

# RIOZIM LIMITED

## THIRD QUARTER 2019 TRADING UPDATE

FOR THE THREE MONTHS ENDED 30 SEPTEMBER 2019

### OVERVIEW

The trading update for the third quarter excludes comprehensive financial data as the Company awaits guidance from the Public Accountants and Auditors Board (PAAB) of Zimbabwe on the application of IAS 29 "Financial Reporting in Hyperinflationary Economies."

### OPERATING ENVIRONMENT

The operating environment continued to be extremely challenging characterised by a surge in local prices, fuel shortages, power cuts and lack of adequate tooling and spares due to insufficient foreign currency retention.

Despite having ring fenced agreements meant to ensure uninterrupted power supply, and paying for power in US Dollars, load shedding continues to persist across all our mining operations thereby hampering production. With all the mines operating at sub optimal levels, production dropped by 20% to 366 kgs for the third quarter from the 455kgs recorded in the same period in prior year. Gold price reached an all-time high in the last 5 years of USD1 500/oz in July 2019, and averaged USD1 457/oz for the third quarter, 21% above same period average price of USD1 204/oz, which partly cushioned the Company from lower production volumes. Unfortunately, because of the setbacks above the Company could not take full advantage of the price increase.

### PRODUCTION PERFORMANCE

#### Gold businesses

**Cam & Motor Mine** – The Group commissioned One Step Mine in July 2019 hauling ore to the Cam processing plant. The transition to processing One Step ore which is of lower grades resulted in a 7% slump in production to 145kgs, compared to 169kgs achieved in the same period in 2018.

The Biological Oxidation (BIOX) plant project progressed during the period albeit slowly, due to acute foreign currency shortages which are affecting project timelines.

**Dalny Mine** – The Mine's production capacity was reduced to below 60% due to acute load shedding despite the Mine continuing to pay for uninterrupted power supply in US Dollars. As a consequence of the power cuts, production fell by 39% to 78kgs from 128kgs recorded in the same period in 2018.

**Renco Mine** – Renco achieved 143kgs which is 91% of comparative period production of 158kgs. The lower production volumes were a result of intermittent load shedding experienced during the period.

#### Base Metals business

The Empress Nickel Refinery (ENR) remained under care and maintenance.

#### Diamonds business

Murowa Diamonds (Private) Limited continued its journey towards an attempt to stabilize production. Unfortunately, the diamond business faced the same set of exogenous challenges as the gold operations in the form of:

- Unreliable and low quality power,
- Acute lack of foreign currency and,
- Soaring cost of local inputs including cost of living allowances of multiples in excess of ten being paid for labour.

With 50% of the foreign currency earnings being retained by the Reserve Bank of Zimbabwe and operational expenses having to be met mainly in foreign currency, the mismatch between availability of foreign currency and the use thereof, leaves no room for the Company to plan and provide for the much needed capital investment without which long term prospects for the Company will almost certainly cease to exist.

#### Chrome business

The issue surrounding the Company's chrome claims in Darwendale remains *subjudice* and the Company continues to pursue finalisation of the matter by the courts.

#### Energy business

The Group's energy projects are progressing however under an extremely difficult environment to attract financiers due to a perceived high country risk. Support has however been sought from relevant authorities.

#### Outlook

The operating environment has continued to be challenging in the fourth quarter. The future of the Company hinges on it being able to retain its entire foreign currency, securing stable and consistent power supply and retention of its skilled personnel.



By Order of the Board.

RioZim Management Services  
(Private) Limited (Secretaries)

**Per E. Mupanduki**

15 November 2019