RIOZIM LIMITED

ABRIDGED AUDITED GROUP RESULTS

FOR THE YEAR ENDED 31 DECEMBER 2018

RioZim Limited

CHAIRMAN'S STATEMENT

INTRODUCTION

Notwithstanding the implementation of progressive policies aimed at opening up the Zimbabwean economy for both local and international investment, and a concerted effort to achieve the same by Government, the year 2018 proved to be an extremely challenging year economically characterised by acute foreign currency shortages and severe inflationary pressures. Specific to the mining industry, the stipulated foreign currency allocations persistently remained far below the stipulated retention levels which were set by the Central Bank from time to time. This set the stage for a very difficult operating environment and an inability to procure necessary stocks from critical foreign suppliers. That period is the subject of a dispute between the Group, Reserve Bank of Zimbabwe and Fidelity Printers and Refiners Limited.

The situation, however, worsened as the year progressed and reached unprecedented levels as was depicted by the involuntary shutdown of all mining operations by the Company's gold business units in the fourth quarter. As a result of these challenges, a whole two month's production was lost albeit the fact that the Company continued to meet all of its fixed costs and thus driving the business down a path of operating losses. The resumption of operations was only made possible after an upward review of forex retention to 55%, and the release of payments towards suppliers. At the same time, although a retention of 55% was theoretically sufficient to meet the Company's immediate operational expenditure needs and requirements, the remaining 45% of the Company's gold export proceeds were paid in local RTGS currency at a rate of 1:1 with the USD, notwithstanding the fact that the prevailing parallel market was as at October trading at a rate of circa USD 1: RTGS$ 4, and all local suppliers had adjusted their prices to these exorbitant parallel market rates. As a result, for a greater part of the second half of the year 2018, the Group effectively sold 45% of its gold production at only 25% of its true value.

Consequently, due to these macroeconomic factors and difficulties, gold production for the year regressed by 13% to 1.792 tons which is less than the 2.071 tons achieved in the prior year. Therefore, as a result of these challenges, the Group recorded a net loss of USD 2.3 million for the year. Regrettably, this demonstrated a negative growth when compared to the net profit of USD 8.1 million which the Group had posted in the prior year on the back of various growth strategies which it had implemented in the year 2017.

RioZim Limited, however, prides itself in being a truly resilient Zimbabwean company and despite these difficulties, various milestones were achieved during the course of the year, notwithstanding the macroeconomic obstacles which it faced. Firstly, the Group successfully moved from third-party contract mining and commissioned owner-mining at both its Cam & Motor and Dalny Mining sites thus not only significantly reducing operating costs but also, this made the Group's mining operations wholly self-dependant. The Group was also able to successfully cold-commission its flotation plant at Cam & Motor Mine which brought the mine one step closer to treating refractory ore in the area. Thirdly, the Group signed binding exclusivity and framework agreements with a renowned international player and investor in respect of its Sengwa Coal Mine resource which will see the commencement and ground-breaking ceremony of the Sengwa Power Station Project in the near future.

Murowa Diamonds (Private) Limited, the Group's associate, also managed to maintain its momentum from the prior year and produced 740,244 carats from 732,045 carats recorded in the prior year and thus reached record heights in its levels of production.

FINANCIAL PERFORMANCE

The Group's revenue decreased by 15% to USD 75.4 million in 2018 from USD 88.9 million realised in 2017. The Group's underperformance was due to low production volumes in the second half of the year and the inability to complete planned capital projects due to foreign currency funding constraints, which would have sustained and increased production. Gold prices averaged USD 1247/Oz faring slightly better than the levels of USD 1242/Oz realised in 2017.

From a purely operations perspective, the Group was able to record an operating profit of USD 2.4million which was 71% below the prior year's operating profit of USD 8.1 million. Overall, however, the Group exited the year with a net loss of USD 2.3 million against a net profit USD 8.1 million achieved in the prior year, partly attributable to the fixed costs incurred whilst operations were suspended for the gold business. In terms of EBITDA for the year, the Group realised a figure of USD 4.5 million which again reflected a 66% decline from the prior year's EBITDA of USD 13.4 million.

Functional Currency

The Reserve Bank of Zimbabwe introduced the RTGS$ as an official currency separate from the USD on the 20th of February 2019. In terms of IFRS, this constituted a material post balance sheet event which reflected a condition that existed at the reporting date and therefore requiring adjustment in the financial statements. On 22 February 2019 the Government issued SI 33 of 2019 which prescribed an exchange rate of 1:1 for all assets and liabilities prior or on the effective date between RTGS$ and the USD. IAS 21 "The Effects of Changes in Foreign Exchange Rates" requires that all transactions and balances denominated in a currency other than the functional currency should be presented at the market exchange rate.

