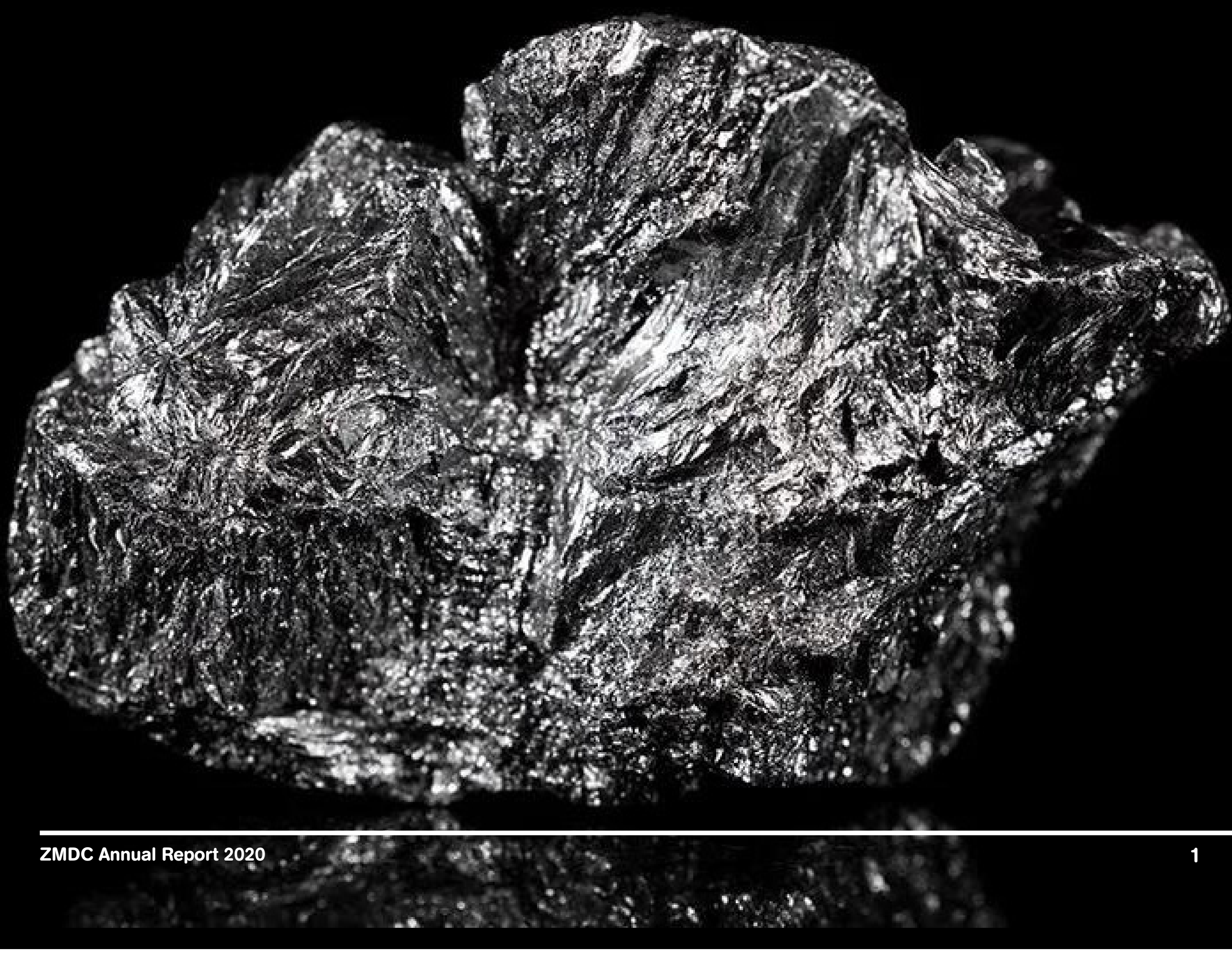


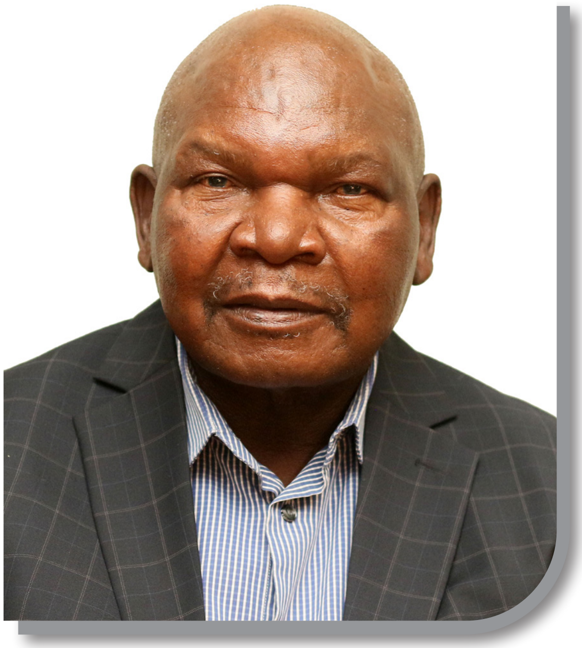

ZMDC
ZIMBABWE MINING DEVELOPMENT CORPORATION

ZMDC
Annual Report
2020

TABLE OF CONTENTS



1.0 LETTER TO THE MINISTER OF MINES AND MINING DEVELOPMENT



15 March 2022

The Honourable Minister,
Ministry of Mines and Mining Development
7th Floor,
Zimre Centre
Harare

