Chairman’s Statement

The Group has continued to make progress and returned to profitability at an operating level during the first six months of the year. The Gold production went up by 16% compared to production decrease by 19% in the comparable period. This has resulted in the operating results of the Group being better for the six months ended 30 June 2016 in comparison with the corresponding period in the previous year. 

Economic Overview

Major policy changes were announced in the period. Some of these were aimed at addressing the liquidity constraints in the country which have been recognised by continued formalization and subsidised export refunds. Clarity was given by the government on the indications regarding reforms, creating a broader framework for compliance. Export incentives of 3% to 5% were introduced and these were to be funded by the introduction of bond notes. Import of certain commodities was allowed through Statutory Instrument 64 (as at 30 June) of 2016. 

Wholesale and Copper prices continued to face headwinds, gold prices have recovered since end of January 2016 and appear to be stable.

Group Performance

Driven by the nearly doubling of Gold production and coupled with improved efficiencies, the Group’s revenue increased by 40% in the six months ended 30 June 2016 compared to US$213 million during the same period last year. The Group’s operating profit is US$7 million and operating profit of US$2.3 million.

Group Treasury

The Group’s finance costs fell by 46% to US$21 million against US$47 million during the same period last year. The Company is current on all its obligations.

Gold Businesses

The production of the month-on-month opened Car & Motor Mine of 40,000ozs surpassed that of Remco Mine at 37,000ozs bringing total production to 775ozs compared to 508ozs produced in the same period last year. The Group is on track to meet its production targets for the year and to return the Gold operations to profitability, anchored on 76% increase in gold sales volume.

Outlook

The Group faces the second phase of the Commissioning of the Car & Motor Plant Project which is expected to be commissioned in the fourth quarter. The successful completion of the project is expected to result in the current gold production at Car & Motor increasing to 100,000ozs and reducing the remaining stripping waste in line with the new mining plan. As a result, the loss position of the Associate 65% better than the same period last year.

Sustainability

The Group remains committed to building sustainable and environmentally responsible operations to ensure that socio-economic benefits and environmental gains are achieved to the communities where the Group operates through its subsidiary, MDCZ. The Group has continued to maintain its community initiatives and to enhance the social wellbeing of the communities. In addition, the Company has continued to strengthen its education initiatives and construction of a classroom block at Magambo School in Gwakwe, including furnishing of desks and chairs.

Appreciation

I would like to take this opportunity to thank my fellow Directors for their guidance and continued support.

On behalf of the Board of Directors, I would like to thank Management and all the employees for their hard work, continued loyalty and dedication. The Group will face some challenges going forward in the business to further improve performance and increase profitability.

The chrome project was put on hold due to the chrome price being US$74.50 per tonne which is below the associated production costs. The Group should be able to justify the intent to resume funding the chrome project and this will continue to be closely monitored.

Energy

An article in the Sunday Mail newspaper by the Sengwe Power Project has improved The Kariba Falls Power Stake (BVI) for both businesses.

Interim Condensed Consolidated Statement of Changes in Equity for the six months ended 30 June 2016

<table>
<thead>
<tr>
<th>Share of shareholders of the parent</th>
<th>Share of non-controlling interests</th>
<th>Total shareholders’ funds</th>
<th>Non-controlling</th>
<th>Total equity</th>
</tr>
</thead>
<tbody>
<tr>
<td>49,402,380</td>
<td>1,238,748</td>
<td>50,641,128</td>
<td>139</td>
<td>50,780,317</td>
</tr>
</tbody>
</table>

Share of results:

In the six months ended 30 June 2016, the Group’s share of profits of its associates and joint venture amounted to US$35,600.

Notes to the Interim Condensed Consolidated Financial Statements for the six months ended 30 June 2016

1. Basis of preparation

The interim condensed consolidated financial statements for the six months ended 30 June 2016 have been prepared in accordance with IFRS (International Financial Reporting Standards) in which the financial statements are not considered to be the primary means of communication as they are not subject to the same level of measurement as the annual financial statements.

The interim condensed consolidated financial statements do not include all the information and disclosures that might be required for a full financial year and should be read in conjunction with the Group’s interim consolidated financial statements for the six months ended 30 June 2015.

2. Significant accounting policies

Where the interim condensed consolidated financial statements, management undertakings, estimations and assessments, estimates and recognitions of impairment and recognition of results, liabilities, income and expenses, the actual results may differ from the estimates and assessments that are required in the interim condensed consolidated financial statements. The estimates and assumptions applied in the interim condensed consolidated financial statements, including the key assumptions on which they are based, will be referred to in the Group’s financial statements for the year ended 31 December 2016.

3. Significant accounting estimates

In preparing the interim condensed consolidated financial statements, the Group will assume that the estimated results of its operations and transactions, the assumptions and the estimates on which the financial statements are based will not change to any material extent.

The capital return to the financial statements for the first six months of 2016 had been affected by the ZAMCO project and the Group continued to improve on its financial results for the six months ended 30 June 2016.

4. Number of shares in issue (***)

The capital return to the financial statements for the first six months of 2016 is being calculated to the Group’s financial statements for the six months ended 30 June 2015.

5. Capital expenditure

The Directors have assessed the ability of the Group to continue as a going concern on a continuous basis and believe that the going concern assumption used in the preparation of the financial statements for the year ended 31 December 2015 is appropriate.

6. Inventories

The Group has continued to improve on its financial results for the six months ended 30 June 2016.

7. Trade and other payables

The Directors have assessed the ability of the Group to continue as a going concern on a continuous basis and believe that the going concern assumption used in the preparation of the financial statements for the year ended 31 December 2015 is appropriate.

8. Preference shares

The Directors have assessed the ability of the Group to continue as a going concern on a continuous basis and believe that the going concern assumption used in the preparation of the financial statements for the year ended 31 December 2015 is appropriate.

9. Interest bearing loans and borrowings

The Directors have assessed the ability of the Group to continue as a going concern on a continuous basis and believe that the going concern assumption used in the preparation of the financial statements for the year ended 31 December 2015 is appropriate.

10. Dividends

The Directors have assessed the ability of the Group to continue as a going concern on a continuous basis and believe that the going concern assumption used in the preparation of the financial statements for the year ended 31 December 2015 is appropriate.

L.P. Chithota (Chairman), M. Matimba (Chief Executive Officer), B. Nkomo*, S.R. Beebjeean, K. Mathewa, M.T. Sachak, C. Denga, I. Masamba Executive Directors

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Directors: L.P. Chithota (Chairman), N.M. Matimba (Chief Executive Officer), B. Nkomo*, S.R. Beebjeean, K. Mathewa, M.T. Sachak, C. Denga, I. Masamba Executive Directors

* Non-resident Director