The Group, however, in compliance with SI 33 of 2019 maintained the 1:1 fixed exchange rate between its functional currency USD and RTGS$ as at the reporting date of 31 December 2018 in accordance with the law. This was however in conflict with IAS 21 which requires market exchange rates to be used. In this regard, the Group's financial statements were therefore issued with an adverse opinion from its auditors as a result of the non-compliance as explained above.

Cam & Motor

The Mine produced 458 kg in the first half of the year. However, due to falling recoveries and the temporary stoppage of operations, the Mine closed the year with a total production figure of 758 kg which demonstrated a 22% reduction from the prior year. The decline in recoveries (65 % in 2018 vs 77% in 2017) was attributable to depletion of amenable oxide ores and an increase in refractory ore, which cannot be effectively treated with the traditional carbon-in-leach process. Although the mine milling performance was an improvement from the prior year, this did not translate to improved production due to the falling recoveries and ultimately this resulted in an increase in the production cost per ounce. The Group is in the process of developing a Biological Oxidation (BIOX) Plant in order to treat the refractory ore reserves. Unfortunately, the scarcity of foreign currency held back the project in the year under review. Once operational, the BIOX Plant is expected to enable the Company to double its production output.

Renco

The Mine produced 591 kg, 61% of which was produced in the first half of the year. The total period's production was a 22% reduction from the prior year. The depressed output in the second half of the year was attributable to under-performance in the milling section. The deteriorating ability to access adequate foreign currency in the second half of the year hampered the Company's efforts to procure consumables for the mine which resulted in low plant availability and reduced milling time. The situation was exacerbated by the impromptu suspension of operations in Q4. Furthermore, the mine was unable to proceed with plans to develop an additional shaft to ramp up mining capacity due to the same constraints.

Dalny

Dalny produced 442kgs, an 8% increase from the prior year. The Company's investment in exploration and development in the prior year resulted in the improved availability of ore sources with higher recoveries. Improved milling also underpinned the strong performance. Shortages of foreign currency resulted in the delay of scheduled underground mining at the mine which would have further increased production. As a result, the mine could not access the rich underground ore resource, leading to lower grades of 2.57g/t against grades of 2.65g/t achieved in 2017.

Empress Nickel Refinery

The Refinery remained under care and maintenance throughout the year.

Murowa

The Group's associate Murowa Diamonds (Private) Limited ("Murowa") posted a profit of USD 10 million. Murowa's stellar performance was depicted in an increase of diamond production to 740 244 carats against prior year's production of 732 045 carats. Furthermore, the courts' declaration that the alleged ground rental fees were ultra vires the Mines and Minerals Act [Chapter 21:05] had a positive impact on the viability of the associate's business. The associate contributed positively to the Group's results with a share of profit of USD1.5million (2017:$1.4million).

Energy

The Group made strides in the Sengwa Power Station Project which entails the development of a 2,800MW power station in phases of 700MW each. As the project gained significant traction during the year under review, the Company has now set ambitious targets for 2019 which will culminate in the project kick off in the next twelve months.

OUTLOOK

Going forward, our objectives remain consistent and well defined; – pursue growth opportunities, generate free cash flows and positive returns. In this regard, the Group has lined up strategic initiatives which if successfully implemented will significantly improve the Group`s fortunes. The major projects include the construction of the BIOX plant at Cam & Motor Mine and the Sengwa Power Station Project. The Group is encouraged by engagements made with Monetary authorities to mitigate the currency constraints and is confident that the projects will prevail and is, therefore, looking forward to a conducive operating environment in 2019.

SUSTAINABILITY

RioZim Limited remains resolute on building and maintaining a sustainable mining concern in line with its holistic approach to business. Among the Group's key goals is to be a responsible corporate citizen. RioZim Foundation continues to expand on its vision to create, develop and promote collaborative sustainable development programmes so that measurable socio-economic benefits are afforded to the communities in which the Group operates and to the country at large.

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, especially during the turbulent times which the business faced in the fourth quarter of 2018 which resulted in the involuntary shutdown of operations. I would also wish to thank our valued shareholders who continue to support the Group during the best and worst of its times.

Overall, despite the setbacks experienced in the year 2018, the RioZim Board, Management, Staff and myself look forward to delivering a year of real growth for the benefit of all our stakeholders which include our shareholders, communities and the nation at large.

