corresponding assets and rehabilitation liability when they occur. Costs related to restoration of site damage (subsequent to start of commercial production) that is created on an ongoing basis during production are provided for at their net present values and recognised in profit or loss as extraction progresses.

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

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

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

The Group recognises neither the deferred tax asset in respect of the temporary difference on the decommissioning liability nor the corresponding deferred tax liability in respect of the temporary difference on a decommissioning asset.

3.13 Revenue and other income

Revenue is recognised to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, net of discounts, rebates, and sales taxes or duty. The Group has concluded that it is the principal in all of its revenue arrangements since it is the primary obligor in its revenue arrangements, has pricing latitude and is also exposed to inventory and credit risks.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership have been transferred, which is considered to occur when title passes to the customer. This generally occurs when product is physically transferred onto a vessel, train, conveyor or other delivery mechanisms. Revenue is measured at the fair value of the consideration received or receivable.

Notes to the Consolidated Financial Statements (Cont).

For the year ended 31 December 2017

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.13 Revenue and other income (continued)

The following criteria are also applicable to other specific revenue transactions:

a) Gold bullion sales

Revenue from gold bullion sales is brought to account when the significant risks and rewards of ownership have been transferred to the buyer and selling prices are known or can be reasonably estimated. This generally occurs when product is physically transferred to the buyer.

b) Nickel, copper and other minerals in concentrate sales

Nickel and copper sales are measured at the price agreed between RioZim and the buyer. Negotiations begin at London Metals Exchange (LME) market prices prevailing on the day. The revenue is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates.

Contract terms for the Group's sale of metal in concentrate to third parties allow for a price adjustment based on final assay results of the metal in concentrate by the customer to determine the final content. These are referred to as provisional pricing arrangements, and are such that the selling price for metal in concentrate is based on prevailing spot prices on a specified future date after shipment to the customer (the quotation period). Adjustments to the sales price occur based on movements in quoted market prices up to the date of final settlement. The period between provisional invoicing and final settlement can be between one to six months.

Sales contracts for metal in concentrate that have provisional pricing features are considered to contain an embedded derivative, which is required to be separated from the host contract for accounting purposes. The host contract is the sale of metals in concentrate and the embedded derivative is the forward contract for which the provisional sale is subsequently adjusted. Recognition of sales revenue for these commodities is based on the most recently determined estimate of metal in concentrate (based on initial assay results) and the spot price at the date of shipment. The embedded derivative is initially recognised at fair value, with subsequent changes in the fair value recognised in profit or loss each period until final settlement, and presented as part of revenue. Changes in fair value over the quotation period and up until final settlement are estimated by reference to forward market prices for metals and minerals.

c) Interest income

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

d) Rental income

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

e) Export incentives

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

3.14 Fair value measurement

The Group measures financial instruments such as derivatives and available for sale assets at fair value at each at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

Notes to the Consolidated Financial Statements (Cont).

For the year ended 31 December 2017

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.14 Fair value measurement (continued)

- In the principal market for the asset or liability.

Or

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

The principal or the most advantageous market must be accessible by the Group.
The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

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

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

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

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

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

3.15 Current versus non-current classification

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

An asset is current when it is either:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle.
- Held primarily for the purpose of trading.
- Expected to be realised within 12 months after the reporting period.
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.
- All other assets are classified as non-current.

Notes to the Consolidated Financial Statements (Cont).
For the year ended 31 December 2017

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.15 Current versus non-current classification (continued)

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

The Group classifies all other liabilities as non-current.
Deferred tax assets and liabilities are classified as non-current assets and liabilities.

3.16 Leases

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

Group as a lessee

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Group is classified as a finance lease. Finance leases are capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the statement of profit or loss.

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

An operating lease is a lease other than a finance lease. Operating lease payments are recognised as an operating expense in the statement of profit or loss on a straight-line basis over the lease term.

Group as a lessor

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

3.17 Cash and cash equivalents

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

Notes to the Consolidated Financial Statements (Cont).

For the year ended 31 December 2017

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.18 Borrowing costs

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

3.19 Share capital

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

3.20 Adoption of new and revised accounting standards

i) New and amended standards and interpretations

The Group applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2017. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The nature and the impact of each amendment is described below:

Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of deductible temporary difference related to unrealised losses. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. The amendment has no effect on the Group's financial position and performance as the Group has no deductible temporary differences or assets that are in the scope of the amendments.

Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative

The amendments require entities to provide disclosure of changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses. The amendment has no impact on the Group as all financing activities are undertaken in the local market and thus are not subject to exchange losses.

ii) Standards issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements that the Group reasonably expects will have an impact on its disclosures, financial position or performance when applied at a future date, are disclosed below. The Group intends to adopt these standards when they become effective. Standards and interpretations that have been issued but are not yet effective, which do not have an impact to the Group have not been listed.

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early

Notes to the Consolidated Financial Statements (Cont).

For the year ended 31 December 2017

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.20 Adoption of new and revised accounting standards (continued)

ii) Standards issued but not yet effective (continued)

IFRS 9 Financial Instruments (continued)

application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The Group plans to adopt the new standard on the required effective date and will not restate comparative information. During 2017, the Group has performed a detailed impact assessment of all three aspects of IFRS 9. This assessment is based on currently available information and may be subject to changes arising from further reasonable and supportable information being made available to the Group in 2018 when the Group will adopt IFRS 9. Overall, the Group expects no significant impact on its statement of financial position.

(a) Classification and measurement

The Group does not expect a significant impact on its balance sheet or equity on applying the classification and measurement requirements of IFRS 9. It expects to continue measuring at fair value all financial assets currently held at fair value. Debt securities are expected to be measured at fair value through OCI under IFRS 9 as the Group expects not only to hold the assets to collect contractual cash flows, but also to sell a significant amount on a relatively frequent basis.

The equity shares in non-listed companies are intended to be held for the foreseeable future. No impairment losses were recognised in profit or loss during prior periods for these investments. The Group will apply the option to present fair value changes in OCI, and, therefore, the application of IFRS 9 will not have a significant impact.

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

(b) Impairment

IFRS 9 requires the Group to record expected credit losses on all of its debt securities, loans and trade receivables, on a 12-month or lifetime basis. The Group will apply the simplified approach and record lifetime expected losses on all trade receivables. There are no expected impairment losses that will arise due to the short term nature of the group`s trade receivables cycle and history of recovery.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014, and amended in April 2016, and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. Early adoption is permitted. The Group plans to adopt the new standard on the required effective date using the full retrospective method. During 2016, the Group performed a preliminary assessment of IFRS 15, which was continued with a more detailed analysis completed in 2017.

Notes to the Consolidated Financial Statements (Cont).

For the year ended 31 December 2017

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.20 Adoption of new and revised accounting standards (continued)

ii) Standards issued but not yet effective (continued)

IFRS 15 Revenue from Contracts with Customers (continued)

(a) Provisionally priced sales

The key issues identified, and the Group's views and perspectives, are set out below. These are based on the Group's current interpretation of IFRS 15 and may be subject to changes as interpretations evolve more generally. Furthermore, the Group is considering and will continue to monitor any further development. To date, the Group has identified the following issues that require consideration:-

As discussed in Note 3.13(b) above, some of the Group's sales of metal in concentrate contain provisional pricing features which are currently considered to be embedded derivatives. Under IAS 18, revenue is recognised at the estimated fair value of the total consideration received or receivable when the concentrate is delivered, which is usually when it passes to the Buyers trucks.

This fair value is based on the most recently determined estimate of metal in concentrate (based on initial assay results) and the estimated forward price that the entity expects to receive at the end of the Quotational Period (QP).

The initial estimate of the fair value of the embedded derivative and subsequent changes in fair value over, and to the end of, the QP, are also estimated by reference to forward market prices. The subsequent changes in fair value are recognised in the statement of profit or loss and other comprehensive income each period until final settlement and presented as part of 'Revenue'. Any subsequent changes arising due to differences between the initial and final assay results are not considered part of the embedded derivative and are adjusted against revenue. These amounts are usually immaterial for the Group.

IFRS 15 will not change the assessment of the impact of these provisional pricing features. IFRS 15 states that if a contract is partially within scope of this standard and partially in the scope of another standard, an entity will first apply the separation and measurement requirements of the other standard(s). Therefore, to the extent that provisional pricing features are considered to be in the scope of another standard, they will be outside the scope of IFRS 15 and entities will be required to account for these in accordance with IFRS 9. Any subsequent changes that arise due to differences between initial and final assay will still be considered within the scope of IFRS 15 and will be subject to the constraint on estimates of variable consideration.

Revenue in respect of the host contract will be recognised when control passes to the customer (which has been determined to be the same point in time, i.e., when the concentrate passes the Buyer's trucks) and will be measured at the amount the entity expects to be entitled – being the estimate of the price expected to be received at the end of the QP, i.e., using the most recently determined estimate of metal in concentrate (based on initial assay results) and the estimated forward price (which is consistent with current practice).

When considering the initial assay estimate, the Group has considered the requirements of IFRS 15 in relation to the constraint on estimates of variable consideration. It will only include amounts in the calculation of revenue where it is highly probable that a significant revenue reversal will not occur when the uncertainty relating to final assay/quality is subsequently resolved, i.e., at the end of the QP.

Notes to the Consolidated Financial Statements (Cont).

For the year ended 31 December 2017

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.20 Adoption of new and revised accounting standards (continued)

ii) Standards issued but not yet effective (continued)

(a) Provisionally priced sales (continued)

As disclosed above, the assay differences are not usually material to the Group, hence, no change is expected when compared to the current approach. Consequently, at the time the concentrate passes the Buyer's trucks, the Group will recognise a receivable because from that time it considers it has an unconditional right to consideration. This receivable will then be accounted for in accordance with IFRS 9.

As explained above in the discussion on the potential impact of IFRS 9, the embedded derivative will no longer be separated from the host contract, i.e., the concentrate receivable. This is because the existence of the provisional pricing features will mean the concentrate receivable will fail to meet the requirements to be measured at amortised cost. Instead, the entire receivable will be measured at fair value, with subsequent movements being recognised in profit or loss. The requirement to measure the entire receivable at fair value is different from current practice in that the current embedded derivative represents changes in the commodity price, whereas the fair value of the receivable will include the impact of changes in the commodity price, interest rate risk and credit risk. Given the nature of the Group's provisionally priced sales in that they are no more than three months long and are with customers who have a strong credit rating, the Group does not expect this change to have a material impact.