Attention: Honourable Minister W. Chitando

RE: ANNUAL REPORT ON AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

As required by Section 49 of the Public Finance Management Act (Chapter 22:19) as read with Section 39(2) of the Zimbabwe Mining Development Corporation Act (Chapter 21:08), I have the pleasure of presenting the Annual Report and Financial statements of the Zimbabwe Mining Development Corporation for the year ended 31 December 2020.

Yours faithfully,

PETER CHIMBOZA

CHAIRMAN, MINING DEVELOPMENT BOARD

2.0 COMPANY PROFILE

Zimbabwe Mining and Development Corporation (ZMDC)

REGISTERED OFFICE ADDRESS

6 Constantia Avenue
Strathaven
Harare

Telephone numbers: +263 242487014/20

BANKERS

CBZ Bank
3rd Floor, Union House
60 Kwame Nkrumah Avenue
Harare

FBC Bank
6th Floor FBC Centre
45 Nelson Mandela Avenue
Harare

LEGAL ADVISORS

Sawyer & Mkushi
Legal practitioners
11th Floor Social Security Centre,
99 Park Lane Street
Harare

Mutamangira & Associates
Legal Practitioners
38 Clairwood Road
Alexandra Park
Harare.

2.1 BACKGROUND

The Zimbabwe Mining Development Corporation (ZMDC) was established in 1982 by an Act of parliament Zimbabwe Mining Development Corporation Act [Chapter 21:08]. ZMDC is a wholly owned Government parastatal which falls under the ambit of the Ministry of Mines and Mining Development. The Mandate of ZMDC is;

- To invest in the mining industry in Zimbabwe on behalf of the State
- To plan, coordinate and implement mining development projects on behalf of the state
- To engage in prospecting, exploration, mining and mineral beneficiation programmes.
- To render assistance to persons engaged in and about to engage in mining
- To encourage and undertake the formation of mining cooperatives
- To advise the Minister on all matters connected with corporate investments in the mining industry and make recommendations for the proper coordination of all investment programs
- To review the general economic conditions and prospects of the mining industry and make recommendations for the proper coordination of all investment programmes
- To carry out any other functions and duties which may be imposed upon the Corporation by any enactment.

VISION

A sustainable USD600 Million mining house by 2023.

MISSION

To engage in sustainable mineral development and beneficiation for the benefit of all stakeholders.

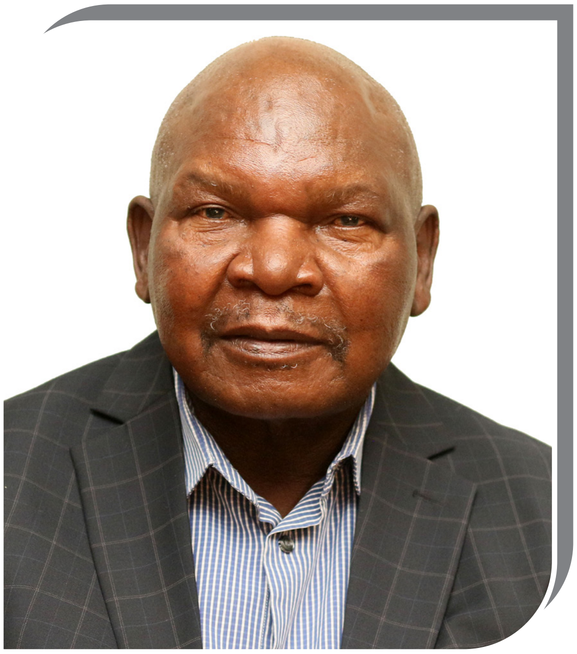
CORE VALUES

Integrity	We shall not compromise on honesty at all times and we will uphold professionalism, trust, transparency, responsibility and ensuring safety, security and environmental care.
Teamwork	Pulling together to ensure common success. We believe each one of us has something to contribute and therefore will allow individuals to be innovative.
Commitment	Dedication and loyalty, putting the interests of ZMDC first
Continuous Improvement	Continuous and innovative improvement of our business processes and people.
Results Oriented	Focus on surpassing targets and deliver quality services on time.
Corporate Social Investment	Invest in the communities where we operate.