L. P CHIHOTA
Board Chairman
12 April 2019

ABRIDGED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2018

	Note	31 Dec 2018 Audited US$000	31 Dec 2017 Audited US$000
Revenue		75 414	88 855
Cost of sales		(62 000)	(60 576)
Gross profit		**13 414**	**28 279**
Distribution and selling costs		(116)	(126)
Administrative expenses		(25 399)	(24 226)
Profit on disposal of property, plant and equipment		3 985	-
Other income		10 487	4 188
Operating profit		**2 371**	**8 115**
Net finance cost		**(7 056)**	**(6 524)**
Finance income		35	-
Finance cost		(7 091)	(6 524)
Share of profit from an associate		1 515	1 387
Bargain purchase gain		-	4 963
(Loss)/profit before taxation		**(3 170)**	**7 941**
Income tax credit		914	134
(Loss)/profit for the year		**(2 256)**	**8 075**
Other comprehensive income/(loss) not to be reclassified to profit or loss:			
Re-measurement (losses)/ gains on defined benefit plans		(282)	676
Fair value gain/ (loss) on fair value through other comprehesive income investments		7	(1)
Income tax effect		(2)	-
Net other comprehensive (loss)/profit not to be reclassified to profit or loss in subsequent periods		**(277)**	**675**
Total other comprehensive (loss)/income for the year, net of tax		**(277)**	**675**
Total comprehensive (loss)/profit for the year		**(2 533)**	**8 750**
(Loss)/profit for the year attributable to:			
Owners of the parent		(2 224)	8 103
Non-controlling interests		(32)	(28)
		(2 256)	8 075
Total comprehensive (loss)/profit attributable to:			
Owners of the parent		(2 501)	8 778
Non-controlling interests		(32)	(28)
		(2 533)	8 750
(Loss)/earnings per share (cents):			
Basic	11	(1.82)	6.64
Diluted	11	(1.82)	6.64

ABRIDGED STATEMENT OF FINANCIAL POSITION

as at 31 December 2018

	Note	31 Dec 2018 Audited US$000	31 Dec 2017 Audited US$000
ASSETS			
Non current assets			
Property, plant and equipment	5	70 753	67 733
Exploration, evaluation and development assets	6	18 315	17 386
Investment in associate companies		5 135	4 747
Fair value through other comprehensive income investments		178	201
Deferred tax assets		7 291	6 620
Total non-current assets		**101 672**	**96 687**
Current assets			
Inventories	7	40 411	41 257
Trade and other receivables		19 896	13 689
Loans and receivables		8	8
Cash and cash equivalents		117	1 275
Total current assets		**60 432**	**56 229**
Total assets		**162 104**	**152 916**
EQUITY & LIABILITIES			
Shareholders' equity			
Share capital		1 345	1 345
Share premium		20 789	20 789
Fair value through other comprehensive income reserve		146	141
Accumulated losses		(11 319)	(8 813)
Equity attributable to equity holders of the parent		**10 961**	**13 462**
Non-controlling interest		(731)	(699)
Total equity		**10 230**	**12 763**
Non-current liabilities			
Cumulative redeemable preference shares	9	33 434	33 434
Interest bearing loans and borrowings	10	6 396	4 993
Provisions		2 765	2 620
Fixed term payables		7 900	7 733
Deferred tax libailities		1 850	2 093
Employee benefit liability		947	706
Total non-current liabilities		**53 292**	**51 579**
Current liabilities			
Trade and other payables	8	75 854	70 347
Fixed term payables		996	1 987
Interest-bearing loans and borrowings	10	21 732	16 240
Total current liabilities		**98 582**	**88 574**
Total liabilities		**151 874**	**140 153**
Total liabilities & shareholders' equity		**162 104**	**152 916**

ABRIDGED STATEMENT OF CASH FLOWS

for the year ended 31 December 2018

	31 Dec 2018 Audited US$000	31 Dec 2017 Audited US$000
Net cash flows generated from operating activities	**10 482**	**13 879**
Cashflows from investing activities		
Investment in exploration and evaluation assets	(2 249)	(3 301)
Acquisition of property, plant and equipment	(10 514)	(8 707)
Acquisition of a subsidiary,net of cash acquired	-	(2 925)
Proceeds from sale of held to maturity investments	-	450
Proceeds from disposal of property, plant and equipment	95	-
Proceeds from sale of investments	40	-
Net cash used in investing activities	**(12 628)**	**(14 483)**
Cash flows from financing activities		
Inflows from borrowings	8 614	8 614
Repayment of borrowings	(6 347)	(5 126)
Interest paid	(1 279)	(2 743)
Net cash generated from/(used in) financing activities	**988**	**745**
Net increase/(decrease) in cash and cash equivalent	(1 158)	141
Cash and cash equivalents at beginning of the period	1 275	1 134
Cash and cash equivalents at end of the period	**117**	**1 275**
REPRESENTED BY:		
Cash at bank and on hand	**117**	**1 275**

