CHAIRMAN’S STATEMENT

Notwithstanding the implementation of progressive policies and the opening up the Zimbabwean economy, 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 revenue is subject to fluctuations in export and import revenue as well as to the level of local production and sales. The Group’s underperformance was due to low production volumes in the second half of the year 2018, the Group effectively sold 45% of its gold production at only USD 1,200 per oz due to rising parallel market rates. As a result of these challenges, a whole two month’s production was lost albeit although a forex retention of 55% was theoretically sufficient to meet the Company’s immediate operational requirements.

The Group is encouraged by engagements made with the Reserve Bank of Zimbabwe and the government in the near future. I would like to extend the Board’s sincerest gratitude to RioZim’s entire staff for their continued loyalty, support and hard work and specifically for their efforts during the fourth quarter of 2018 which resulted in the successful initiatives of operations. I would also like to thank our valued shareholders who continue to support the Group during this testing time and want it to be known.

Overall, despite the setbacks experienced in the year, the Board-Board, Management, Staff and shareholders alike, have to continue their collaborative endeavours to ensure that the next year is a year of growth for the benefit of all our stakeholders which include our shareholders, communities and the nation at large.

I would like to extend my thanks to the entire Board of Directors for their support and understanding and to the shareholders for their continued support.

L P CHIHOTA
Board Chairman

OUTLOOK

Going forward, our focus remains consistent and well defined — ensure growth opportunities, generate new cash flows and position us in the right space. The Group is targeting a net profit which successfully implemented will significantly improve the Group’s fortunes. The major projects currently implemented by the Group include the Sengwa Power Station and the Kangata gold project. The Group is encouraged by engagements made with the Ministry of Energy which will envisage the group to achieve a significant milestone in the power generation and mining sectors.

SUSTAINABILITY

RioZim limited remains committed to maintaining a sustainable mining operation consistent with its corporate responsibilities. Amongst the Group’s goals is to be a responsible corporate citizen. RioZim Foundation continues to expand its vision to create, develop and provide collaborative sustainable development programs that are beneficial to the communities in which the Group operates and to the country at large.

I would like to extend my thanks to the entire Board of Directors for their support and understanding and to the shareholders for their continued support.

L P CHIHOTA
Board Chairman

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. However, the Group is beginning to see the commencement and ground-breaking ceremony of the Sengwa Power Station Project in the near future.

The Reserve Bank of Zimbabwe introduced the RTGS$ as an official currency separate from the US dollar. 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. Inflows from borrowings and outflows from repayments of borrowings 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.

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6 Exploration, Evaluation and Development Assets

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6 Exploration, Evaluation And Development Assets

At 31 December 2018  6 411    11 904    18 315

Amortisation for the year -  1 228  1 228

At 31 December 2017  6 411    10 975    17 386

The cumulative revaluation preferences share were issued in ZimTel Asset Management Limited and ZIMTEL Invest invitations to shareholders. The revaluation preferences share are not redeemable and are convertible into Zimtel ordinary shares at the discretion of the Directors upon the happening of an event set out in the invitation. The event is the earliest of five years from the date of issue or not more than 180 days from the fifth anniversary of the issue date.

The cumulative revaluation preferences share are carried at nominal cost. As at 31 December 2018 and 2017 these shares were carried at cost as there were no cumulative revaluation preferences shares.

**Profit and plant equipment**

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 accounting standards.

**Notes to abridged financial statements**

**2 Basis of preparation**

The consolidated abridged financial statements are presented in United States Dollars (US$) and the functional currency of the Group is United States Dollars (US$)

**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 accounting standards.

**6 Exploration, Evaluation and Development Assets**

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Amortisation for the year -  1 228  1 228

At 31 December 2017  6 411    10 975    17 386

There have been no other transactions involving ordinary shares or potential ordinary shares.

No dividends were declared or paid to ordinary shareholders during the year.

The Directors have determined that there was no change in the Group’s functional currency of USD.

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 would be left completely to market forces so that the exchange rate reflects the true value of the foreign currency.

The following matters support the assumptions of the going concern assumption in the financial statements for the year ended 31 December 2018.

• The Group’s financial position was strong as it posted a profit of US$3.52 million for the year ended 31 December 2018. Management also expects that the earnings will further improve at the back of the high grade ores which will increase gold production.

• The Bank of Zimbabwe (BOZ) which can not call on 11 year Reserve Bank of Zimbabwe (RBZ) at zero interest rate will be paid for its production at a rate of 11% per annum. The government's monetization of a portion of its debt that was not yet monetized at the alternative rate of approximately 41% which created a significant appreciation in the Hyperinflationary Currency Adjusted (HCA) rate of exchange. The HCA rate of exchange was fixed and has since been adjusted to a rate of 2.5 which will return a higher percentage of its foreign currency that it would be left completely to market forces so that the exchange rate reflects the true value of the foreign currency.

• 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 would be left completely to market forces so that the exchange rate reflects the true value of the foreign currency.

• The Group has not engaged in any transactions which it would not be able to carry out in the normal course of business.

**15 Going concern**

As at the reporting date the Group’s current liabilities exceeded current assets by US$1.67 million (2017: US$1.25 million) and the Group’s current ratio was 0.57 (2017: 0.55). Management is of the view that the Group will continue to generate working capital from normal operations to fund its ongoing operations and expects to continue generating adequate levels of cash flow from operations to fund its operating requirements and capital expenditures.

The Group is not a going concern in its entirety but it will continue as a going concern for a period which is dependent on the realization of contingent assets and the achievement of management objectives.

**Financial instruments**

**12 Financial instruments**

The Group has no derivative financial instruments or any interest rate or price risk mitigation arrangements.

**10 Interest bearing loans and borrowings**

**15 Going concern**

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