DIRECTORS AND EXECUTIVE MANAGEMENT PROFILES

Zimbabwe Mining Development Corporation is governed through the Board of Directors. The directors are accountable for the business strategy and performance of the Corporation. The day to day running of the Corporation is entrusted to executive management who are accountable to the board for execution of agreed strategy.

3.1 DIRECTORS



BOARD CHAIRMAN - PETER RINDAI CHIMBOZA

Mr Chimboza started his mining carrier at Zimbabwe Alloys-an Anglo American Company from 1980 to 1983 as a graduate trainee. In 1984 he joined Zimbabwe Iron and Steel Company (ZISCO) and later promoted to Coke Works Manager in 1985 and thereafter rose through the ranks to the position of Divisional Manager Iron Making and later promoted to Production Executive in 1992 to 1993. He joined Industrial pipe and steel in 1994 as General Manager before moving to Zimbabwe mining and smelting company (Zimasco) as Metallurgical Services manager from 1995 to 2003. He joined Mimosa mining company from 2004 as General Manager and rose through the ranks to the position of Resident Director where he led the company extensive expansion programme. In 2016 he was appointed to Executive Director Mimosa Mining Company -which position he retired from in 2018.

Mr Chimboza is a holder of a Bachelor of Science Degree from the University of Luton -United Kingdom. He is a member of the Engineering Council of Zimbabwe.

Mr Chimboza is the Non-Executive Chairman of the Zimbabwe Mining Development Corporation and a Non – Executive Board member for the Zimbabwe Consolidated Diamond Company.

DEPUTY CHAIRMAN
WELLINGTON PASIPAMIRE

Mr Wellington Pasipamire is an investment banker, having served for more than 20 years in the banking sector in Zimbabwe in different senior management roles.

He started his career in 1994 within the Banking division of the Anglo- American Group Zimbabwe where his role included focus on treasury management and structured finance amongst other responsibilities. He was to move to NMB Bank in 1997, assuming a senior role within the Treasury division, before moving to Interfin Merchant Bank two years later as senior Treasurer for the Group. He was to spend two years at Interfin Merchant bank before co-founding Legend Asset Managers, as its founding Managing Director. He played a key role at the Asset management company and successfully concluded big ticket deals within the financial services sector. Mr Pasipamire left Legend Asset Managers in 2009 and co-founded Nyembesi Capital, an advisory services company where he still serves as the Executive Chairman. Mr Pasipamire is currently the Chairman of Zimbabwe Consolidated Diamond Company (ZCDC).

Mr Pasipamire is a CAIB member, affiliated to the institute of Bankers South Africa. He holds both a diploma and advanced diploma in treasury management and trade finance with the same institute. He also holds an MBA with Nottingham Trent University. Mr Wellington Pasipamire sits on several other boards.

CHARLES TAWHA

Mr Tawha is an Engineer who has served in Government where he held the positions of Mining Engineer from 1 April 1990 and was appointed Senior Mining Engineer in April 1996 before being appointed as a Regional Mining Engineer in December 2007 and in 2010 was appointed the Chief Government Engineer.

Mr Tawha was previously responsible for regulating all mining operations and served as the Acting Director of Mining Promotion and Development where he, among other duties, coordinated the minerals policy planning and development as well as monitoring the marketing processes for both exports and imports and track performance of mining parastatals and State Enterprises. He is currently the Principal Director- Technical Services in the Ministry of Mines and Mining Development.

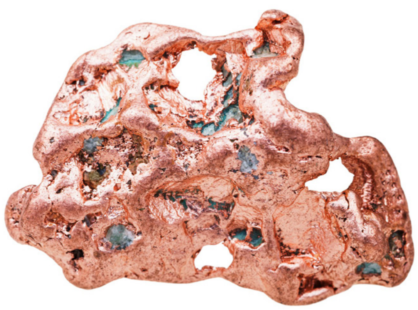
He previously served on the Infrastructural Development Bank of Zimbabwe and Zimbabwe School of Mines Boards and was also on the Organising Committee of the Southern Africa Institute of Mining and Metallurgy Zimbabwe Chapter. He is currently a Non-Executive Director of Zimbabwe Mining Development Corporation and a Board member of the Mining Affairs Board. He is also a Board member of Zimbabwe Consolidated Diamond Mining Company (ZCDC).

Mr Tawha holds a Bachelor of Science (Engineering) Honours Degree from the University of Zimbabwe.

RICHARD JAURE

Mr Jaure, a Chemist has headed various manufacturing companies in the country. He was the Managing Director of CAPS (Pvt) Ltd between 2001 and 2005. In 2010, Richard was appointed as the Group Chief Operations Officer of Medivision Holding, a post he held till 2012. Currently he is the Chief Executive Officer of ACA Chemicals (Pvt) Ltd and he has been at its helm since 2012. Mr Jaure currently sits as non-executive Director on the Zimbabwe Mining Development Corporation Board.