ABRIDGED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2018

	ATTRIBUTABLE TO EQUITY HOLDERS' OF THE PARENT						
	Share Capital US$000	Share Premium US$000	Fair value through other comprehensive income reserve US$000	Accumulated losses US$000	Total Shareholders Equity US$000	Non-Controlling Interest US$000	Total Equity US$000
As at 1 January 2017	**1 345**	**20 789**	**142**	**(17 592)**	**4 684**	**(671)**	**4 013**
Profit/(loss) for the year	-	-	-	8 103	8 103	(28)	8 075
Other comprehensive (loss)/income net of tax	-	-	(1)	676	675	-	675
Total comprehensive (loss)/profit	**-**	**-**	**(1)**	**8 779**	**8 778**	**(28)**	**8 750**
Balance 31 December 2017	**1 345**	**20 789**	**141**	**(8 813)**	**13 462**	**(699)**	**12 763**
Loss for the year	-	-	-	(2 224)	(2 224)	(32)	(2 256)
Other comprehensive income/(loss) net of tax	-	-	5	(282)	(277)	-	(277)
Total comprehensive profit/(loss)	**-**	**-**	**5**	**(2 506)**	**(2 501)**	**(32)**	**(2 533)**
Balance 31 December 2018	**1 345**	**20 789**	**146**	**(11 319)**	**10 961**	**(731)**	**10 230**

RIOZIM LIMITED
ABRIDGED AUDITED GROUP RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2018

RioZim Limited

NOTES TO ABRIDGED FINANCIAL STATEMENTS
For the year ended 31 December 2018

1. General information

RioZim Limited ('the Company') and its subsidiaries (together 'the Group') is 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, Newlands, Harare.

The Company is listed on the Zimbabwe Stock Exchange.

These consolidated abridged financial statements were authorised for issue by the Board of Directors on 12 April 2019.

2. Basis of preparation

The consolidated abridged financial statements are presented in United States Dollars (US$), which is the functional currency of the Group. They have been extracted from the full set of the consolidated financial statements which were prepared in accordance with the International Financial Reporting Standards ("IFRS"), the International Financial Reporting Statements Interpretations Committee, ("IFRIC") interpretations. In addition the consolidated abridged financial statements were prepared in terms of the Zimbabwe Stock Exchange (ZSE) listing rules and Companies Act (24:03).

The consolidated abridged financial statements are based on statutory records that are maintained under the historical costs conventions as modified by measurement of certain financial assets at fair value. They do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2018.

3. Significant accounting policies

The consolidated abridged financial statements have been prepared in accordance with the accounting policies adopted in the Group's last annual financial statements and applicable amendments to IFRS.

4. Estimates

When preparing the consolidated financial statements, management undertakes a number of judgments, estimates and assumptions about recognition and measurement of assets, results, liabilities, income and expenses. Key areas affected include recovery of deferred tax asset, measurement of metals and minerals in concentrated and circuit ore reserves and mineral resource estimates. The actual results may differ from the judgments, estimates and assumptions made by management.

5 Property, Plant and Equipment

	Land and buildings US$000	Plant and equipment US$000	Heavy Mobile Equipment US$000	Capital Work in Progress US$000	Motor vehicles US$000	Furniture and fittings US$000	Total US$000
Cost							
At 1 January 2017	26 447	32 693	-	1 130	1 637	989	62 896
Additions	13	3 392	-	5 134	79	89	8 707
Acquisition of 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**
Additions	140	2 913	5 801	1 022	83	555	10 514
Transfers	-	(858)	858	-	-	-	-
Disposals	-	-	(2 201)	-	(71)	-	(2 272)
At 31 December 2018	**35 723**	**44 830**	**4 458**	**6 358**	**1 762**	**1 654**	**94 785**
Accumulated Depreciation							
At 1 January 2017	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**
Depreciation charge for the year	973	3 414	691	-	219	161	5 458
Transfers	-	(70)	70	-	-	-	-
Disposals	-	-	(223)	-	(13)	-	(236)
At 31 December 2018	**4 266**	**16 697**	**538**	**-**	**1 654**	**877**	**24 032**
Net book value							
At 31 December 2017	**32 290**	**29 422**	**-**	**5 336**	**302**	**383**	**67 733**
At 31 December 2018	**31 457**	**28 133**	**3 920**	**6 358**	**108**	**777**	**70 753**

6 Exploration, Evaluation And Development Assets

	Exploration and evaluation assets US$000	Development costs US$000	Total exploration, evaluation and development assets US$000
Cost			
At 1 January 2017	**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**
Additions	-	2 249	2 249
At 31 December 2018	**6 411**	**17 171**	**23 582**
Amortisation			
At 1 January 2017	**-**	**2 719**	**2 719**
Amortisation for the year	-	1 228	1 228
At 31 December 2017	**-**	**3 947**	**3 947**
Amortisation for the year		1 320	1 320
At 31 December 2018	**-**	**5 267**	**5 267**
Carrying amount			
At 31 December 2017	**6 411**	**10 975**	**17 386**
At 31 December 2018	**6 411**	**11 904**	**18 315**