With respect to the presentation of amounts arising from such provisionally priced contracts, IFRS 15 requires "revenue from contracts with customers" to be disclosed separately from other types of revenue. This means that revenue recognised from the initial sale must be separately disclosed in the financial statements from any revenue/income recognised from subsequent movements in the fair value of the related concentrate receivable. This requirement will have an impact on disclosure as the group currently recognises this component in Revenue. However, the quantum of the fair value movement may be different as a result of the adoption of IFRS 9. Consistent with current practice, any subsequent changes that arise due to differences between initial and final assay will be recognised as an adjustment to revenue from contracts with customers.

(b) Other presentation and disclosure requirements

In addition to the presentation and disclosure requirements for provisionally priced sales discussed above, IFRS 15 contains other presentation and disclosure requirements which are more detailed than the current IFRS. The presentation requirements represent a significant change from current practice and will increase the volume of disclosures required in the Group's financial statements. Many of the disclosure requirements in IFRS 15 are new.

In 2017, the Group continued testing appropriate systems, internal controls, policies and procedures necessary to collect and disclose the required information.

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. The IASB has deferred the effective date of these amendments indefinitely, but an entity that early adopts the amendments must apply them prospectively.

Notes to the Consolidated Financial Statements (Cont).

For the year ended 31 December 2017

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.20 Adoption of new and revised accounting standards (continued)

ii) Standards issued but not yet effective (continued)

The Group will apply these amendments when they become effective.

IFRS 16 Leases

IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less).

At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies IFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

In 2018, the Group will assess the potential effect of IFRS 16 on its consolidated financial statements.

IAS 28 Investments in Associates and Joint Ventures - Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice

The amendments clarify that:

- An entity that is a venture capital organisation, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss.
- If an entity, that is not itself an investment entity, has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries.

Notes to the Consolidated Financial Statements (Cont).
For the year ended 31 December 2017

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.20 Adoption of new and revised accounting standards (continued)

ii) Standards issued but not yet effective (continued)

IAS 28 Investments in Associates and Joint Ventures - Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice (continued)

- This election is made separately for each investment entity associate or joint venture, at the later of the date on which: (a) the investment entity associate or joint venture is initially recognised; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent.

Annual Improvements 2014-2016 Cycle (issued in December 2016)
The amendments should be applied retrospectively and are effective from 1 January 2018, with earlier application permitted. If an entity applies those amendments for an earlier period, it must disclose that fact.

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

Alternatively, an entity may apply the Interpretation prospectively to all assets, expenses and income in its scope that are initially recognised on or after:

(i) The beginning of the reporting period in which the entity first applies the interpretation
Or
(ii) The beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation.

The Interpretation is effective for annual periods beginning on or after 1 January 2018. Early application of interpretation is permitted and must be disclosed. However, since the Group's current practice is in line with the Interpretation, the Group does not expect any effect on its consolidated financial statements.

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment
The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 and does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

The Interpretation specifically addresses the following:

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

An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. The interpretation is effective for annual reporting periods beginning on or after 1 January 2019, but certain transition reliefs are available. The Group will apply interpretation from its effective date. Since the Group operates in a complex multinational tax environment, applying the Interpretation may affect its consolidated financial statements and the required disclosures. In addition, the Group may need to establish processes and procedures to obtain information that is necessary to apply the Interpretation on a timely basis.

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Notes to the Consolidated Financial Statements (Cont).

For the year ended 31 December 2017

4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

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

4.1. Going concern

The directors assess the ability of the Group to continue as a going concern at the end of each financial year. The assessment involves making assumptions in the budgets and forecasts. Refer to note 35 for more details.

4.2. Ore reserve and mineral resource estimates

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

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

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

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

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

- The carrying value of exploration and evaluation assets, mine properties, property, plant and equipment, and goodwill may be affected due to changes in estimated future cash flows.

Notes to the Consolidated Financial Statements (Cont).

For the year ended 31 December 2017

4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

4.2. Ore reserve and mineral resource estimates (continued)

- Depreciation and amortisation charges in profit or loss may change where charges are determined using the useful life of the related assets.
- Provisions for rehabilitation and environmental provisions may change where changes to the reserve estimates affect expectations about when such activities will occur and the associated cost of these activities.
- The recognition and carrying value of deferred income tax assets may change due to changes in the judgments regarding the existence of such assets and in estimates of the likely recovery of such assets.

4.3. Exploration and evaluation expenditure

The application of the Group's accounting policy for exploration and evaluation expenditure requires judgment to determine whether future economic benefits are likely, from either future exploitation or sale, or whether activities have not reached a stage that permits a reasonable assessment of the existence of reserves. The determination of a JORC resource is itself an estimation process that involves varying degrees of uncertainty depending on how the resources are classified (i.e., measured, indicated or inferred). The estimates directly impact when the Group defers exploration and evaluation expenditure. The deferral policy requires management to make certain estimates and assumptions about future events or circumstances, in particular, whether an economically viable extraction operation can be established. Estimates and assumptions may change if new information becomes available. If, after expenditure is capitalised, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalised is written off in profit or loss in the period when the new information becomes available. Refer to note 17 for the carrying amount of exploration, evaluation and development assets.

4.4. Depreciation

The Group's management determines the useful lives, residual values and related depreciation charges for its property, plant and equipment. This estimate is based on projected lives of these assets. Estimated economically recoverable reserves are used in determining the depreciation and/or amortisation of mine specific assets. This results in a depreciation/amortisation charge proportional to the depletion of the anticipated production over the remaining life of mine. Each item's life, which is assessed annually, has regard to both its physical life limitations and present assessments of economically recoverable reserves of the mine property at which the asset is located. These calculations require the use of estimates and assumptions, including the amount of recoverable reserves and estimates of future capital expenditure. Changes in estimates are accounted for prospectively. Refer to note 16 for the carrying amount of property, plant and equipment and accounting policy note 3.4 for the useful lives of property, plant and equipment.

4.5. Mine rehabilitation provision

The Group assesses its mine rehabilitation provision at each reporting date. Significant estimates and assumptions are made in determining the provision for mine rehabilitation as there are numerous factors that will affect the ultimate amount payable. These factors include estimates of the extent and costs of rehabilitation activities, technological changes, regulatory changes, cost increases as compared to the inflation rates (2% (2016: 3%)), and changes in discount rates (10% (2016: 11%)). These uncertainties may result in future actual expenditure differing from the amounts currently provided. The provision at reporting date represents management's best estimate of the present value of the future rehabilitation costs required. Refer to Note 26 for the carrying amount of the provision for mine rehabilitation.

4.6. Impairment of non-financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use.

Notes to the Consolidated Financial Statements (Cont).
For the year ended 31 December 2017

4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

4.6. Impairment of non-financial assets (continued)

The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Management has assessed its CGUs as being individual mines, which is the lowest level for which cash inflows are largely independent of those of other assets.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years and any cashflows beyond five years are based on the life-of-mine plans.

Impairment losses of continuing operations including impairment of inventories are recognised in the statement of profit or loss in expense category consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognized in profit or loss.

The assumptions made in calculating the value in use include:

- A forecast period of :
  - 10 years for Renco Mine
  - 7 years for Cam & Motor Mine
  - 5 years for Dalny Mine
- Average prices for the next ten years: Gold - US$1 200 per ounce, Nickel- US$12 500 per ton, Copper -US$7 000 per ton.
- Discount rate of 10% per annum.
- Inflation rate of 2% per annum.

4.7 Recovery of deferred tax assets

Judgment is required in determining whether deferred tax assets should be recognised in the statement of financial position. Deferred tax assets, including those arising from un-utilised tax losses, require management to assess the likelihood that the Group will generate sufficient taxable earnings in future periods, in order to utilise recognised deferred tax assets. Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. These estimates of future taxable income are based on forecast cash flows from operations (which are impacted by production and sales volumes, commodity prices, reserves, operating costs, closure and rehabilitation costs, capital expenditure and other capital management transactions) and judgment about the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Group to realise the net deferred tax assets recorded at the reporting date could be impacted. In addition, future changes in tax laws in the jurisdictions in which the Group operates could limit the ability of the Group to obtain tax deductions in future periods. Refer to Note 14 for the carrying amount of deferred tax asset recognised.

Notes to the Consolidated Financial Statements (Cont).

For the year ended 31 December 2017

4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

4.8 Inventories

Net realisable value tests are performed at each reporting date and represent the estimated future sales price of the product the entity expects to realise when the product is processed and sold, less estimated costs tocomplete production and bring the product to sale. Where the time value of money is material, these future prices and costs to complete are discounted. Stockpiles are measured by estimating the number of tonnes added and removed from the stockpile, the number of contained gold ounces is based on assay data, and the estimated recovery percentage is based on the expected processing method. Stockpile tonnages are verified by periodic surveys. Refer to Note 19 for the carrying amount of inventory.

Empress Nickel Refinery (ENR) has metal inventory in various stages of production. In process metal inventory quantities are determined by estimating the volumes of metal bearing material in the plant and applying the estimated contained metal percentages determined through assaying techniques. Estimation of the volumes is carried out by the Group's metallurgical department and external constultants and assaying is done by the Chemists using methods that are believed to be appropriate for the different metals. The determination of both the volumes and the assays involves the exercise of significant professional judgments and the use of estimates.

4.9 Pension benefits

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. In determining the appropriate discount rate, management considers the interest rates of corporate bonds in currencies consistent with the currencies of the post-employment benefit obligation. IAS 19 requires that the discount rate is set based on the market yield on high quality corporate bonds, or government bonds. In countries where there is no deep market in such bonds, the market yields (at the end of the reporting period) on government bonds shall be used. Zimbabwe does not have an active liquid market for corporate bonds or government bonds.

However, recent bonds issued during 2015-2017 were subscribed for yields ranging from 5% per annum to 10% per annum. A discount rate of 7% was therefore used. Other key assumptions for pension obligations are based in part on current market conditions. Refer to Note 28 for the carrying amount of the defined benefit obligation and more information on the estimates and assumptions used.

4.10 Contingencies

By their nature, contingencies will only be resolved when one or more uncertain future events occur or fail to occur. The assessment of the existence, and potential quantum, of contingencies inherently involves the exercise of significant judgment and the use of estimates regarding the outcome of future events. Refer to note 34.

4.11 Determination of material partly-owned subsidiaries

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

Furthermore, the Group's approval is required for all operational decisions and based on this, management determined that in substance, the Group controls this entity with RZ Murowa Holding (Private) Limited constituting the non-controlling interest. Refer to Note 23 for the information on the material partly-owned subsidiaries.

Notes to the Consolidated Financial Statements (Cont).