Mr Jaure obtained his (BSc) Chemistry from the University of Zimbabwe and later did his MBA during 2008 and 2011 with the same University. He is also a holder of a Quality Assurance Diploma.



REASON MANDIMIKA

Mr R Mandimika is a Mining Engineer by profession and was the General Manager for Resource and Mining Division of Zimasco before his retirement in 2019.

Reason's career dates back from 1987 to 1995 as Sabi Mine Manager. Sabi Mine is one of Zimbabwe Mining Development Corporation's subsidiaries. He left Sabi and joined Peak Mine (Zimasco) as Mine Manager from 1995 to 1999). He became the Senior Mining Engineer for Zimasco from 1997 to 1999. Mr Mandimika then left Zimasco for Mimosa as Senior Mine Manager from 1999 to 2000. From December 2000 to 2008 he was promoted to General Manager then to Mining Executive responsible for Shurugwi Division and Mining Technical Services (Zimasco) from 2008 to 2013 - Responsible for two underground and two open pit company owned and operated mines in and around Shurugwi and South Dyke, two open pit mines mined on contract by two independent companies and up to 80 small scale contractors working company claims along the southern region of Great Dyke. The job's critical role was to add value by ensuring that Zimasco 's smelter operations in Kwekwe were stabilized by consistently supplying the right quantity and quality of ores timeously.

Mr Mandimika became General Manager for Reserve and Resource from 2013 to February 2018, General Manager for Resource and Mining Division Zimasco from March 2018 up to retirement in 2019.

Mr Mandimika was hired back as the Consulting Mining Engineer for Zimasco (Pvt) Ltd from January 2019 a position he holds to date.

Mr Mandimika currently sits on the Zimbabwe Mining Development Board as a Non-Executive Director since 2018. He is the Chairman of the Technical Committee (ZMDC Mining Board). He holds a B. Sc. (Hons) Mining Engineering from Newcastle –upon-Tyne, UK, 1980, a Management Development Programme – University of South Africa and Advanced International Training Programme in Mining Technology – Lulea University of Technology, Sweden. He is also an Ordinary Member of the Southern African Institute of Mining and Metallurgy, The Association of Mine Managers of Zimbabwe and The Zimbabwe Institute of Engineers.

SLAVA GRACE CHELLA

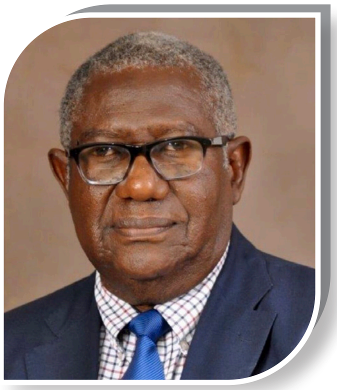
Mrs Chella started her career in 1974, when she worked as an Assistant Accountant at Mining Development Corporation of Zambia (Mindeco) before she joined Zambia National Provident Fund in 1975 as an internal auditor up to 1980. She moved to Anglo American Corporation Services Ltd where she served as an assistant accountant for a year before joining the Ministry of Finance and Economic Development as an Assistant Secretary in 1981-1982. She served as an accountant at the Minerals Marketing Corporation of Zimbabwe from 1983 before being appointed a financial controller in 1986 up to 1989. In 1991 she joined Climatec (Pvt) Ltd as a General Manager before being appointed Business Operations Director from 2001- 2004. She later joined Jerox Investments (Pvt) Ltd as a Managing Consultant.

Mrs Chella was the second Vice President of the Institute of Chartered Secretaries and Administrators Zimbabwe (ICSAZ) between 1997 and 1998, then became the first Vice President from 1999 to 2000. She was the representative of the Zimbabwe Institute of Chartered Secretaries and Administrators International from 2001 to 2005 and the Vice President on the Institute of Chartered Secretaries and Administrators International from January 2005 to December 2006. Due to her vast experience and passion for corporate governance issues, Mrs Chella presented over seventeen papers on the subject to various workshops and conducted several training seminars for many organizations. She was a member of the steering Committee of National Code on Corporate Governance launched in 2015.

She previously served on various Boards among them, the Reserve Bank of Zimbabwe as a Non-Executive Director from July 2003 to May 2009, the University of Zimbabwe Graduate Management Board for MBA programs in October 1998 to May 2004 and Agribank as a Non-Executive Director of the Zimbabwe Power Company, from 2009 to 2012 in November 2015, she was appointed to the Board of the Zimbabwe Consolidated Diamond Company (ZCDC)(Pvt) and served as Acting Chairperson from 2017 to 2018.

Mrs Chella is currently a Non-Executive Director of the Zimbabwe Mining Development Corporation. She also sits on the Imara Assets Management Board having been appointed in August 2009 and the Board of the Quality Corporate Governance Centre/Trading as ZIMLEF where she was appointed in 2010. She is also a Board member of Zimbabwe Consolidated Diamond Mining Company (ZCDC).