	31 Dec 2018 Audited US$000	31 Dec 2017 Audited US$000
7 Inventories		
Stores and consumables	6 818	5 770
Ore stockpiles	1 063	821
Metals and minerals in concentrates and circuit	32 155	34 574
Finished metals	375	92
	40 411	**41 257**
8 Payables		
Trade payables	54 751	52 986
Other payables	18 484	14 828
Leave pay liabilities	2 620	2 533
	75 854	**70 347**
9 Cumulative redeemable preference shares		
Cumulative Redeemable Preference Shares	**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, entitle the holder there of 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. As at 31 December 2018 cumulative interest accrued was US$ 5 324 000 (2017: US$ 2 469 000). The accrued interest has been presented under current liabilities.

10 Interest bearing loans and borrowings

Group	interest rate %	Effective Maturity	31 Dec 2018 Audited US$000	31 Dec 2017 Audited US$000
Current				
Bank loans (facility limit US$7.0m)	8%	On scheduled dates	5 885	4 623
Other bank loans	15%	On demand	6 673	5 772
Term loans (facility limit US$1.0m)	12%	On demand	141	743
Debentures (facility limit US$1.93m)	13%	March 2017*	186	442
Interest on cumulative redeemable preference shares	-	January 2017*	5 324	2 469
Long term loan (Centametal AG)	13%	December 2019	3 523	2 191
			21 732	**16 240**
Non-current				
Bank loans	8%	On scheduled dates	6 396	3 870
Long term loan (Centametal AG)	12.5%	December 2019	-	1 123
			6 396	**4 993**

*These facilities matured and are overdue

Security
Bank loans are secured by revenue assignment agreements in respect of gold proceeds as well as a mortgage bond over an immovable property.

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 2018 : US$3 600 000) and has been recorded at amortised value of US$3 523 000 (2017: US$3 314 000) using a rate of 12.5% per annum.

Total interest expense for the year on interest-bearing loans and borrowings is US$5 496 000 (2017: US$5 234 000).

11 Earnings per share

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

Headline earnings per share
Headline earnings per share amounts are calculated by dividing the net profit/(loss) 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(loss) or income and share data used in the loss per share computations:

	2018 US$000	2017 US$000
(Loss)/earnings attributable to equity holders of the parent for basic earnings	(2 224)	8 103
Adjustment for headline earnings		
Gains on disposal of property, plant and equipment	(3 985)	-
Bargain purchase gain	-	(4 963)
Headline earnings	**(6 209)**	**3 140**
Weighted average number of ordinary shares for loss per share	**'000**	**'000**
Number of issued shares	122 030	122 030
Weighted average number of ordinary shares	122 030	122 030
(Loss)/earnings per share (cents)		
Basic	(1.82)	6.64
Diluted basic	(1.82)	6.64
Headline	(5.09)	2.57
Diluted Headline	(5.09)	2.57

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.

12. Capital commitments

Contracts and orders placed	1 843	3 990
Authorised by Directors but not contracted	33 928	25 106
	35 771	**29 096**

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

13. Dividends
No dividends were declared or paid to ordinary shareholders during the year.

14. Events after the reporting period
In 2009 the Zimbabwean government adopted the multi-currency system and companies in Zimbabwe adopted the same. The Group determined its functional currency as being the USD and also adopted USD as its presentation currency.

The prolonged shortage of foreign currency in the country led to the widespread use of plastic money through the Real Time Gross Settlement (RTGS) system. Parallel market activities ensued with the RTGS being discounted to obtain US Dollars which were in short supply. In October 2018 the Central Bank directed the separation of local RTGS balances and foreign currency backed Nostro FCAs. The government maintained the 1:1 parity between the RTGS USD and Nostro USD however, this separation resulted in further devaluation of the RTGS on the parallel market, which market determined the pricing of local supplies.

On 20 February 2019 the Reserve Bank of Zimbabwe issued a monetary policy statement where the rate of exchange between the RTGS and USD which was fixed at 1:1 was floated with the starting rate pegged at 2.5. In line with the introduction of the new RTGS$, the Government issued Statutory Instrument SI 33 of 2019 effective 22nd February 2019 which prescribed that all assets and liabilities that were expressed in USD on or prior to the effective date shall be deemed to be valued in RTGS$ at 1:1.

