



# RIOZIM LIMITED

## Cautionary Statement

*(Incorporated in Zimbabwe on 29 August 1956 under registration number 607/56)*

**Head Office:** RioZim Limited

1 Kenilworth Road, Highlands, Harare. P O Box CY 1243, Causeway, or P O Box HG 900 Highlands, Harare, Zimbabwe Telephone 746141/9, 776085/91, 746089/95.

The Directors of RioZim Limited wish to advise the Company's shareholders and members of the public that the Company is currently facing severe challenges arising from the Company's inability to access its foreign currency earnings that are required to fund its operations and sustain its growth. Whilst the Central Bank's policy from April 2016 to September 2018 was that gold producers were entitled to access 50% of their receipts in foreign exchange automatically in their nostro account and the balance 50% by application (this policy has changed to 30% with effect from 1 October 2018), the Company has not received even the first 50% let alone the balance as per the Directives issued by the Central Bank in respect of its foreign exchange allocation. Since 2016 to date, the Company has only been allocated an average of circa 15% of the foreign currency that it has generated. The Company is required to deliver all gold produced to Fidelity Printers and Refiners (Private) Limited ("Fidelity Printers") who in turn, credit the Company through the local RTGS system notwithstanding the fact that they have a contractual obligation to pay in foreign currency. The impact of this on the Company's operations has been that the Company is unable to pay its external suppliers and consequently, the Company's costs have escalated as the price of locally available consumables and spares has increased exponentially when compared to the prices quoted by external suppliers for the same products. In some cases, the prices quoted by local suppliers is more than 300% the prices quoted by their international counterparts. Furthermore, the effect of the Central Bank's inability to allocate the Company adequate foreign currency is that the Company has in effect been receiving a fraction of the true value of the international market price of the gold that it has been delivering to Fidelity Printers. The situation is thus unsustainable and prohibits the Company's ability to operate viably and maintain its production.

In addition, the gold business requires access to foreign currency in order to fund very important sustaining capex projects. For example, the Company needs to establish a Biological Oxidation Plant at Cam & Motor Mine which is required to treat refractory ore as the near-surface oxidized ore was already depleted at the end of last year. Unless the Company is allowed to access adequate foreign currency to fund this project, it will not be able to build this plant thereby adversely affecting the viability of the mine. There are other similar capex projects which are absolutely critical for the Company to sustain and grow its current production which have not been triggered as a result of foreign currency not being available

The lack of foreign currency has also started to have a significant negative impact on the Company's ability to meet its projected targets. The challenge which the Company faces is that its revenues have shrunk leading to a severely depressed production whilst its cost base continues to fluctuate and like most mining companies, the Company's costs are largely fixed and the Company can only benefit from increased production. Locally, costs have increased exponentially.

The Company has engaged the Central Bank on numerous occasions over the issue and minimal progress has been made in improving the situation. Therefore in addition to the other measures that the Company is considering to address the situation, the Company has proceeded to formally serve the Reserve Bank of Zimbabwe with its notice advising it of its intention to file legal proceedings against the Reserve Bank of Zimbabwe for a claim demanding that the Central Bank complies with its directives and policies, and also, for compensation for any losses that the Company has suffered as result of the Central Bank's non-compliance with its directives from 2016 to date.

The Company continues to engage the Reserve Bank of Zimbabwe on the matter and the Board is also closely monitoring the situation. These developments and the consequences thereof may have a material impact on the Company's performance and therefore, in the interim, the Directors advise the Shareholders of RioZim Limited, and the public, to exercise caution and to consult their professional advisers when dealing in the shares of the Company.

**By order of the Board**  
**RioZim Management Services (Private) Limited (Secretaries)**  
**Per Makorie Z.**

**9 October 2018**