Mrs Chella is a holder of a Masters' Degree in Business Administration (MBA) from the University of Zimbabwe. She is a member of the Chartered Institute of Secretaries and Administrators (ICSA) and was awarded the associateship in 1980 and fellowship in 1986. She is also a member of the Institute of Directors and was awarded the associateship in 2001 and fellowship in 2003.



DAVID MURANGARI

The late Mr David Murangari was a Geologist by profession. He started his career with the Ministry of Mines and Mining Development as the Harare Regional Director in 1980. He rose through the ladder within the Ministry to become Deputy Director-Geological Survey Department, a department responsible of mineral exploration monitoring, mapping, technical services, geoscientific data compilation and other duties. In 1985, David was elevated to Deputy Secretary for Mines, a position he held till 1988. He was appointed to Secretary of Mines in 1988 becoming the administrative head of the Ministry, serving this post till 1997. He joined the private sector and was the Deputy Chairman for Bindura Nickel Corporation and was also Chief Executive Officer for Bindura Nickel Corporation (2007 – 2013), Zimbabwe Chamber of Mines of Zimbabwe (1999 - 2007) and Trillion Zimbabwe (Pvt) Ltd (1997 - 1999).

Mr Murangari was a holder of a Master of Science Degree in Geology from the University of Colorado (1976) and a Bachelor of Science Degree in Geology & Chemistry from the University of Addis Ababa, Ethiopia (1966)

Mr. Murangari had vast international working experience covering a number of mining companies in Zambia and the United States of America. He was the non-Executive Director of Zimbabwe Mining Development Corporation Board in 2019.

3.2 EXECUTIVE MANAGEMENT TEAM

GENERAL MANAGER
BLESSED CHITAMBIRA

COMPANY SECRETARY & LEGAL ADVISOR
TINASHE C. CHIPARO

Mr Blessed Chitambira is an experienced Metallurgical Engineer with over 24 years of postgraduate experience in mining and metallurgical processes. His experience covers strategic leadership in turning around organisations, project appraisals and manpower management. He Joined ZMDC as General Manager in June 2019.

He started his career as a graduate trainee with Rio Tinto Zimbabwe in 1996 where he was exposed to Renco Mine, Patchway mine, Empress Base Metal Refinery and Cam Dump retreatment operations. He rose through the ranks in Rio Tinto from Plant Metallurgist at Cam Dump (1997 - 98), Smelter Superintendent (1999 - 2000) and Senior Metallurgist for Base Metal Refinery (2000 - 2002). Blessed left Rio Tinto in May 2002 and joined Zimasco in June 2002 as East Plant Furnaces Manager. He performed extremely well as East Plant Furnaces Manager and was promoted to Alloy Processing and Recovery Manager in 2003. He again rose through the ranks due to hard work and dedication from Raw Materials Manager to Production Manager before being appointed in February 2010 as the General Manager for Kwekwe Division responsible for production of 180,000 tonnes per annum of High Carbon Ferrochrome using five Submerged arc furnaces, a position he held for 8 years. He left Zimasco in 2018 and briefly worked as consultant for Zimbabwe Alloys A3 resuscitation project before joining ZMDC as General Manager in June 2019.

He is a member of the South African institute of Mining and Metallurgy (SAIMM). He obtained his Bachelor of science degree in Metallurgical Engineering from the University of Zimbabwe and has undertaken various professional development courses such a finance for non-Finance Managers at Wits Business school, ISO 9000 Quality management system and SAMTRAC safety management course.

Mr. Chiparo is a registered legal practitioner and has extensive experience in Corporate legal affairs. Mr Chiparo started his career as a Law Officer at the Ministry of Justice Legal and Parliamentary Affairs from 2002 to 2006. He joined ZIMRA as a Law Officer from 2006 to 2007. He left Zimra and joined Messrs Mugadza & Company Legal Practitioners as a Professional Assistant from 2007 - Dec 2008. He joined Messrs Sinyoro and Partners, Labour and Commercial Law Attorneys again as a Professional Assistant in 2008. He later joined ZMDC in 2009 as a Legal manager, before assuming the position of Company Secretary & Legal Advisor in an acting capacity in 2010. He was to assume the position of Chief Mines Secretary in 2016 before substantively assuming the position of Company Secretary & Legal Advisor.

He is currently heading the ZMDC Corporate & Legal Services department alone since November 2016 giving secretarial and legal advice to four of the Corporation's five subsidiaries. Working in this position has allowed him to gain invaluable experience of working in senior management and leadership positions that require high level of organisational skills and time management.