The introduction of the RTGS$ on the 20th of February 2019 constitutes a material post balance sheet event which may reflect a condition that existed at the reporting date of 31 December 2018. The Directors therefore assessed if there was a change in the Group's functional currency and noted that although an exchange rate higher than 1:1 existed between USD and RTGS from 1 October 2018 there were insufficient observable factors to quantify what the rate between the two currencies would actually be and consequently any unrealised exchange adjustments to the financial statements would not be accurately determined. In addition, during the year, from November 2018 the Group was paid 55% of its gold proceeds in USD, most of the Group's purchases are imports and not exposed to price distortions whilst the majority of Group's purchases are to state owned enterprises, whose prices maintained the 1:1 parity between RTGS and the USD as at 31 December 2018. The Directors therefore concluded that there was no change in the Group's functional currency of USD.

IAS 21 *("The Effects of Changes in Foreign Exchange Rates")* requires that transactions and balances denominated in foreign currency should be presented at market exchange rates. The Group maintained the 1:1 exchange rate between RTGS$ and USD for the year end 31 December 2018 as prescribed by the law (SI33 of 2019), and therefore was not in compliance with the requirements of IAS 21.

A sensitivity analysis on the potential impact on the Group's statement of financial position as 31 December 2018 is shown below:

	2 018 Group US$000 Assets / Liabilities	2 018 Group RTGS$000 Monetary Assets / Liabilities	2018 Group US$000 Total 1:1	2 018 Group US$000 Total 1:2.5	2018 Group US$000 Total 1:4	2018 Group US$000 Total 1:5
ASSETS						
Non-current assets						
Property, plant and equipment	70 753	-	70 753	70 753	70 753	70 753
Exploration, evaluation and development assets	18 315	-	18 315	18 315	18 315	18 315
Investment in associate company	5 135	-	5 135	5 135	5 135	5 135
Fair value through other comprehensive income equity instruments	178	-	178	178	178	178
Deferred tax assets	7 291	-	7 291	7 291	7 291	7 291
Total non-current assets	**101 672**	**-**	**101 672**	**101 672**	**101 672**	**101 672**
Current assets						
Inventories	40 411	-	40 411	40 411	40 411	40 411
Trade and other receivables	3 730	16 166	19 896	10 196	7 771	6 963
Loans and receivables	-	8	8	3	2	2
Cash and cash equivalents	1 483	(1 366)	117	936	1 141	1 210
Total current assets	**45 624**	**14 808**	**60 432**	**51 547**	**49 326**	**48 585**
Total assets	**147 296**	**14 808**	**162 104**	**153 219**	**150 998**	**150 257**
EQUITY & LIABILITIES						
Shareholders' equity						
Share capital	1 345	-	1 345	1 345	1 345	1 345
Share premium	20 789	-	20 789	20 789	20 789	20 789
Fair value through other comprehensive income reserve	146	-	146	146	146	146
Accumulated losses	(11 319)	-	(11 319)	(11 319)	(11 319)	(11 319)
Translation reserve			-	59 340	74 175	79 120
Equity attributable to equity holders of the parent	**10 961**	**-**	**10 961**	**70 301**	**85 136**	**90 081**
Non-controlling interests	(731)		(731)	(731)	(731)	(731)
Total equity	**10 230**	**-**	**10 230**	**69 570**	**84 405**	**89 350**
Non-current liabilities						
Cumulative redeemable preference shares	-	33 434	33 434	13 374	8 359	6 687
Interest bearing loans and borrowings	-	6 396	6 396	2 558	1 599	1 279
Provisions	-	2 765	2 765	1 106	691	553
Fixed term payables	-	7 900	7 900	3 160	1 975	1 580
Deferred tax liabilities	1 850		1 850	1 850	1 850	1 850
Employee benefit liability	-	947	947	379	237	189
Total non-current liabilities	**1 850**	**51 442**	**53 292**	**22 427**	**14 710**	**12 138**
Current liabilities						
Trade and other payables	32 652	43 202	75 854	49 933	43 452	41 292
Fixed term payables	-	996	996	398	249	199
Interest-bearing loans and borrowings	3 664	18 069	21 732	10 891	8 181	7 277
Total current liabilities	**36 315**	**62 267**	**98 582**	**61 222**	**51 882**	**48 769**
Total liabilities	**38 165**	**113 709**	**151 874**	**83 649**	**66 592**	**60 907**
Total liabilities and shareholders' equity	**48 395**	**113 709**	**162 104**	**153 219**	**150 998**	**150 257**

15 Going concern
As at the reporting date the Group's current liabilities exceeded current assets by $37.7million (December 2017: US$31.6million) and the Group's statement of financial position showed adverse solvency ratios of 0.62:1 (December 2017: 0.64:1) and 0.21:1 (December 2017: 0.18:1) for current and acid test ratios respectively. The Group's operations were significantly impacted by shortage of foreign currency in the current year which led to the involuntary closure of all the mines in the fourth quarter and therefore negatively affected cash flows. 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.

