Cautionary Statement

INABILITY TO PRODUCE BULLION DUE TO NOT BEING ABLE TO MEET OPERATING EXPENDITURE AS A RESULT OF THE FIXED EXCHANGE RATE MECHANISM, THE LIMITED FOREX RETENTION POLICY AND THE DELAYS IN RECEIPT OF GOLD SALE PROCEEDS

The Directors of RioZim Limited wish to advise the Company’s shareholders and the investing public that the Company is currently facing severe challenges arising from a major discrepancy between its expenses and receipts for its gold production. This is being driven by a combination of the fixed exchange rate mechanism and the limited retention of foreign currency being made available to it. The Central Bank’s policy is that gold producers are entitled to access only 70% of their gold proceeds in foreign exchange in their Nostro Account and the balance of 30% in Zimbabwean Dollars (‘ZWL’) at the prevailing fixed interbank rate. The interbank rate has been fixed at ZWL25:USD1 while the real market purchasing power of the United States Dollars (‘USD’) is allegedly hovering around 80:1. This effectively means that the Company is selling 30% of its USD at a rate of 25:1 while the market and the Company’s suppliers are pricing goods at in excess of 80:1. This payment mechanism essentially means that the Company is getting less than 80% for its gold production compared to the international market price.

The impact of this situation on the Company’s operations has been that the Company is no longer able to meet its operational expenditure requirements considering that the company is required to pay for electricity and fuel in USD along with almost all of its consumables and spares also being denominated in USD. Part of the salaries of employees are also paid in USD making it impossible to make ends meet. This means that the Company does not have sufficient foreign currency to sustain its operations let alone fund growth. Employees are also refusing to be paid any ZWL and if paid in ZWL they are insisting that they are rated at the so called “market exchange rate”. The 30% local currency being availed at circa 75% discount to its real market worth, without overemphasising, is grossly inadequate to sustain operations.

Further, even the receipts for the gold delivered to Fidelity Printers and Refiners are being delayed inordinately. Currently, the Company is owed USD 2,460,472 and ZWL 65,477,982. The ZWL portion of the Company’s receivables from RBZ have lost almost all their purchasing power in the meanwhile. These delays, coupled with the current policies whereby the Company is losing over 20% value of its gold, and the extremely expensive local market for its consumables and spares, has made it impossible for the Company to procure the necessary consumables required to continue production of bullion. The Company has, therefore, been forced to stop production of bullion due to its inability to buy essential consumables and spares and is actively considering placing all its gold mines on care and maintenance until a viable solution is found.

The Company has engaged with the Government and other relevant authorities and continues to do so but has made no progress so far.

These developments and the consequences thereof will have a materially adverse impact on the Company’s performance. Accordingly, shareholders and the investing public are advised to exercise caution and to consult their professional advisers when dealing in the Company’s securities until another announcement is made.

By order of the Board
Per Chiurayi T. A
RioZim Management Services (Private) Limited (Secretaries)
1 Kenilworth Road, Highlands, Harare
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