Tinashe Chiparo holds a Bachelor of Laws Honours Degree (LLBs) from the University of Zimbabwe 1998 – 2002 a Certificate in Legislative Drafting Course 2005 from the Judicial College of Zimbabwe, Certificate in Commercial Law Training Programme - 2011 from the International Senior Lawyers Project, Certificate in Commercial Contract Interpretation, Drafting & Management, (South Africa - 2011). He is also a Member of the Law Society of Zimbabwe.

ACTING CHIEF FINANCE OFFICER
JONATHAN MAIWASHA

Mr Jonathan Maiwasha is a seasoned accountant in the field of accountancy and finance. He started his career in 2003 as a trainee with Imara Stockbrokers. He joined Zimbabwe Mining Development Corporation (ZMDC) in 2006 as Assistant Accountant and worked in various capacities within the group and rose through the ranks to his current position.

Mr. Maiwasha is a holder of a MSc in Finance and Investment from Irish University Business School, BSc (Hons) Degree in Applied Accounting from Oxford Brookes University (UK), BCom (Hons) Degree in Finance from National University of Science and Technology (Zimbabwe), Executive Diploma in Business Leadership from Zimbabwe Institute of Management (Zimbabwe), Advanced Diploma in Accounting and Business from Association of Chartered Certified Accountants (UK), Executive Certificate in Treasury Management from University of Zimbabwe (Zimbabwe) and Certificate in Strategic Business Management from University of Cape Town (South Africa).

GROUP HR MANAGER
GARIKAYI J. CHIMHINA

Mr Garikayi Chimhina is a qualified Human Resources Manager with 11 years of experience. Adept in screening, interviewing, hiring and training as well as developing and implementing Human Resources strategies and initiatives aligned with the overall business strategy.

Mr Chimhina started his career as a teacher from 1996 to 2008. End of 2009 he then started his career as Human Resources Officer at Sabi Mine, was promoted that very year to Human Resources Executive up to 2012. In October 2012 he was promoted to Human Resources Development Manager ZMDC in charge of training and developing Human Resources for the ZMDC group up to December 2013. In January 2014 Mr Chimhina was promoted to Acting Group Human Resources Manager becoming substantive Group Human Resources Manager in 2015 to date. Between January 2017 to July 2018 Mr Chimhina held the position of Acting General Manager whilst a substantive General Manager was being sought.

Garikayi holds a Master of Commerce in Strategic Management and Corporate Governance (Midlands State University); Bachelor of Commerce in Human Resources Management (Zimbabwe Open University); Bachelor of Education Degree (University of Pretoria); Diploma in Personnel Management (IPMZ); Diploma in Law - Conciliation and Arbitration (University of Zimbabwe); Diploma in Education (Gweru Teachers' College).

4.0 BOARD CHAIRMAN'S STATEMENT

4.1 Overview

It is my great pleasure on behalf of the board and management to report to you our valued stakeholders the Corporation's performance for the year ending 31 December 2020. Our operations continued to operate under difficult economic environment caused by illegal economic sanctions imposed on ZMDC. The Corporation continued with partial privatisation of its subsidiaries as enshrined in the National Development Strategy 1 (NDS1). To date 16 of its subsidiaries have been partially privatised. Outstanding are three assets and the process is expected to be complete by end of the year 2021. In order to generate revenue for the Corporation, the board and management introduced contract mining which is anchored on production sharing agreements. This should see a change in fortunes of ZMDC as the units under contract mining come into operation by first quarter of 2022.

The year under review was characterised by increased inflationary pressures, currency depreciation, foreign currency shortages and wage pressures due to the decline in real income levels among other challenges caused by the difficult operating environment. The country in general also faced the effects of Covid 19 pandemic. This resulted in national lockdowns, decongestion of workplaces and spending in technology to accommodate working from home.