For the year ended 31 December 2017

4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

4.12 Joint Arrangements

Judgment is required to determine when the Group has joint control, which requires an assessment of the relevant activities and when the decisions in relation to those activities require unanimous consent.

The Group has determined that the relevant activities for its arrangement which existed in 2016 with African Mineral Resources and Management Services International (refer note 9) relate to the operating and capital decisions of the arrangement, such as review and approval of operating policies, production and financial performance and budgets and projections.

The Group has concluded that the relevant activities of the arrangement are controlled by an 'Owner's Council' that has equal representation from all parties. As a result the Group classified the arrangement as a joint arrangement.

The classification of the joint arrangement as either a joint operation (JO) or joint venture (JV) also requires judgment. The Group assessed whether it has rights to the assets, and obligations for the liabilities, relating to the arrangement (JO) and whether the arrangement is structured through a separate vehicle in which the Group will have rights to the net assets of the arrangement (JV).

The arrangement was not structured through a separate vehicle and based on the contractual terms of the arrangement the Group has concluded that it had rights to the assets and obligations of the joint arrangement. Therefore the joint arrangement has been classified as a JO.
This arrangement expired in 2016.

4.13 Stripping (waste removal) costs

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

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

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

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

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

Notes to the Consolidated Financial Statements (Cont).

For the year ended 31 December 2017

5 OPERATING SEGMENT INFORMATION

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

Gold segment

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

Base metals segment

This operating segment comprises of base metals refining facilities.

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

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

Year ended 31 December 2017	Gold US$ 000	Base Metals US$ 000	Adjustments and elimations US$ 000	Consolidated US$ 000
Revenue				
External customers	79 981	8 874	-	88 855
Total revenue	**79 981**	**8 874**	**-**	**88 855**
Results				
Depreciation *(note 1)*	(3 024)	(836)	(190)	(4 050)
Amortisation of development costs *(note 1)*	(1 228)	-	-	(1 228)
Segment profit *(note 2)*	**14 264**	**701**	**(6 850)**	**8 115**
Net finance cost				(6 524)
Share of associate profit				1 387
Gains on acquisition of a subsidiary				4 963
Income tax credit				134
Profit for the year				**8 075**
Operating assets *(note 3)*	80 170	45 436	27 310	152 916
Operating liabilities *(note 4)*	**23 350**	**42 364**	**74 439**	**140 153**
Investment in an associate -	-	-	4 747	4 747
Other disclosures				
Capital expenditure *(note 5)*	11 249	5	754	12 008

1. Represents depreciation of property, plant and equipment and amortisation of development costs.
2. Profit for each operating segment does not include finance costs of US$6 524 000.
3. Segment assets do not include deferred tax assets of US$6 620 000, subsidiary assets of US$1 973 000, and Head Office assets of US$18 717 000 as these assets are managed on a Group basis.
4. Segment liabilities do not include interest-bearing loans and borrowings of US$54 667 000 as these liabilities are managed on a Group basis.
5. Capital expenditure consists of additions to property, plant and equipment, mine properties, exploration, evaluation and development assets.

RioZim Limited

Notes to the Consolidated Financial Statements (Cont).

For the year ended 31 December 2017

5 OPERATING SEGMENT INFORMATION (CONTINUED)

Year ended 31 December 2016	Gold US$ 000	Base Metals US$ 000	Adjustments and elimations US$ 000	Consolidated US$ 000
Revenue				
External customers	63 000	2 218	-	65 218
Total revenue	**63 000**	**2 218**	**-**	**65 218**
Results				
Depreciation (note 1)	(1 380)	(853)	(134)	(2 367)
Amortisation of development costs (note 1)	(1 134)	-	-	(1 134)
Loss on sale of property, plant and equipment	-	-	(1)	(1)
Segment profit / (loss) (note 2)	**13 797**	**(1 031)**	**(5 232)**	**7 534**
Net finance cost				(5 436)
Share of associate loss				(267)
Income tax credit				718
Profit for the year				**2 549**
Operating assets (note 3)	53 605	45 993	24 172	123 770
Operating liabilities (note 4)	**16 518**	**42 667**	**60 571**	**119 756**
Investment in an associate	-	-	3 360	3 360
Other disclosures				
Capital expenditure (note 5)	18 012	286	-	18 298

1. Represents depreciation of property, plant and equipment and amortisation of development costs.
2. Profit for each operating segment does not include finance income of US$70 000 and finance costs of US$5 506 000.
3. Segment assets do not include deferred tax assets of US$6 644 000, subsidiary assets of US$2 199 000, and Head Office assets of $15 330 000 as these assets are managed on a Group basis.
4. Segment liabilities do not include interest-bearing loans and borrowings of US$48 874 000 as these liabilities are managed on a Group basis.
5. Capital expenditure consists of additions to property, plant and equipment, mine properties, exploration, evaluation and development assets.

Geographic information and information about major customers

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

Revenue from one customer in the gold segment amounted to US$79 981 000 (2016:US$63 000 000) and revenue from one customer in the base metals segment amounted to US$8 816 000 (2016: US$2 218 000).

Revenues from external customers are based on the locations of the customers:
The bulk of the base metals are purchased by the European market and gold is solely purchased by Fidelity Printers and Refineries (Private) Limited.

Notes to the Consolidated Financial Statements (Cont).
For the year ended 31 December 2017

5 OPERATING SEGMENT INFORMATION (CONTINUED)

	2017 US$ 000	2016 US$ 000
Zimbabwe	80 039	63 000
External customers		
Europe	8 816	2 218
Total revenue per consolidated statement of comprehensive income	**88 855**	**65 218**

6 BUSINESS COMBINATIONS

Acquisition of Palatial Gold Investments (Private) Limited

On 1 June 2017, the Group through its wholly owned subsidiary, RioGold (Private) Limited ('RioGold') acquired 100% of the voting shares of Palatial Gold Investments (Private) Limited ('Palatial Gold') an unlisted company which owns Dalny Mine Complex, a mining operation based in Chakari mining area, in the province of Mashonaland West, Zimbabwe. The Dalny Mine Complex is a mining operation comprising of gold processing plant and equipment, mining claims, mining infrastructure and mine compound.

The Group has acquired Palatial Gold because it has attractive and vast explorative resources which it believes can be exploited and mined profitably. This acquisition is in line with the Group's key strategy of exploring for new opportunities in an effort to consolidate, expand and strengthen its gold operations.

The acquisition has been accounted for using the acquisition method. The consolidated financial statements include the results of Palatial Gold for the seven months period from the acquisition date.

Assets acquired and liabilities assumed
The fair values of the identifiable assets and liabilities of Palatial Gold Investments (Private) Limited as at the date of acquisition were:

	Fair value recognised on acquisition US$ 000
Assets	
Property, plant and equipment	14 940
Exploration, evaluation and development	348
Cash and bank balances	3
Trade and other receivables	250
Inventories	658
	16 199
Liabilities	
Trade and other payables	1 978
Mine rehabilitation provision	1 259
Deferred tax	2 251
	5 488
Total identifiable net assets at fair value	10 711
Purchase consideration	5 748
Bargain purchase gain	**4 963**

The purchase consideration of US$6 022 000 had the following payment terms: - US$2 000 000 payable 30 days after fulfilment of conditions precedents, US$3 000 000 through 12 months installments of US$250 000 each and the balance no later than 24 (twenty-four) months after the initial payment. The purchases consideration was recoginised at amortised cost of US$5 748 000 using interest rate of 9% per annum.

Notes to the Consolidated Financial Statements (Cont).

For the year ended 31 December 2017

6 BUSINESS COMBINATIONS (CONTINUED)

The deferred tax liability mainly comprises the tax effect of the accelerated depreciation for tax purposes of tangible and intangible assets.

The Dalny Mine Complex was placed under care and maintenance in August 2013 and from 2015 RioZim was leasing the plant processing some ore mined from the Company's Cam & Motor Pit. After acquisition, some mining operations were resuscitated at Dalny.

From the date of acquisition, the Dalny Operation contributed US$16 513 000 to revenue and US$1 091 000 to profit before tax from continuing operations of the Group. If the combination had taken place at the beginning of the year, revenue from continuing operations would have been US$29 309 000 and profit before tax from continuing operations for the Group would have been US$1 870 000.

For the acquired receivable, its fair value and contractual amount is $250 000 and is expected to be collected in full.

	US$ 000
Analysis of cashflows on acquisition	
Cash purchase consideration	2 928
Net cash acquired with subsidiary	(3)
Net cash flow on acquisition	**2 925**

Transaction costs of US$111 500 were expensed and are included in administrative expenses.

	2017 US$ 000	2016 US$ 000
7 REVENUE		
Gold	79 981	63 000
Nickel	150	-
Copper	58	-
PGM's	2 597	2 218
Matte	6 069	-
Total revenue	**88 855**	**65 218**
8 OPERATING PROFIT		
Operating profit is stated after charging:		
Employee benefits		
-Salaries and Wages	(17 727)	(15 426)
-Pension costs	(1 448)	(1 418)
-Other	(3 453)	(3 777)
Audit remuneration		
-Current year	(22)	(22)
-Prior year	(145)	(128)
Exploration and claims costs	(707)	(707)
Net interest cost on defined benefit fund	(117)	(92)
Directors' emoluments	(181)	(184)
Minimum lease payments recognised as an operating lease expense	(702)	(2 387)
Write down of inventory	-	(66)
Depreciation (Note 16)	(4 050)	(2 367)
Amortisation (Note 17)	(1 228)	(1 134)
Loss on sale of property, plant and equipment	-	(1)
Net unrealised foreign exchange loss	(300)	(187)
Discount on treasury bills	(228)	-

These costs include items included in cost of sales

Notes to the Consolidated Financial Statements (Cont).

For the year ended 31 December 2017

9 JOINT OPERATIONS

In 2016 RioZim entered into an agreement with African Mineral Resources (AMR) and Management Service International (MSI) to process tailings at Renco Mine. In this agreement, RioZim was the principal owner of the dumps (ore) and the latter owned the processing plant.

The arrangement was to share profits from the operation on a ratio of 51% to RioZim and 49% to AMR. AMR was the operator of the project.

Summarised financial statement information (51% share) of the joint operation is as disclosed below:

	2017 US$ 000	2016 US$ 000
Revenue	-	1 706
Cost of sales	-	(1 082)
Gross profit	**-**	**624**
Adminstrative expenses	-	(624)
Profit before tax	**-**	**-**

The agreement expired in 2016.