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

- Post year end the Reserve Bank of Zimbabwe issued a revised monetary policy where the rate of exchange which was fixed at 1:1 was floated with starting rate pegged at 2.5. In the past the Group used to be paid for 45% of its produce at a sub-standard rate of 1:1 compared to the rate at alternative markets of approximately 4:1. The pricing of inputs was set at the alternative market rate of approximately 4:1, which created a significant disparity between its cost base and its revenue. Whilst the rate of 2.5 is still below the market it is significantly higher than the previous rate of 1:1. This review will see the fortunes of the Group change even with the same level of production as the Company will now generate cash resources to service its creditors.

- The Group will continue engaging the authorities to change the current policy framework such that it can return a higher percentage of its foreign currency that it generates from selling of its gold. It is also expected that the floating of the exchange rate would be left completely to market forces so that the exchange rate reflects the true value of the RTGS$ in the market.

- Even with the depressed exchange rate the Group managed to generate net earnings, as represented by EBITDA of US$2.4million (2017:US$8.1million) being generated in 2018. Management also expects that the earnings will further improve at the back of the following initiatives:

o Opening of One Step Mine hauling ore to Cam & Motor Plant.
o Completion of the BIOX Plant which will double gold production at Cam and Motor.
o Cost savings from owner mining at Cam & Motor Mine and Dalny Mine.
o Resumption of underground mining at Dalny Mine which will enable the mine to access high grade ores which will increase gold production.
o ENR to continue with projects that will generate sufficient cash flows to meet its care and maintenance costs

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 realisation of assets and settlement of liabilities will occur in the ordinary course of business.

Audit Statement
These financial results should be read in conjunction with the full set of financial statements for the year ended 31 December 2018, which have been audited by Ernst & Young Chartered Accountants (Zimbabwe). An adverse audit opinion has been issued thereon in respect of non-compliance with the requirements of International Financial Reporting Standards (IAS 21): "The Effects of Foreign Exchange Rates" in respect of balances and transactions denominated in RTGS$ that were not converted at an RTGS$: US$ exchange rate that reflects the economic substance of its value as required by International Financial Reporting Standards ("IFRS"). The Directors have performed a sensitivity analysis of how different exchange rates would have impacted the consolidated statement of financial position as at 31 December 2018 and provided necessary disclosures in note 14 to the abridged audited results. The auditor's report included a section on material uncertainty related to going concern and a section on key audit matters. The key audit matter related to quantification (existence) of in-process metal inventory. The auditor's report on these financial statements is available for inspection at the Company's registered office.

Building a better
working world

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INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF RIOZIM LIMITED

Report on the Audit of the Consolidated Financial Statements

Adverse Opinion
We have audited the consolidated financial statements of RioZim Limited (the Group) set out on pages 15 to 87 which comprise the consolidated and company statements of financial position as at 31 December 2018, 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, because of the significance of the matter discussed in the Basis for Adverse Opinion section of our report, the accompanying consolidated financial statements do not present fairly the consolidated and company financial position of RioZim Limited as at 31 December 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Adverse Opinion
As explained in note 4.11 to the consolidated financial statements, the same are presented in United States Dollars (US$) on the basis that the official exchange rate as at 31 December 2018 between the Real Time Gross Settlement Electronic Dollar (RTGS$) and the United States Dollar (US$) is 1:1.

Zimbabwe witnessed significant monetary and exchange control policy changes in 2016 and increasingly through to 2019. The Reserve Bank of Zimbabwe (RBZ) together with the Ministry of Finance and Economic Development promulgated a series of exchange control operational guidelines and compliance frameworks during this period. Specifically, there was a requirement for banks to separate foreign currency accounts (FCAs) into two categories, namely RTGS FCA and Nostro FCA during October 2018. Although the rate was legally pegged at 1:1, multiple pricing practices and other transactions observed and reported publicly indicated exchange rates other than 1:1 between RTGS and the US$ amounts. Subsequently, in February 2019 there was a Monetary Policy statement which introduced the RTGS Dollar(RTGS$) and the interbank foreign exchange market.

These events triggered the need for entities to assess, among other things, whether the exchange rates used by the entities to translate transactions that occurred between 1 October and 31 December 2018 and closing balances as at 31 December 2018, where different modes of payment were used, were appropriate.

Based on International Financial Reporting Standards IAS 21 - *The Effects of Changes in Foreign Exchange Rates* ("IAS 21") *"If exchangeability between two currencies is temporarily lacking, the rate used is the first subsequent rate at which exchanges could be made"*. In addition, paragraph 2.12 of the *Conceptual Framework for Financial Reporting* ("the Conceptual Framework") prescribes that for financial information to be useful, it *"must not only represent relevant phenomena, but it must also faithfully represent the substance of the phenomena that it purports to represent. In many circumstances, the substance of an economic phenomenon and its legal form are the same. If they are not the same, providing information only about the legal form would not faithfully represent the economic phenomenon."* In addition, International Financial Reporting Standards IAS10 - *Events after the Reporting Period* ("IAS 10") also requires an entity to adjust the amounts recognised in its financial statements to reflect events after the reporting period that provide evidence of conditions that existed at the end of the reporting period.

