



**RIO  
ZIM**

RioZim Limited



# RIOZIM LIMITED FIRST QUARTER 2021 TRADING UPDATE

## OPERATING ENVIRONMENT

Notwithstanding the stability of exchange rates and inflation during the period, the Central Bank cut back the Nostro retention for exports from 70% to 60%. This directly resulted in the Company's performance being adversely affected during the period. The impact of inadequate foreign currency on the Group was further worsened by a second wave of the COVID-19 pandemic which brought about the re-introduction of the lockdowns that had been relaxed in the prior year. The combined effect of these negative forces contributed to the 10% decline in gold production compared to the prior year's quarter and sadly, the Company did not benefit to the full extent from the 12% increase in the average gold prices which averaged US\$1 745/oz up from US\$1 562/oz recorded in the comparative period.

## PRODUCTION PERFORMANCE

### Gold Businesses

**Cam & Motor Mine** – The Mine obtained lower than expected average grades at One-Step Mine, whilst hauling ore to Cam & Motor Mine for processing. This was coupled with low throughput as a result of persistent plant breakdowns which were caused by the incessant heavy rains during the period. Consequently, gold production fell by 12% in comparison to the first quarter of 2020.

Civil works for the Biological Oxidation (BIOX) Project were completed during the quarter and installations are currently underway. With the reduced retention rate, the Company's efforts to fast track the completion of this project were dampened. The Company, however, is optimistic that it will reach financial closure with a potential financier to enable the commissioning of the BIOX Project within the planned timelines.

**Dalny Mine** – The wet conditions from the current year's persistent rains affected mining volumes at the Mine's open pits. Resultantly, throughput at the plant was significantly reduced and the Mine recorded a 20% decline in gold volumes compared to the same period in 2020.

**Renco Mine** – The mine suffered from inconsistent power supply due to rain induced power infrastructure failures which led to a 4% decline in the gold produced compared to the same period in the prior year. Engagements with ZETDC on the rehabilitation and upgrading of the Renco power lines are being accelerated.

### Base Metals Business

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

### Diamond Business

Diamond production at the Group's associate RZM Murowa (Private) Limited was predominantly from the low grade K2 pits which resulted in subdued carats produced. This led to production being 20% below the comparative period.

The Associate is focused on its plant capacitation project which will enable it to increase carats production through a 'high volume low grade strategy'. Progress on the project is, however, hampered by foreign currency challenges.

## COVID-19 Assessment

The Government instituted lockdown measures at the beginning of the year which extended for a two-month period following the second wave of the COVID-19 pandemic. However, as the Group was classified an essential service, it continued with business operations under the guidelines established by the World Health Organisation and Ministry of Health and Child Care. The Group up-scaled its health and safety protocols across all its operations to curb the spread of the pandemic amongst its employees and within the communities in which the Group operates. The Group recorded a few cases amongst employees who were subsequently isolated and given the necessary home based care and support. We are happy to report that all our affected employees were successfully rehabilitated and resumed their duties. The lockdown measures were reviewed and relaxed in the later part of the quarter. Nevertheless, the Group remains vigilant in exercising and maintaining standard health protocols to ensure the continued safety of its employees.

In comparison with the prior year's quarter, disruptions to the supply chain brought about by global lockdowns have not been significant, although the business risk associated with imports remains high. The Group remains exposed to the risk of metal price volatility as seen with the gold price taking a dip for a short period at the end of the quarter. The gold price, however, recovered towards the end of the quarter.

A cash flow sensitivity analysis on the Group shows that the Company remains significantly exposed to the negative impacts of the COVID-19 pandemic. The future, therefore, remains uncertain and the Company continues to monitor the situation on an ongoing basis.

## OUTLOOK

In the midst of a difficult operating environment, the Group continues to formulate strategies to mitigate the adverse effects of inadequate foreign currency and the COVID-19 pandemic on our operations with a view of continued business sustenance.

Engagements with the Central Bank will continue for an upward review of the Company's foreign currency retention in order 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

14 May 2021