10 OTHER INCOME

	2017 US$ 000	2016 US$ 000
Income from rentals, clinic and clubs	234	203
Export incentives	2 521	1 037
Priority fees from Joint Operation	-	610
Settlement discounts	-	1 563
Sundry income	1 433	1 298
	4 188	**4 711**

The export incentives were introduced by Reserve Bank of Zimbabwe in February 2016 and are paid to large scale gold producers at a rate of 2.5% of the gold proceeds. In 2017 Cam & Motor Mine was awarded a special rate of 3.5% for the incentives.

The settlement discounts arose from extinguished bank and creditor balances on settlement.

Sundry income includes management fees from associate, scrap sales and external lab assay charges.

11 FINANCE INCOME

	2017 US$ 000	2016 US$ 000
Interest income from other receivables	-	67
Interest income from short term investments	-	3
	-	**70**

12 FINANCE COST

	2017 US$ 000	2016 US$ 000
Interest on loans and borrowings	2 094	1 266
Interest on cumulative redeemable preference shares	3 140	3 039
Interest on fixed term payables	619	568
Unwinding of discount on mine rehabilitation provision	117	36
Interest on other payables	554	597
	6 524	**5 506**

The average cost of debt for 2017 was 10% per annum (2016 : 11%).

Notes to the Consolidated Financial Statements (Cont).

For the year ended 31 December 2017

13 INVESTMENT IN ASSOCIATE

The Group has a 22.2% (2016: 22.2%) interest in Murowa Diamonds (Private) Limited, an unlisted diamonds mining company, operating in Zimbabwe.

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

The following table illustrates the summarised financial information of Murowa Diamonds (Private) Limited:

	2017 US$ 000	2016 US$ 000
Associate's statement of financial position:		
Current assets	44 337	22 674
Non-current assets	25 793	42 682
Current liabilities	(37 503)	(43 322)
Non-current liabilities	(16 262)	(11 917)
Equity	**16 365**	**10 117**
Share of net assets	3 633	2 246
Reconciliation of carrying amount of investments to share of net assets:		
Share of net assets	3 633	2 246
Impact of deemed cost on currency conversion	1 114	1 114
Carrying amount of the investment	**4 747**	**3 360**

The Company pledged its shareholding of 2 500 shares in Murowa Diamonds (Private) Limited as security for a guarantee arrangement, refer to note 32.3.

Summarised statement of profit or loss of Murowa Diamonds (Private) Limited

	2017 US$ 000	2016 US$ 000
Revenue	79 642	47 446
Cost of sales	(43 559)	(26 937)
Administrative and selling & distribution expenses	(20 066)	(14 920)
Finance costs	(4 029)	(3 197)
Profit before tax	**11 988**	**2 392**
Income tax expense	(5 742)	(3 595)
Profit/(loss) for the year	**6 246**	**(1 203)**
Other comprehensive income	-	-
Total comprehensive profit/(loss)	**6 246**	**(1 203)**
Group's share of profit/(loss) for the year	1 387	(267)
Carrying amount of the investment		
At 1 January	3 360	3 627
Share of profit/(loss) for the year	1 387	(267)
At 31 December	**4 747**	**3 360**

Investment in associate is accounted for at cost at company level at a value of US$ 8 041 000. This treatment is consistent with prior year.

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

Notes to the Consolidated Financial Statements (Cont).

For the year ended 31 December 2017

14 INCOME TAX

The major components of income tax expense are as follows :	2017 US$ 000	2016 US$ 000
Profit or loss		
Current income tax:		
Current income tax credit	-	-
Deferred tax:		
Relating to origination and reversal of temporary differences	(134)	(718)
Income tax credit reported in the statement of profit or loss	**(134)**	**(718)**
Other comprehensive income (OCI)		
Deferred tax related to items recognised in OCI during the year:		
Fair value gains on available-for-sale investments	-	1
Income tax charged to OCI	-	1
Reconciliation of tax expense and the accounting profit multiplied by RioZim's domestic tax rate for the years ended 31 December 2017 and 2016:		
Profit before tax	7 941	1 831
At RioZim' s statutory income tax rate of 25.75% (2016: 25.75%)	2 045	472
Tax effects of:		
- Associate results reported net of tax	(357)	69
- Gain on acquisition	(1 277)	-
-Non deductible interest expense	573	1 208
-Non-deductible expenses	1 368	927
-Unrecognised tax losses	(846)	1 131
-Utilisation of unrecognised tax losses	(1 083)	(3 807)
-Non taxable income	(635)	(764)
-Other	78	46
Tax credit	**(134)**	**(718)**

	Consolidated statement of financial position		Consolidated statement of comprehensive income	
	2017 US$ 000	2016 US$ 000	2017 US$ 000	2016 US$ 000
DEFERRED INCOME TAX				
Deferred tax relates to the following:				
Exploration and evaluation assets	(4 477)	(3 853)	3 313	111
Property,plant and equipment	(17 304)	(11 669)	(5 635)	(3 727)
Other	132	58	74	217
Available for sale investments	(14)	(14)	-	(4)
Investment in associate	237	(185)	422	(3)
Losses available for offset against future taxable income	24 360	21 678	1 354	3 823
Provisions	1 593	629	606	301
Net deferred tax assets	**4 527**	**6 644**		
Deferred tax income			**134**	**718**

Notes to the Consolidated Financial Statements (Cont).

For the year ended 31 December 2017

14 INCOME TAX (CONTINUED)

	Consolidated statement of financial position		Consolidated statement of comprehensive income	
	2017 US$ 000	2016 US$ 000	2017 US$ 000	2016 US$ 000
Reflected in the consolidated statement of financial poistion as follows:				
Deferred tax assets	6 620	6 644		
Deferred tax liabilities	(2 093)	-		
Deferred tax asset (net)	4 527	6 644		
Reconciliation of deferred tax asset, net				
Opening 1 January	6 644	5 927		
Tax income during the period recognised in profit or loss	134	718		
Tax charge during the period recognised in OCI	-	(1)		
Deferred tax arising from acquisition of Palatial Gold	(2 251)	-		
Closing balance as at 31 December	4 527	6 644		

Deferred income tax assets are recognised for the carry forward of unused tax losses to the extent that it is probable that taxable profits will be available against which the unused tax losses can be utilised.

The Company has a deferred income tax asset amounting to US$6 356 000 (2016: US$6 418 000)

Tax losses

The Group has a balance relating to an estimated tax loss for normal tax purposes for which no deferred tax asset has been recognised, due to uncertainty regarding the probability of future taxable profits. Unrecognised tax losses are carried forward indefinately. The unrecognised tax losses are as follows:

	2017 US$ 000	2016 US$ 000
Accumulated tax losses	102 328	101 407
Recognised tax losses for which a deferred tax asset has been recognised	(88 393)	(84 187)
Unutilised tax losses for which no deferred tax asset has been recognised	13 935	17 220

Notes to the Consolidated Financial Statements (Cont).

For the year ended 31 December 2017

15 EARNINGS PER SHARE

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

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

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

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

	2017 US$000	2016 US$000
Profit attributable to equity holders of the parent for basic earnings	8 103	2 594
Adjustment for headline earnings		
Loss on disposal of property, plant and equipment	-	1
Bargain purchase gain	(4 963)	-
Headline earnings	**3 140**	**2 595**
Weighted average number of ordinary shares for earnings per share		
Number of issued shares	'000	'000
At as 31 December	**122 030**	**122 030**
Weighted average number of ordinary shares	**122 030**	**122 030**
Earnings per share (cents)		
Basic	6.64	2.13
Diluted basic	6.64	2.13
Headline	2.57	2.13
Diluted Headline	2.57	2.13

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

RioZim Limited

Notes to the Consolidated Financial Statements (Cont).

For the year ended 31 December 2017

16 PROPERTY, PLANTS AND EQUIPMENT

GROUP	Land and buildings US$ 000	Plant and equipment US$ 000	Work in progress US$ 000	Motor vehicles US$ 000	Furniture and fittings US$ 000	Total US$ 000
Cost						
At 1 January 2016	25 090	17 802	496	2 158	713	46 259
Additions	1 305	2 481	13 447	236	123	17 592
Transfers	52	12 461	(12 813)	145	155	-
Disposals	-	(51)	-	(902)	(2)	(955)
At 31 December 2016	**26 447**	**32 693**	**1 130**	**1 637**	**989**	**62 896**
Additions	13	3 392	5 134	79	89	8 707
Acquisition of a subsidiary	8 997	5 901	-	34	8	14 940
Transfers	126	789	(928)	-	13	-
At 31 December 2017	**35 583**	**42 775**	**5 336**	**1 750**	**1 099**	**86 543**
Accumulated Depreciation						
At 1 January 2016	2 014	8 974	-	1 881	413	13 282
Depreciation charge for the year	496	1 563	-	189	119	2 367
Disposals	-	(17)	-	(871)	(1)	(889)
At 31 December 2016	**2 510**	**10 520**	**-**	**1 199**	**531**	**14 760**
Depreciation charge for the year	783	2 833	-	249	185	4 050
At 31 December 2017	**3 293**	**13 353**	**-**	**1 448**	**716**	**18 810**
Net book value						
At 31 December 2016	**23 937**	**22 173**	**1 130**	**438**	**458**	**48 136**
At 31 December 2017	**32 290**	**29 422**	**5 336**	**302**	**383**	**67 733**
COMPANY						
Cost						
At 1 January 2016	**26 524**	**17 786**	**496**	**2 158**	**696**	**47 660**
Additions	5	2 481	13 447	236	123	16 292
Transfers	52	12 461	(12 813)	145	155	-
Disposals	-	(51)	-	(902)	(2)	(955)
At 31 December 2016	**26 581**	**32 677**	**1 130**	**1 637**	**972**	**62 997**
Additions	13	3 392	5 133	79	89	8 706
Transfers	126	789	(928)	-	13	-
At 31 December 2017	**26 720**	**36 858**	**5 335**	**1 716**	**1 074**	**71 703**
Accumulated Depreciation		-				
At 1 January 2016	3 579	8 958	-	1 878	399	14 814
Depreciation charge for the year	485	1 563	-	189	117	2 354
Disposals	-	(17)	-	(871)	(1)	(889)
At 31 December 2016	**4 064**	**10 504**	**-**	**1 196**	**515**	**16 279**
Depreciation charge for the year	486	2 576	-	244	182	3 488
At 31 December 2017	**4 550**	**13 080**	**-**	**1 440**	**697**	**19 767**
Net book value						
At 31 December 2016	**22 517**	**22 173**	**1 130**	**441**	**457**	**46 718**
At 31 December 2017	**22 170**	**23 778**	**5 335**	**276**	**377**	**51 936**

Group depreciation and amortisation expense of US$3 155 000 (2016:US$2 732 000) has been charged in 'cost of sales' and US$2 123 000 (2016: US$769 000) in 'administrative expense.