We believe that transaction in the market indicated a differential rate between the two currencies despite the legal 1:1 RTGS$:US$ exchange rate and that these differential rates already existed prior to the 31 December 2018 year end. This impacts the basis for measuring transactions that occurred between 01 October and 31 December 2018, the valuation of assets and liabilities at year end as well as the accounting for foreign exchange differences. We believe that the consolidated financial statements are required to be adjusted for these changes and that it is inappropriate to provide disclosures by way of notes as a proxy for adjusting the financial statements as this is not in conformity with IAS 10.

The financial statements of the group include balances and transactions denominated in RTGS$ that were not converted at an RTGS$: US$ exchange rate that reflects the economic substance of its value as required by International Financial Reporting Standards ("IFRS"). This is because management applied the legal rate of 1:1 as pronounced by Statutory Instrument 133 of 2016, Statutory Instrument 33 of 2019 and the Monetary Policy Statements of the 22nd of February 2018, 1st of October 2018 and 20th of February 2019. Management have provided more information on their approach in Notes 4.11 and 33 to the consolidated financial statements.

In terms of IAS 21, foreign currency monetary items shall be translated using the closing rate, non-monetary items that are measured in terms of historical cost in a foreign currency shall be translated using the exchange rate at the date of the transaction; and non-monetary items that are measured at fair value in a foreign currency shall be translated using the exchange rates at the date when the fair value was measured. Foreign currency transactions shall be recorded, on initial recognition in the functional currency, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

Therefore, had a different RTGS$:US$ exchange rate been determined and applied by management, most of the account balances and the information provided by way of notes to the accompanying financial statements, would have been materially different. Specifically, the line items impacted in the Statement of Financial Position include trade and other receivables, cash and cash equivalents, all non-current and current liabilities and most line items on the Statement of Profit or Loss and Other Comprehensive Income other than revenue.

Since opening and closing balances enter into the determination of the financial performance and cash flows, the statement of profit or loss and other comprehensive income, accumulated losses and the net cash flows from operating activities reported in the statement of cash flows are also impacted.

The effects of the departure from IFRS are therefore pervasive to the financial statements; however, this has not been quantified.

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) together with the ethical requirements that are relevant to our audit of the financial statements of the Group. 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 adverse opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 34 to the consolidated financial statements which indicate that the group's operations were significantly impacted by shortage of foreign currency in the current year which led to temporary closure of all the mines in the fourth quarter of the year and therefore negatively affected cashflows. As stated in the same note, these conditions, along with other matters as set forth therein, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified further in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matters described in the Basis for Adverse Opinion section and the Material Uncertainty Related to Going Concern section, we have determined the matter described below to be a key audit matter to be communicated in our report. 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 financial statements section of our report, including in relation to this matter. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matter below, provide the basis for our adverse audit opinion on the consolidated 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 18 to the consolidated financial statements are significant due to the magnitude of the balance in comparison to total assets (constituting 31% of total assets) as at 31 December 2018. Determination of the quantities of in-process metal inventories involves estimation and the exercise of significant professional judgement and the process involves experts. The quantification of the in-process metal inventory 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 volume 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. As in prior years, the Empress Nickel Refinery continued to be under care and maintenance throughout the year. Despite the plant being inactive, in the current year management recovered and sold cobalt from this material which resulted in movement in the estimated inventory. 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.	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. • 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. • Confirming the quantity of cobalt sold through review of deliveries to customers. • Reviewing the financial statements for adequacy of disclosures related to the estimation process.

Other information

The directors are responsible for the other information. Other information consists of the Chairman's Statement and the Directors' Responsibility Statement which were obtained prior to the date of this report, and the Chief Executive Officer's Review, the Directors' Report and the Statement of Corporate Governance that will be made available to us after that date. Other information does not include the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. As described in the Basis for Adverse Opinion section above, the Group did not comply with the requirements of IAS 21 – *Effects of Changes in Foreign Exchange Rates*. We have concluded that the other information is materially misstated for the same reason with respect to the amounts or other items affected by the failure to comply with the referred standard.

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

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

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

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

Report on Other Legal and Regulatory Requirements

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion section of our report, the accompanying consolidated financial statements have not 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 Practicing Certificate Number 132).

ERNST & YOUNG
CHARTERED ACCOUNTANTS (ZIMBABWE)
REGISTERED PUBLIC AUDITORS

Harare

28 April 2019