



# RIOZIM LIMITED

## FIRST QUARTER (Q1) 2020 TRADING UPDATE

For The Three Months Ended 31 March 2020

### OPERATING ENVIRONMENT

The quarter saw a sharp deterioration of the local currency in the alternative markets which drove up prices of local inputs to unprecedented levels. This was worsened by the fixing of the interbank exchange rate by the Central Bank at US\$1: ZWL25, which is the rate at which 45% of the Company's revenue is paid. As a result, the value realised by the Group on its gold activity continues to be eroded by hyperinflation.

Power supply continued to be erratic during the quarter which negatively impacted volumes across the Company's operations. This was, however, abated towards the end of the quarter, as power supply improved. As a result of erratic power supplies, the Company's gold production fell by 41% compared to the same quarter in 2019. The gold price was however favourable averaging US\$1 562/oz, which was 17% above the average price for the same period last year of US\$1 336/oz.

### PRODUCTION PERFORMANCE

#### Gold businesses

**Cam & Motor Mine** – Mining activities were all concentrated at One Step Mine during the quarter with the Company hauling ore to the Cam and Motor plant. The ore resources at One Step are of significantly lower grades compared to the Cam ore resources. The effect of processing the low-grade ores resulted in production dropping by 62% compared to the first quarter of 2019, where production was from higher grade Cam resources.

During the quarter, progress on the Biological Oxidation (BIOX) Project was significantly hampered by acute funding challenges. Foreign currency availability remains a stumbling block to the timeous commissioning of the project. The Company is however, in discussions with various stakeholders for possible funding of the project. In the meantime, every effort will be made to ensure that the project get completed.

**Dalny Mine** – Power supply to the mine was erratic for the greater part of the quarter with supplies only improving towards the end of the quarter. Consequently, production fell by 52% compared to the same period in 2019.

**Renco Mine** – Renco recorded a 9% growth in production volumes compared to Q1 of 2019. The growth in production was attributable to improved plant availability and reduced load shedding during the quarter.

#### Base Metals Business

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

#### Diamond business

Diamonds production at the Group's associate Murowa Diamonds (Private) Limited was subdued at 61% of first quarter 2019 production. The lower volumes were attributed to inconsistent power supply during the period.

### COVID-19 ASSESSMENT

The Government declared COVID-19 a national disaster, which culminated in the Government ordering a national lockdown from the 30th of March 2020 through Statutory Instrument 83 of 2020 Public Health (COVID-19 Prevention, Containment and Treatment) (National Lockdown) Order, initially for 21 days. The national lockdown was subsequently extended by a further 14 days. During this period, all business activities were shut down save for essential services.

Since the measures were put into effect, the Group's mining operations were exempted from shutting down and continued to operate normally albeit under the strict guidelines recommended by the Ministry of Health. The Group scaled up its measures to safeguard its employees from the COVID-19 pandemic through various initiatives. These initiatives include the provision of adequate personal protective equipment (PPE), screening and temperature testing at all entry points, implementing strict social distancing across all working areas and intensive sanitisation at all entry points and workplaces. To date the Group has not recorded any suspected cases of COVID-19 amongst its employees.

There have been no significant disruptions to production as a result of the COVID-19 pandemic across the Group. However, the threat to the Group's raw material supply chain which is predominantly imports, remains a key business risk as stringent cross border controls continue to be enforced in various countries. Metal prices volatility may also have a negative impact on the Company going into the future as commodity markets continue to suffer, in spite of the gold price remaining stable and showing a positive upward trend since the outbreak of the pandemic.

A probability weighted expected cash flows and sensitivity analysis on the Group's future cash flows shows that the Company remains significantly exposed to the negative impacts of COVID-19. The future, therefore, remains highly uncertain and the full impact is currently impractical to quantify in monetary value terms.

### OUTLOOK

The challenging operating environment coupled with the impact of COVID-19 continues to put pressure on the Group in the second quarter. The Company, however, continues to mitigate the effects of these problems as best as possible to remain viable in the midst of these challenges. Engagements with the Central Bank will continue for an upward review of the Company's foreign currency retention for the Company to meet its operational requirements and successfully deliver its BIOX plant in the set timelines.

#### By Order of the Board

RioZim Management Services (Private) Limited (Secretaries)  
Per T. A Chiurayi  
15 May 2020