Included in property plant and equipment above is immovable property of $1 271 000 that has been secured against a bank loan.

Notes to the Consolidated Financial Statements (Cont).

For the year ended 31 December 2017

17 EXPLORATION, EVALUATION AND DEVELOPMENT ASSETS

GROUP	Exploration and evaluation assets US$ 000	Development costs US$ 000	Total exploration, evaluation and development assets US$ 000
Cost			
At 1 January 2016	6 411	10 567	16 978
Additions	-	706	706
At 31 December 2016	**6 411**	**11 273**	**17 684**
Additions	-	3 301	3 301
Acquisition of a subsidiary	-	348	348
At 31 December 2017	**6 411**	**14 922**	**21 333**
Amortisation			
At 1 January 2016	-	1 585	1 585
Amortisation for the year	-	1 134	1 134
At 31 December 2016	**-**	**2 719**	**2 719**
Amortisation for the year	-	1 228	1 228
At 31 December 2017	**-**	**3 947**	**3 947**
Carrying amount			
At 31 December 2016	**6 411**	**8 554**	**14 965**
At 31 December 2017	**6 411**	**10 975**	**17 386**

COMPANY	Exploration and evaluation assets US$ 000	Development costs US$ 000	Total exploration, evaluation and development assets US$ 000
Cost			
At 1 January 2016	6 411	9 840	16 251
Additions	-	706	706
At 31 December 2016	**6 411**	**10 546**	**16 957**
Additions	-	3 301	3 301
At 31 December 2017	**6 411**	**13 847**	**20 258**
Amortisation			
At 1 January 2016	-	1 585	1 585
Amortisation for the year	-	1 134	1 134
At 31 December 2016	**-**	**2 719**	**2 719**
Amortisation for the year	-	1 228	1 228
At 31 December 2017	**-**	**3 947**	**3 947**
Carrying amount			
At 31 December 2016	**6 411**	**7 827**	**14 238**
At 31 December 2017	**6 411**	**9 900**	**16 311**

The exploration and evaluation assets consist of capitalised costs for work done on the Group's One Step Ore resource. There are plans to mine the resource profitably in the future.

Notes to the Consolidated Financial Statements (Cont).

For the year ended 31 December 2017

18 INVESTMENTS

18.1 Available for sale investments

	Group		Company	
	2017 US$ 000	2016 US$ 000	2017 US$ 000	2016 US$ 000
At 1 January	202	205	202	205
Fair value adjustment	(1)	(3)	(1)	(3)
At 31 December	201	202	201	202

The available for sale investments comprise of the Group's investment of 1.553% in a medical investment company and investments in a boat syndicate.

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

18.2 Investments in subsidiaries

	Group		Company	
	2017 US$ 000	2016 US$ 000	2017 US$ 000	2016 US$ 000
Shares at cost (all 100% held unless indicated otherwise)				
Sengwa Colliery (Private) Limited (50%)	-	-	81	81
RioBasemetals Limited	-	-	55	55
RioChrome Limited	-	-	12	12
RioGold (Private) Limited	-	-	-	-
RioZim Management Services (Private) Limited	-	-	2	2
Rio Tinto Properties Limited	-	-	15	15
RioZim Basemetals Holdings Limited	-	-	-	-
RioZim Development Limited	-	-	-	-
RM Enterprises (Private) Limited	-	-	-	-
RioDiamonds (Private) Limited	-	-	-	-
Rutala Mine (Private) Limited	-	-	-	-
Sengwa Power Station (Private) Limited	-	-	-	-
RioEnergy (Private) Limited	-	-	1	1
	-	-	166	166

18.3 Loans and receivables

	Group 2017 US$ 000	Group 2016 US$ 000	Company 2017 US$ 000	Company 2016 US$ 000
As at 1 January	686	-	686	-
Disposals	(678)	-	(678)	-
Loans and receivables	-	686	-	686
As at 31 December	8	686	8	686

The loans and receivables consist of treasury bills which were issued in 2014 and 2015.
The treasury bills are maturing in 2018 and accrue interest at 5% (2016: 5%) per annum.

Notes to the Consolidated Financial Statements (Cont).

For the year ended 31 December 2017

19. INVENTORIES

	Group		Company	
	2017 US$ 000	2016 US$ 000	2017 US$ 000	2016 US$ 000
Stores and consumables	5 770	8 127	5 113	8 127
Ore stockpiles	821	-	821	-
Metals and minerals in concentrates and circuit	34 574	33 585	34 574	33 585
Finished metals	92	1 989	92	1 989
	41 257	**43 701**	**40 600**	**43 701**

During 2017 US$13 316 000 (2016: US$7 200 000) was recognised as an expense for inventories. This is recognised in cost of sales.

Inventory amounting to US$Nil (2016: US$66 000) was written down in the currrent year.

20. RECEIVABLES

	Group		Company	
	2017 US$ 000	2016 US$ 000	2017 US$ 000	2016 US$ 000
20.1 Trade and other receivables				
Trade receivables	2 086	106	2 086	106
Other receivables and prepayments	8 162	4 836	13 372	6 876
	10 248	4 942	15 458	6 982

Trade and other receivables are non-interest bearing and are generally on terms of 30 days to 120 days. These terms are normal in the mining industry and hence the trade receivables carrying amount is considered equal to fair value.

As at 31 December 2017, the analysis of trade and other receivable that were neither past due nor impaired is as follows:

	Total US$ 000	Neither past due nor impaired US$ 000	<30 days US$ 000	30-60 days US$ 000	61-90 days US$ 000	91-120 days US$ 000	>120 days US$ 000
2017	10 248	10 248	-	-	-	-	-
2016	4 942	4 942	-	-	-	-	-

In determining the recoverability of a trade receivables, the Group performs a risk analysis considering the types and ages of the outstanding receivables and the creditworthiness of the counterparties. Outstanding customer receivables are regularly monitored.

There were no doubtful debts at the reporting date and therefore all receivables are recoverable.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of all receivables mentioned above. The Group does not hold any collateral as security.

See note 30 (b) on credit risk of trade receivables, which explains how the Group manages and measures credit quality of trade receivables that are neither past due nor impaired.

Notes to the Consolidated Financial Statements (Cont).

For the year ended 31 December 2017

20 RECEIVABLES (CONTINUED)

20.2 Derivative Financial Assets

The Group has quotational period derivative assets. The Group has entered into provisional pricing sales arrangement with some of its customers for sale of metals in concentrates. Final settlement value is based on final dry weight, agreed assays and final prices which are determined at the end of the quotational period which is usually sixty (60) days after date of shipment. The quotational period is the period after the physical shipment of goods during which the price and grade of minerals sold is subject to change due to fluctuations in commodity prices and also upon testing by the counterparty of the mineral content. The fair value of quotational period (QP) derivatives as at 31 December 2017 is US$3 441 000 (2016: US$Nil).

The change in the fair value of these QP derivatives of US$1 456 000 (2016: nil) has been recognised in the profit or loss during the year as part of revenue.

	Group		Company	
	2017 US$ 000	2016 US$ 000	2017 US$ 000	2016 US$ 000
Quotational Period Derivatives	3 441	-	3 441	-
	3 441	**-**	**3 441**	**-**

21 CASH AND CASH EQUIVALENTS

Cash at bank and on hand	1 275	1 134	1 271	1 133
Cash and cash equivalents	**1 275**	**1 134**	**1 271**	**1 133**

22 SHARE CAPITAL AND RESERVES

	2017		2016	
	No. of shares 000	Nominal value US$000	No. of shares 000	Nominal value US$000
22.1.1 Authorised share capital				
Ordinary shares of US$0.01 each	140 000	1 400	140 000	1 400
Cumulative redeemable preference shares of US$0.01 each	10 000	100	10 000	100
Special Dividend Share of a nominal value of US$124 876	0.001	125	0.001	125
Total	**150 000**	**1 625**	**150 000**	**1 625**
22.1.2 Issued share Capital				
Ordinary shares of US$0.01 each	122 030	1 220	122 030	1 220
Cumulative redeemable preference shares of US$0.01 each	10 000	100	10 000	100
Special Dividend Share of a nominal value of US$124 876	0.001	125	0.001	125
Total	**132 030**	**1 445**	**132 030**	**1 445**
Cumulative redeemable fixed rate preference shares				
Cumulative redeemable fixed rate preference shares of US$0.01 each	**10 000**	**100**	**10 000**	**100**

Special dividend share

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

Notes to the Consolidated Financial Statements (Cont).

For the year ended 31 December 2017

22 SHARE CAPITAL AND RESERVES (CONTINUED)

Cumulative redeemable preference shares (continued)

The preference shares are debt instruments and are disclosed under long term liablities in note 24.

22.1.3 Issued share capital and share premium

	Group		Company	
	2017 US$ 000	2016 US$ 000	2017 US$ 000	2016 US$ 000
Share capital	1 345	1 345	1 345	1 345
Share premium	20 789	20 789	20 789	20 789
Total issued share capital and share premium	**22 134**	**22 134**	**22 134**	**22 134**

22.2.1 Available for sale reserve

At 1 January	142	145	142	145
Fair value loss on available for sale investment	(1)	(3)	(1)	(3)
At 31 December	**141**	**142**	**141**	**142**

The available for sale reserve comprises the fair value adjustment of the Group's investment in a private medical company.
The Group holds 136 000 ordinary shares of the medical company.

22.2.2 Accumulated losses

Opening balance 1 January	(17 591)	(19 955)	(14 027)	(15 219)
Profit for the year	8 103	2 594	2 264	1 422
Other comprehensive income /(loss)	675	(230)	675	(230)
As at 31 December	**(8 813)**	**(17 591)**	**(11 088)**	**(14 027)**

23 MATERIAL PARTLY OWNED SUBSIDIARIES

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

Proportion of equity interest held by non-controlling interest

	Country of Incorporation	2017 US$ 000	2016 US$ 000
Sengwa Colliery (Private) Limited	Zimbabwe	50%	50%

Principal place of business Sengwa Colliery is Midlands province in Zimbabwe.

Notes to the Consolidated Financial Statements (Cont).

