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 legal dispute between the Group, Reserve Bank of Zimbabwe and Fidelity Printers and Refiners (Private) 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 forex 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 International Financial Reporting Standards (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 to 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 with IAS 21.

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's 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 USD 1.5million (2017: USD 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 abridged 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	18 483	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 US$000	31 Dec 2017 Audited US$000 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 (loss)/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 regime and companies in Zimbabwe adopted the same. As a consequence, since 2009, the Group has premised the United States Dollar (USD) as being both its functional and 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. Resultantly, parallel market activities ensued with the RTGS being discounted to obtain US Dollars which were in short supply. In October 2018 the Reserve Bank of Zimbabwe directed the separation of local RTGS balances and foreign currency backed Nostro FCAs. The Government however, maintained the 1:1 parity between the RTGS USD and Nostro USD which 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$ currency, the Government issued a 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 were to be deemed to be valued in RTGS$ at an exchange rate of 1:1 with the USD.

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 could 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 local payments 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 at 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	1
Cash and cash equivalents	1 483	(1 366)	117	937	1 142	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	236	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	3 663	18 069	21 732	10 891	8 182	7 278
Total current liabilities	**36 315**	**62 267**	**98 582**	**61 222**	**51 883**	**48 769**
Total liabilities	**38 165**	**113 709**	**151 874**	**83 649**	**66 593**	**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 realise 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.

  Furthermore, the Group's financial liabilities are predominantly denominated in RTGS$ and therefore, will be converted at the interbank rate to USD which will self-correct the net liability position.

- The Group will continue engaging the Monetary 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 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.