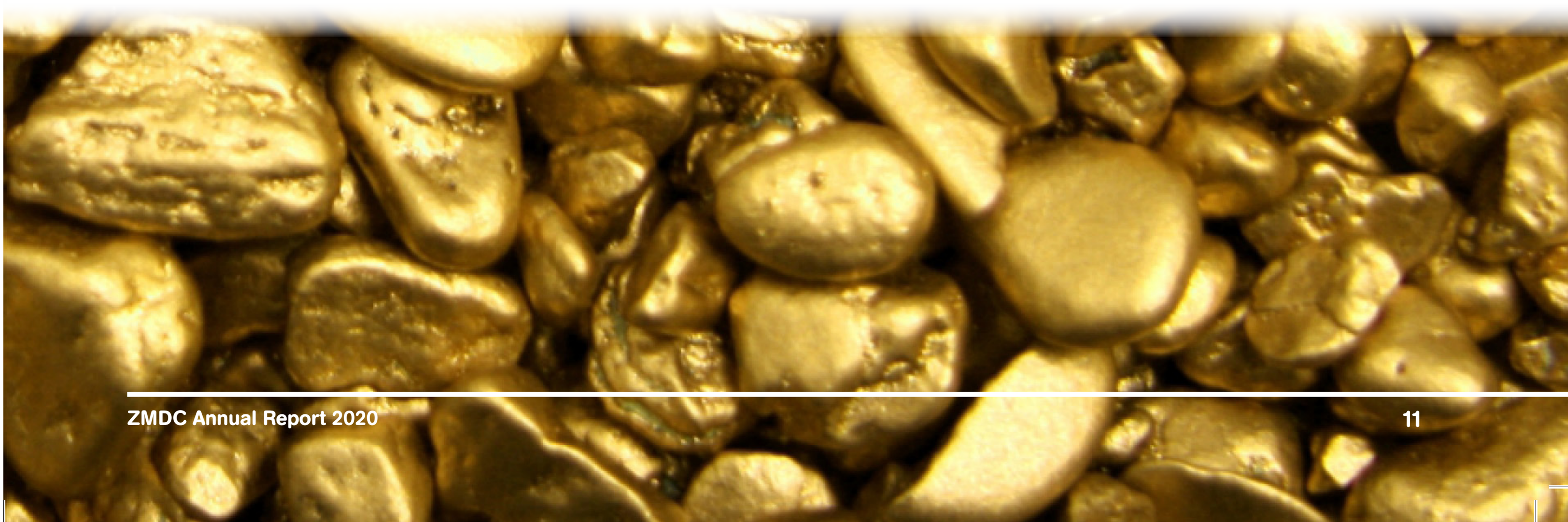
The above significantly affected the operating environment for the Corporation and this was compounded by limited access to capital and sanctions imposed on the entity.

4.2 Corporate Strategy

The Corporation continued to implement its Partial Privatization strategy in 2020 as enshrined in the National Development Strategy One (NDS1). This process is expected to be complete by end of 2021. When complete a total of 21 assets will be under partial privatization. This strategy will result in resuscitation of closed mines, optimisation of production in operating mines and opening of new mines.

4.3 Operations Overview

The Corporation had two production units during the year under review and these were Jena Gold Mine and Sabi Gold Mine. Jena Mine produced 272 kg against a budget of 241kg. Sabi Mine produced 148 kg against a budget of 221kg. Production was mainly affected by power outages during the first quarter as a result of load shedding. The output from the two mines increased significantly in 2020 compared to 2019 where total production from the two mines was 420kg compared to 320 kg for the same period. Other Subsidiaries which include Sandawana Mine, Elvington Mine and Zimbabwe Germany Graphite Mines were on care and maintenance during the year under review. Jena Mine, Elvington Mine and Sandawana Mines were partially privatised and management of the entities were handed over to Kuvimba Mining House in May 2020. Sabi Mine remained under Judicial management during the period under review.



4.4 Financial highlights (Inflation adjusted)

The Corporation's financial statements are presented in Zimbabwean dollars (ZWL) in compliance with the Statutory Instrument 33 of 2019 and then adjusted for inflation. The inflation adjusted operating loss for the year was **$316,111,008** compared to prior year operating loss of **$364,845,368.** The inflation adjusted loss before tax for the year was

$5,479,644,772 compared to a profit of **$10,910,054,371** recorded in 2019. The loss was mainly attributed to foreign exchange loss of **$3,811,025,576** arising from a loan given to Sabi Mine by Chandiwana Mines and monetary losses.

4.5 Outlook

The Corporation's performance is projected to improve significantly following implementation of its corporate strategy which is anchored on joint venture partnership and contract mining arrangements. This should see the Corporation turning around the organisation by mid-2022. This strategy is being supported by a boom in commodity prices due to the clean energy transition. The price of gold has remained firm and all the minerals in the Corporation's basket are on an upward trend. The Board and Management will continue to implement initiatives and strategies to improve the Corporation's financial position in the next coming years as well as looking at new opportunities in exploration and exploitation of minerals resources so that ZMDC continues to create value and declare dividends for the benefit of our stakeholders.

Appreciation

I would like to thank my fellow Board members for the unwavering support and dedication to the Corporation, management and staff for their commitments towards our shared values and vision of our business. I also wish to thank the Government of Zimbabwe and the Ministry of Mines and Mining Development for the direction and valued support to the Corporation.

PETER CHIMBOZA

BOARD CHAIRMAN

5.0 GENERAL MANAGER'S REPORT

5.1 Operating Environment

The economic environment remained challenging during the year under review and was characterised by absence of long-term funding which negatively affected long term capital development projects. The year was also characterised by shortage of foreign currency, currency depreciation and effects of Covid 19 pandemic. The country felt the effects of the pandemic in various sectors of the economy as a result of national lockdowns which were aimed at saving life. The annual inflation rate closed the year at 348.5%. Mining growth slowed by -4.7% in 2020 according to Ministry of Finance and Economic Development. However, the sector is expected to grow by 11% in 2021.