For the year ended 31 December 2017

23 MATERIAL PARTLY OWNED SUBSIDIARIES (CONTINUED)

	2017 US$ 000	2016 US$ 000
Non - controlling interest		
Sengwa Colliery (Private) Limited	(699)	(671)
Loss allocated to material non-controlling interest:		
Sengwa Colliery (Private) Limited	(28)	(45)

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

	2017 US$ 000	2016 US$ 000
Summarised statement of profit or loss		
Other income	3	3
Administrative expenses	(77)	(315)
Finance costs	-	-
Loss before tax	**(74)**	**(312)**
Income tax credit	18	222
Loss for the year	**(56)**	**(90)**
Other comprehensive income	-	-
Total comprehensive loss	**(56)**	**(90)**
Attributable to:		
Equity holders of the parent	(28)	(45)
Non-controlling interests	(28)	(45)
Summarised statement of financial position as at 31 December		
Current assets	44	49
Non-current assets	811	640
Current liabilities	(2 219)	(2 152)
Non-current liabilities	(34)	121
Total equity	**(1 398)**	**(1 342)**
Attributable to:		
Equity holders of the parent	(699)	(671)
Non-controlling interests	(699)	(671)
Summarised cashflow information for the year ended 31 December		
Operating	(74)	(312)
Working capital changes	74	312
Net decrease in cash and cash equivalents	-	-

RioZim Limited

Notes to the Consolidated Financial Statements (Cont).

For the year ended 31 December 2017

24 CUMULATIVE REDEEMABLE PREFERENCE SHARES

	Group		Company	
	2017 US$ 000	2016 US$ 000	2017 US$ 000	2016 US$ 000
Non-Current Liabilities				
Cumulative Redeemable Preference Shares	33 434	33 434	33 434	33 434

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

The cumulative redeemable preference shares are carried at amortised cost.

25 INTEREST-BEARING LOANS AND BORROWINGS

GROUP

	Effective interest rate %	Maturity	2017 US$ 000	2016 US$ 000
Current				
Bank loans (facility limit (US$11.3million (2016: US$4.5million))	9%	On scheduled dates	4 623	1 990
Other bank loans	15%	On demand	5 772	4 996
Term loans (facility limits (US$1million (2016: US$2million))	12%	On demand	743	1 383
Debentures (facility limit (US$1.9million (2016: US$1.9million))	13%	On demand	442	1 440
Interest on cumulative redeemable preference shares	-	January 2018	2 469	1 423
Short term loan (Centametal AG)	12.5%	December 2019	2 191	875
			16 240	12 107
Non-current				
Bank loans	9%	On scheduled dates	3 870	1 219
Long term loan (Centametal AG)	12.5%	December 2019	1 123	2 114
			4 993	3 333

RioZim Limited

Notes to the Consolidated Financial Statements (Cont).

For the year ended 31 December 2017

25 INTEREST-BEARING LOANS AND BORROWINGS

COMPANY

	Effective interest rate %	Maturity	2017 US$ 000	2016 US$ 000
Current				
Bank loans (facility limit (US$11.3million (2016: US$4.5million))	9%	On scheduled dates	4 623	1 990
Other bank loans	15%	On demand	5 772	4 996
Term loans (facility limits (US$1million (2016: US$2million)	12%	On demand	743	1 383
Debentures (facility limit (US$1.9million (2016: US$1.9million))	13%	On demand	442	1 440
Interest on cumulative redeemable preference shares	-	January 2018	2 469	1 423
Short term loan (Centametal AG)	12.5%	December 2019	2 191	875
			16 240	**12 107**
Non-current				
Bank loans	9%	On scheduled dates	3 870	1 219
Long term loan (Centametal AG)	12.5%	December 2019	1 123	2 114
			4 993	**3 333**

Security

Bank loans are secured by revenue assignment agreements in respect of gold proceeds and a mortgage bond over an immovable property (US$1 271 000).
All other interest bearing loans and borrowings are unsecured.

Centametall loan

This loan is repayable in equal monthly instalments of US$100 000 commencing on 1 July 2014 ending December 2019. The loan is interest free and is unsecured. The total loan was US$6 600 000 (31 December 2017 : US$3 600 000) and has been recorded at amortised value of US$3 314 000 (2016: US$2 989 000) using a rate of 12.5%.

Total interest expense for the year on interest-bearing loans and borrowings is US$5 234 000 (2016: US$4 305 000).

25.1 Changes in interest-bearing loans and borrowings arising from Financing activities

	1 January 2017	Interest acrued	Cash flows	Other	31 December 2017
Current Interest -bearing loans and borrowings	12 107	1 351	2 840	(58)	16 240
Non Current Interest -bearing loans and borrowings (including cumulative redeemable preference shares)	36 767	3 883	(2 095)	(128)	38 427
	48 874	**5 234**	**745**	**(186)**	**54 667**

Notes to the Consolidated Financial Statements (Cont).

For the year ended 31 December 2017

26 MINE REHABILITATION PROVISION

	Note	Group 2017 US$ 000	Group 2016 US$ 000	Company 2017 US$ 000	Company 2016 US$ 000
Balance as at 1 January		1 173	332	1 173	332
Unwinding of discount	12	117	36	117	36
Acqusition of a subsidiary	6	1 259	-	-	-
Capitalised to property, plant and equipment		-	864	-	864
Recognised in profit or loss		71	(59)	(59)	(59)
Balance at 31 December		**2 620**	**1 173**	**1 231**	**1 173**

Rehabilitation provision

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

Assumptions based on the current economic environment have been made, which directors believe are a reasonable basis upon which to estimate the future liability. These estimates are reviewed regularly to take into account any material changes to the assumptions. However, actual rehabilitation costs will ultimately depend upon future market prices for the necessary rehabilitation works required that will reflect market conditions at the relevant time. Furthermore, the timing of rehabilitation is likely to depend on when the mines cease to produce at economically viable rates. This, in turn, will depend upon future gold prices, which are inherently uncertain.

The provision was calculated using the following assumptions:

	2017	2016
Inflation rate	2%	3%
Life of mine - Renco mine (years)	11.4	12.1
Life of mine - Cam & Motor (years)	7.4	7.4
Life of mine - Dalny (years)	7.5	-
Interest rate per annum	10%	11%
Future value closure costs (US$000)	5 315	3 985
Present value recognised in Statement of Financial Position (US$000)	2 620	1 173

27 PAYABLES

	Group 2017 US$ 000	Group 2016 US$ 000	Company 2017 US$ 000	Company 2016 US$ 000
27.1 Trade and other payables				
Trade payables	52 986	46 650	51 345	46 650
Accruals	1 777	2 702	1 717	2 642
Leave pay liabilities	2 533	2 604	2 412	2 609
Statutory liabilities	6 351	5 214	6 340	5 203
Other payables	6 700	4 664	6 962	5 010
	70 347	**61 834**	**68 776**	**62 114**

Other payables include amounts due for corporate services and consultancy.

Terms and conditions of the above financial liabilities are in the ordinary course of business:

Trade payables are generally non-interest bearing and are normally settled on 30- 90 day terms.
Other payables are non-interest bearing and have an average terms of 30-90 days

Notes to the Consolidated Financial Statements (Cont).

For the year ended 31 December 2017

27.2 Fixed term payables

	Group		Company	
	2017	2016	2017	2016
	US$ 000	US$ 000	US$ 000	US$ 000
Non Current				
Mining Industry Pension Fund (MIPF)	7 222	-	7 222	-
Falcon Gold Limited	511	-	-	-
	7 733	**-**	**7 222**	**-**
Current				
Mining Industry Pension Fund (MIPF)	-	6 603	-	6 603
Falcon Gold Limited	1 987	-	-	-
	1 987	**6 603**	**-**	**6 603**

Mining Industry Pension Fund

The Mining Industry Pension Fund payable incurs interest at a rate of 9% per annum compounded monthly and is payable in 2020. The accrued interest as at 31 December 2017 is US$2 611 000 (2016: US$1 991 000).

Falcon Gold Limited

The balance is repayable to Falcon Gold Limited over a period of 3 years. It is secured against issued shares of Palatial Gold Investments (Private) Limited, a wholly owned subsidiary of RioGold (Private) Limited and is interest free, subject to certain terms and conditions. The total amount outstanding as at 31 December 2017 was US$2 686 720 (2016: Nil) and has been recorded at amortised value of US$2 498 000.

28 PENSION AND OTHER POST-EMPLOYMENT BENEFIT PLANS

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

Description of the pensions and other post-employment benefit plans

The Mining Industry Pension Fund is a defined contribution fund.

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

RioZim Pension Fund (Defined benefit plan)

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

The fund is actuarially valued every year and the last valuation was done in February 2018 for the position as at 31 December 2017.

Changes in defined benefit obligations and fair value of plan assets

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

Notes to the Consolidated Financial Statements (Cont).

For the year ended 31 December 2017

28 PENSION AND OTHER POST-EMPLOYMENT BENEFIT PLANS (CONTINUED)

RioZim Pension Fund (Defined Benefit Plan) (continued)
2017 changes in the defined benefit obligation and fair value of plan assets :

GROUP AND COMPANY

		Pension cost charged to profit or loss									
	31 Dec 2016 $000	Service cost $000	Net interest income / (expense) $000	Sub-total included in profit or loss $000	Benefits paid $000	Actuarial changes arising from changes in demographic assumptions $000	Actuarial changes arising from changes in financial assumptions $000	Experience adjustments $000	Sub-total included in OCI $000	Contributions $000	31 Dec 2017 $000
Defined benefit obligations	(6 650)	(4)	(447)	(451)	535	-	-	73	73	-	(6 493)
Fair value of plan assets	5 378	-	330	330	(535)	-	-	603	603	11	5 787
Benefit liability	**(1 272)**	**(4)**	**(117)**	**(121)**	**-**	**-**	**-**	**676**	**676**	**11**	**(706)**

2016 changes in the defined benefit obligation and fair value of plan assets:

GROUP AND COMPANY

		Pension cost charged to profit or loss				Remeasurement gains / (losses) in other comprehensive income (OCI)					
	31 Dec 2015 $000	Service cost $000	Net interest income / (expense) $000	Sub-total included in profit or loss $000	Benefits paid $000	Actuarial changes arising from changes in demographic assumptions $000	Actuarial changes arising from changes in financial assumptions $000	Experience adjustments $000	Sub-total included in OCI $000	Contributions $000	31 Dec 2016 $000
Defined benefit obligations	(6 771)	(7)	(456)	(463)	537	(26)	2	71	47	-	(6 650)
Fair value of plan assets	5 818	-	364	364	(537)	-	-	(278)	(278)	11	5 378
Benefit liability	**(953)**	**(7)**	**(92)**	**(99)**	**-**	**-**	**-**	**(207)**	**(231)**	**11**	**(1 272)**

Notes to the Consolidated Financial Statements (Cont).

For the year ended 31 December 2017

28 PENSION AND OTHER POST-EMPLOYMENT BENEFIT PLANS (CONTINUED)

	Group		Company	
	2017 US$ 000	2016 US$ 000	2017 US$ 000	2016 US$ 000
Prescribed assets & approved holdings	109	115	109	115
Money market	-	11	-	11
Equity instruments	828	331	828	331
Property	4 285	4 243	4 285	4 243
Property Unit Trusts	-	8	-	8
Cash and cash equivalents	18	40	18	40
Other	547	630	547	630
Total	**5 787**	**5 378**	**5 787**	**5 378**

A significant proportion of the plan assets is invested in property market 74% (2016: 79%) and the plan assets can be negatively affected by a significant fall in the property market .

Pension plan assets include shares in the company's ordinary shares of Nil (2016: 351 224) which are valued at 31 December 2017 at US$Nil (2016: US$105 367).

Effect of the defined benefit plan on the entity's future cash flows:
Expected contributions to post-employment benefit for the year ending 31 December 2018 are US$8 199.

The average duration of the defined benefit plan obligation at the reporting period is 8.5 years.

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

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

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

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

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

	2017	2016
Discount rate	7%	7%
Inflation rate	2%	2%
Future salary increase	2%	2%
Return on plan asset	2%	2%
Future pension increase	2%	2%

Notes to the Consolidated Financial Statements (Cont).

For the year ended 31 December 2017

28 PENSION AND OTHER POST-EMPLOYMENT BENEFIT PLANS (CONTINUED)

A quantitative sensitivity analysis for significant assumptions as at 31 December 2017 is as shown below:

	Discount rate		Salaries		Life expectancy	
Sensitivity level	1% increase US$ 000	1% decrease US$ 000	1% increase US$ 000	1% decrease US$ 000	1% increase US$ 000	1% decrease US$ 000
31 December 2017	(427)	493	1	(1)	245	(258)
31 December 2016	(537)	625	2	(2)	244	(256)

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

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

29 RELATED PARTY TRANSACTIONS

	Contributions to related parties US$ 000	Services/ purchase from related parties US$ 000	Services/ purchase to related parties US$ 000	Loans from related parties US$ 000	Management fees charged by related parties US$ 000	*Amount owed by related parties US$ 000	^Amount owed to related parties US$ 000
Associate							
Murowa Diamonds (Private) Limited							
2017	-	-	1 310	-	-	1 700	-
2016	-	-	754	1 000	-	690	497
Shareholders							
GemRioZim Investments Limited							
2017	-	-	-	-	1 852	-	3 456
2016	-	360	-	-	604	-	1 747
RioZim Pension Fund							
2017	11	206	-	-	-	-	244
2016	11	-	-	-	-	-	5
Directors fees							
2017	-	181	-	-	-	-	163
2016	-	184	-	-	-	-	102

*Amounts owed by related parties are included in trade and other receivables in the consolidated statement of financial position.

^Amounts owed to related parties are included in trade and other payables and interest bearing loans and borrowings in the consolidated statement of financial position.

Notes to the Consolidated Financial Statements (Cont).

For the year ended 31 December 2017

29 RELATED PARTY TRANSACTIONS (CONTINUED)

Terms and conditions of transactions with related parties

Transactions with Murowa Diamonds (Private) Limited

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

Transactions with Gem RioZim Investments Limited

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

All related party outstanding balances at the year-end are unsecured and interest free and settlement occurs in cash.

Key Management Compensation

Key management includes executive directors, members of the executive committee, the Company Secretary and Head of Internal Audit.

The compensation paid or payable to key management for employee services is shown below:

	2017 US$000	2016 US$000
Salaries and other short term employee benefits	1 617	1 112
Post employment benefits	-	33
	1 617	**1 145**

30. FINANCIAL RISK MANAGEMENT

30.1 Financial risk management and policies

The Group's principal financial liabilities, other than derivatives, comprise of redeemable preference shares, loans and borrowings and trade and other payables. The main purpose of these financial liabilities is to finance the Group's operations. The Group's principal financial assets include trade and other receivables, and cash and short-term deposits that derive directly from its operations. The Group also holds long term receivables and available-for-sale investments and enters into derivative transactions.

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

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

Notes to the Consolidated Financial Statements (Cont).

For the year ended 31 December 2017

30. FINANCIAL RISK MANAGEMENT (CONTINUED)

30.1 Financial risk management and policies (continued)

(a) Market risk

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

i) Foreign currency risk

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

The Group policy is to adopt a non-speculative approach to manage risk while maximising profits. Exposure to exchange rate fluctuations is monitored by management. At 31 December 2017, if the United States Dollar had weakened/strengthened by 10% against the South African Rand with all other variables held constant, post-tax profit for the year would have been US$267 711 (2016: US$131 763) lower / US$327 202 (2016: US$107 806) higher, mainly as a result of foreign exchange losses/gains on translation of South African Rand denominated trade payables. There is no impact on equity.

(ii) Cash flow and fair value interest rate risk

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

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

Based on the simulations performed, the impact on post-tax profit or loss of a 1% shift would be a maximum decrease/increase of US$548 000 (2016: US$488 740). The simulation is done on an annual basis to verify that the maximum loss potential is within the limit given by the management. There is no impact on equity.

(iii) Commodity price risk

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

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

Notes to the Consolidated Financial Statements (Cont).

For the year ended 31 December 2017

30. FINANCIAL RISK MANAGEMENT (CONTINUED)

30.1 Financial risk management and policies (continued)

(iii) Commodity price risk (continued)

	Impact on post tax profit or loss 2017 US$ 000	Impact on post tax profit or loss 2016 US$ 000
Nickel	69	1
Cobalt	55	-
Gold	4 031	3 075
Platinum	5	26
Palladium	48	67
Silver	232	2
Rhodium	3	1

There is no impact on equity.

(b) Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments. The Group's cash equivalents and short term deposits are placed with high credit quality institutions. Approved short term investments and deposits are at variable interest rates and mature within one year.

Trade receivables

Customer credit risk is managed through the Group's established policy, procedures and controls relating to customer credit risk management. Credit quality of a customer is assessed based on an extensive credit rating and individual credit limits are defined in accordance with this assessment.

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

The Group principally sells its gold bullion to one customer whilst its other metal products are sold to a few customers. Management is of the view that there is a low risk of default due to the following reasons:

a) The Group's major customers are reputable companies which do not have any history of default.
b) As at 31 December the majority of balances were current and a large portion of the trade receivables was settled in February 2018.

Maximum exposure to credit risk

The carrying amount of the financial assets included in the Consolidated Statement of Financial Position represent the Group's exposure to credit risk in relation to those assets. Additionally, the Group has provided a financial guarantee to Murowa Holdings for a loan initially accessed at US$20 million, the loan amount now outstanding is US$7.4 million. The guarantee expires on 31 May 2018.

(c) Liquidity risk

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

Notes to the Consolidated Financial Statements (Cont).

For the year ended 31 December 2017

30. FINANCIAL RISK MANAGEMENT (CONTINUED)

30.1 Financial risk management and policies (continued)

(c) Liquidity risk (continued)

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

	2017			2016		
	Less than 1 year US$ 000	From 1-3 years US$ 000	More than 3 years US$ 000	Less than 1 year US$ 000	From 1-3 years US$ 000	More than 3 years US$ 000
Assets						
Cash and cash equivalents	1 275	-	-	1 134	-	-
Trade and other receivables	10 248	-	-	4 942	-	-
Loans and receivables	8	-	-	-	686	-
Total	**11 531**	**-**	**-**	**6 076**	**686**	**-**
Liabilities						
Cumulative redeemable preference shares	5 472	6 079	33 772	5 472	6 079	33 772
Trade and other payables	70 347	-	-	61 836	-	-
Fixed term payable	2 677	2 019	7 222	8 027	-	-
Interest bearing loans and borrowings	16 240	4 993	-	11 647	2 916	-
Financial Guarantee	7 393	-	-	-	-	-
Total	**102 129**	**13 091**	**40 994**	**86 982**	**8 995**	**33 772**
Liquidity gap	**(90 598)**	**(13 091)**	**(40 994)**	**(80 906)**	**(8 309)**	**(33 772)**

The liquidity gap will be managed through cashflows from operations.

30.2 Capital risk management

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

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

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

Notes to the Consolidated Financial Statements (Cont).
For the year ended 31 December 2017

30. FINANCIAL RISK MANAGEMENT (CONTINUED)

30.2 Capital risk management (continued)

During 2017, the Group's strategy was to reduce the gearing ratio to between 60% and 78%. However due to the higher than budgeted cost of borrowing and continued operational challenges at Empress Nickel Refinery this was not achieved.

The gearing ratio at 31 December 2017 was as follows:

	Group		Company	
	2017 US$ 000	2016 US$ 000	2017 US$ 000	2016 US$ 000
Total borrowings including preference shares	54 667	48 874	54 667	48 874
Less cash and cash equivalent	(1 275)	(1 134)	(1 271)	(1 133)
Net debt	**53 392**	**47 740**	**53 396**	**47 741**
Total equity	12 763	4 014	11 187	8 249
Total capital	**66 155**	**51 754**	**64 583**	**55 990**
Gearing ratio (%)	**81%**	**92%**	**83%**	**85%**

31. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Fair value of available for sale investments, trade receivables, derivative financial assets interest bearing borrowings and all other receivables and payables approximates their carrying amount.

31.1 Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: other techniques for which all inputs that have a significant effect on the recorded fair value are observable either directly or indirectly.

Level 3: techniques that use inputs that have significant effect on the recorded fair value that are not based on observable market data.

Recurring fair value measurements

	Level 1 US$ 000	Level 2 US$ 000	Level 3 US$ 000
2017			
Available for sale investments	-	-	201
Derivative financial assets	-	3 441	-
Impact of level 3 measurements on Other Comprehensive Income			(1)
2016			
Available for sale investments -	-	-	202
Impact of level 3 measurements on Other Comprehensive Income	-	-	(3)

31.2 Valuation techniques

Derivative financial assets

In 2017, the Group had Quotational Period derivative financial assets arising from provisional pricing sales arrangements which the Group entered into with some of its customers for metals in concentrate. Final settlement value would be based on final dry weight, agreed assays and final prices which were to be determined at the end of the Quotational Period, usually 60 days after date of shipment. The Quotational Period is the period after the physical shipment of goods during which the price and grade of mineral sold is subject to change due to fluctuations in commodity prices.

At 31 December 2017, the Group had derivative financial assets of US$3 441 000 (2016: US$Nil).

Notes to the Consolidated Financial Statements (Cont).

For the year ended 31 December 2017

31. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

31.2 Valuation techniques (continued)

Derivative financial assets (continued)

Description of valuation technique used and key inputs to valuation of the Quotational Period derivative assets.

Type of financial instrument	Fair value as at 31 December 2017 $ 000	2016 $ 000	Valuation technique	Significant inputs
Quotational Period Derivatives	3 441	-	DCF	Estimated future commodity prices. Quantities and final assays

Available for sale investments

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

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

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

	2017 US$ 000	2016 US$ 000
Total assets	18 058	18 383
Total liabilities	(7 047)	(7 311)
Net asset value	**11 011**	**11 072**
Fair value of investment (1.553%)	**171**	**171**

32. COMMITMENTS

32.1 Operating lease commitments

Group as lessee

In 2017, the Group had a commercial leases for its Head Office space and a plant hire operating lease for processing of Cam & Motor ore.

The Head Office space lease has a tenure of one year with a renewal option and the Cam & Motor plant hire lease expired in April 2017.

There are no restrictions placed upon the Group by entering into these leases.

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

	2017 US$ 000	2016 US$ 000
Payable within one year	179	2 715

Notes to the Consolidated Financial Statements (Cont).

For the year ended 31 December 2017

32. COMMITMENTS (CONTINUED)

32.1 Operating lease commitments (continued)

Group as Lessor

In 2017, the Group had commercial property leases on its property portfolio consisting of the Group's surplus office, recreational facilities and residential buildings. These leases have terms of 1 year. All leases include a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions.

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

	2017 US$ 000	2016 US$ 000
Receivable within one	79	79

32.2 Capital Commitments

	2017 US$ 000	2016 US$ 000
Contracts and orders placed	3 990	1 161
Authorised by directors but not contracted	25 106	23 345
Total	**29 096**	**24 506**

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

32.3 Associate guarantee

The Group provided a guarantee for Murowa Diamonds (Private) Limited's loan of US$20 million from Murowa Holdings Limited. The Company stands as a joint guarantor with Rio Zimbabwe Holdings Limited. The Company also pledged its shareholding of 2 050 shares in Murowa Diamonds (Private) Limited. The loan balance as at 31 December 2017 was US$7.4 million and is set to be discharged in full in May 2018 at which point the guarantee with lapse.

The guarantee did not constitute a liability for the disclosed periods as there is no interest differential between the market rate and rate at which loan is currently held.

33. EVENTS AFTER THE REPORTING PERIOD

As at the date of approval of the financial statements there were no events after reporting period that were material to require separate disclosure in these financial statements.

34. CONTINGENT LIABILITIES

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

35. GOING CONCERN

As at the reporting date the Group's current liabilities exceeded its current assets by $32.3 million (December 2016: US$30.8million) and the Group's statement of financial position showed adverse solvency ratios of 0.63:1 (December 2016: 0.62:1) and 0.17:1 (December 2016 0.08:1) for current and acid test ratios respectively. These factors ordinarily indicate the existence of a material uncertainty on the Group's ability to continue as a going concern and that it may be unable to realize its assets and discharge its liabilities in the normal course of business.

Notes to the Consolidated Financial Statements (Cont).
For the year ended 31 December 2017

35. GOING CONCERN (CONTINUED)

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

- The Group continues to generate net earnings, as represented by an EBITDA of US$13.4 million for the year ended 31 December 2017 (2016: US$11 million) .
- Recording of an operating profit of US$8.1million (2016: US$7.5million).
- 32% increase in gold production volumes from 1.6tonnes to a record 2.1tonnes in 2017.
- Management is working on measures that will see a further increase in production after commissioning of its floatation plant at Cam & Motor Mine and plant expansion projects that are at various stages of implementation.
- The Group will continue implementing strategies to further reduce the blended gold production costs and increase profitability.
- Alignment of debt costs and structure to the Group's cashflows.

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

Top 20 Shareholders
As at 31 December 2017

RANK	NAMES	SHARES	PERCENTAGE
1	GEM RIOZIM INVESTMENTS LTD (NNR)	53,711,268	44.01
2	OLD MUTUAL LIFE ASS CO ZIM LTD	27,432,033	22.48
3	MR ROY TURNER	11,732,166	9.61
4	RIOZIM FOUNDATION CO (PVT) LTD	6,003,579	4.92
5	STANBIC NOMINEES (PVT) LTD.	4,525,333	3.71
6	CHARTERHOUSE 3 LIMITED	2,308,082	1.89
7	GLS PHOENIX LIMITED	2,069,829	1.70
8	LEONARD LICHT	1,909,817	1.57
9	SCB NOMINEES 033667800001	1,033,704	0.85
10	SANJAYKUMAR PATEL	908,377	0.74
11	TFS NOMINEES (PVT) LIMITED	421,603	0.35
12	LOCAL AUTHORITIES PENSION FUND	361,637	0.30
13	GURAMATUNHU FAMILY TRUST	357,918	0.29
14	CATERING INDUSTRY PENSION FUND	312,336	0.26
15	MINERVA INC WDRWL FUND-IMARA	297,182	0.24
16	NATIONAL FOODS P F-IMARA	290,582	0.24
17	NMB BANK PENSION FUND-IMARA	286,614	0.23
18	THE SEED TRUST	268,494	0.22
19	WINDMILL (PVT) LTD PF - IMARA	254,349	0.21
20	MIMOSA MINING CO PF - IMARA	239,161	0.20
	SELECTEDSHARES	114,724,064	94.01
	NON - SELECTED SHARES	7,305,406	5.99
	ISSUED SHARES	122,029,470	100.00

Notice of Annual General Meeting

Notice is hereby given that the 62nd Annual General Meeting of members will be held at No. 1 Kenilworth Road, Highlands, Harare, Zimbabwe on Thursday 21st June 2018 at 10.30 hours for the purpose of transacting the following business:-

A. ORDINARY BUSINESS

1. Financial Statements

To receive, consider and adopt the Financial Statements for the year ended 31st December 2017 together with the Report of the Directors and Auditors thereon.

2. Directorate

a) To re-elect directors by individual resolutions in terms of section 174 of the Companies Act [Chapter 24:03].

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

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

d) Mr G K Jain, appointed since the last annual general meeting, retires in terms of Article 101 of the Articles of Association and being eligible offers himself for re-election.

3. Directors' Remuneration

To approve the remuneration of the Directors for the year ended 31st December 2017.

4. Auditors' Fees and Appointments

a) To approve the remuneration of the Auditors for the financial year ended 31st December 2017.

b) To appoint auditors for the ensuing year until the conclusion of the next Annual General Meeting. Ernst & Young Chartered Accountants (Zimbabwe) retire and being eligible offers themselves for re-election of the Company.

B. SPECIAL BUSINESS

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

C. ANY OTHER BUSINESS

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

APPOINTMENT OF PROXY:

i) In terms of the Companies Act [Chapter 24:03], a member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote on his behalf. A proxy need not be a member of the Company.

ii) Proxy forms must be deposited at the registered office of the Company or at the office of the Transfer Secretaries (Corpserve Registrars (Private) Limited, Second Floor, ZB Centre, Corner First Street and Kwame Nkrumah Avenue, Harare) not less than 48 (forty-eight) hours before the time appointed for the holding of the meeting.

By Order of the Board
RioZim Management Services (Private) Limited
(Secretaries)
Per Z Makorie

Note:
Members may request a copy of the 2017 Annual Report from the registered office of the Company or from the office of the Transfer Secretaries. The 2017 Annual Report is also available for download from the Company's website www.riozim.co.zw.

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Proxy Form

For use at the Annual General Meeting ("AGM") of RioZim Limited to be held at No. 1 Kenilworth Road, Highlands, Harare, Zimbabwe on Thursday 21st June 2018 at 10.30 hours.

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

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

holding...oridinary shares in the Company

Hereby appoint...of...
Address

....

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

....

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

Signed this.. Day of...2018

Signature of member...

Notes to Proxy

INSTRUCTIONS FOR SIGNING AND LODGING THIS FORM OF PROXY

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

1. In terms of section 129 of the Companies Act [Chapter 24:03] a member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint one or more proxies to act in the alternative as his/her proxy, to attend, vote and speak instead of him/her. A proxy need not be a member of the Company. Appointment of a proxy will not preclude a member from attending and voting at the meeting. Every person present and entitled to vote at a general meeting shall, on a show of hands, have one vote only, but in the event of a poll, every share shall have one vote.

2. A deletion of any printed matter and the completion of any blank spaces need not be signed or initialed. Any alteration or correction must be initialed by the signatory/ies. The proxy form must be signed and dated for it to be valid.

3. In accordance with Article 73 of the Company's Articles of Association, instruments of proxy must be deposited at the registered office of the Company addressed to the Company Secretary or at the office of the Transfer Secretaries (specified overleaf) not less than 48 (forty-eight) hours before the time appointed for holding the meeting. If in default, the instrument of proxy shall be rendered invalid.

4. Documentary evidence in the form of a board resolution establishing the authority of a person signing this proxy form must be deposited together with the proxy form not less than 48 (forty-eight) hours before the meeting unless previously recorded by the Company Secretary of the Company's Transfer Secretaries.

RioZim Limited

Proxy Form (Cont).

INSTRUCTIONS FOR SIGNING AND LODGING THIS FORM OF PROXY (cont).

5. If two or more proxies appointed in the alternate attend the meeting then that person attending the meeting whose name appears first on the proxy form shall be regarded as the validly appointed proxy.

6. When there are joint holders of shares, any one holder may sign the proxy form. In the case of joint holders, the senior who tenders a vote will be accepted to the exclusion of other joint holder. Seniority will be determined by the order in which names stand in the register of members.

7. This is a GENERAL PROXY allowing the proxy to vote on behalf of the member on the resolutions properly proposed for the meeting and or any other business that may properly come before the meeting. The proxy can vote as he/she sees fit FOR or AGAINST a resolution unless given additional specific written directions as to how to vote on specific resolutions in which case those directions must be filed together with this General Proxy.

8. The completion and lodging of this proxy form will not preclude the member who grants this proxy form from attending the meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms of the proxy form should such member wish to do so. In the event of such personal attendance the proxy form will be revoked.

Transfer Secretaries
Corpserve Registrars (Private) Limited
2nd Floor ZB Centre
Cnr 1st and Kwame Nkrumah Avenue
Harare
+263-242-758193,750711/2

Registered Office
RioZim Limited
1 Kenilworth Road
Highlands
Harare
+263-242-746141/9, 776085/91, 746089/95.

RioZim Limited

www.riozim.co.zw