In view of the shortage of internal resources and long-term funding the Corporation introduced Joint Venture partnerships that are centred on profit sharing agreements and Contract Mining partnerships that are anchored on product sharing agreements. The procurement process of the partnership agreements was initiated during the year under review and commissioning of the projects under this arrangement is expected during the first quarter of 2022.

5.2 Operations Overview

ZMDC had two subsidiaries namely Jena Mine and Sabi Mine that were operating in the year under review. Other subsidiaries such as Elvington Mine, Sandawana Mine and Lynx Mine were under care and maintenance.

GENERAL MANAGER - BLESSED CHITAMBIRA

The Corporation entered into the following Joint Venture agreements during the year under review:

- Jena Mine (Pvt) Ltd with Kuvimba Mining House
- Elvington Mine with Kuvimba Mining House
- Sandawana Mine with Kuvimba Mining House
- Mbungu Resources with Sakunda for Coal Bed Methane
- Tswane Resources with Tumagole Consortium for Coal Bed Methane and
- Alaska dump with Grand Sanyuan and Rusununguko Holdings

Other existing Joint Ventures signed prior 2020 are:

- Todal Mine with Lefever
- Kamativi Tin Mine with PD Times of China
- Global Platinum Resources with Wambao Rexco Limited and Old Stone and
- Lutope Mine with Cession Mining.

These Joint Ventures are now at various stages of implementation aimed at resuscitation of the mines. An aggressive approach is also being employed on existing Joint Ventures signed before 2019 to make sure their milestones are met and achieved as agreed. Failure to meet agreed milestones will result in cancellation of the joint ventures. The table below summarises the entities that are under joint ventures, shareholding and status of the projects.

LIST OF JOINT VENTURES AND CURRENT STATUS OF THE PROJECTS.

No.	JV Name	Shareholding	Mineral	Title	UPDATE
	Sinamatella Matabeleland north	ZMDC 40% Zhongxin Coking Co. Ltd 60%	Coal	Special Grant (SG) 5756	The ban on mining in National Parks stalled the project and investigations on possibility of underground mining are under way.
	Tswane (Pvt) Ltd Gwayi CBM, Matabeleland North	ZMDC 15% Tumagole 85%	Coal Bed Methane (CBM)	SG 5754	EIA approved and exploration work to start in May 2022.
	Mbungu Resources Mbungu CBM Matabeleland North	ZMDC 15% Sakunda 85%	CBM	SG 5755	EIA process done and awaiting EMA certificate so that exploration work can start.
	Zimgold Fields (Pvt) Ltd Angwa, Mash West	ZMDC 30% Midlands Goldfields (Belarus) 70%	Gold	5 Special Grants	Project stalled by the ban on riverbed mining.
	Jena Gold Mine Silobela	ZMDC 15% Kuvimba Mining 85%	Gold	Mining Lease (ML) No. 18	Operating. Production currently at 35kg/month.
	Elvington Gold Mine Chegutu, Mash West	ZMDC 15% Kuvimba Mining 85%	Gold	21 Blocks & Farming land	Under care and maintenance, however a Geologist is now onsite and is working on plan for the mine exploration and resuscitation.
	Sandawana Mine Mberengwa, Midlands	ZMDC 15% Kuvimba Mining 85%	Gold, Emeralds, Tantalite, Lithium	Mining Lease No. 3 & 54 Blocks & 6 Sites	Under care and maintenance
	Grand Sanyuan Alaska, Chinhoyi, Mash West	ZMDC 10% Rusununguko 10% Sanyuan 80%	Copper, Gold	Alaska Slag Dump	Civils completed and installation of the smelter is in progress. Commissioning now expected in April 2022.
	Lutope Kamativi, Matabeleland North	ZMDC 30% Cession Mining 70%	Tin, Lithium, Tantalite, Niobium, Beryllium, Mica	SG5651	Exploration ongoing. 8 holes drilled to date. Results received indicate values of lithium around 0.2% Li. An aeromagnetic survey over the entire area of Lutope has been done in order to identify more targets and results are positive.
	Kamativi Mining Company Matabeleland North	ZMDC (Kamativi) 15% PD Times 85%	Tin, Lithium, Tantalite, Niobium, Beryllium, Mica	Mining Lease No. 12	Exploration team is onsite. First stage drilling is almost complete centred on the open cast area. The idea is to resuscitate the mine in phases starting with open cast mining in 2023.
	Kamativi Tailings Company Matabeleland North	ZMDC 40% Jimbarta 60%	Tin, Lithium, Tantalite, Niobium, Beryllium, Mica	Dump	The Corporation is seeking to cancel agreement. Lintmar has appealed after they lost the case and the matter is now before the Supreme Court.
	Todal Mining (Pvt) Ltd Shurugwi, Midlands	ZMDC (Transminerals) 40% Lefever 60%	Nickel & Chrome	42 BM Blocks (31 Ni & 11 Cr)	Special Mining Lease pending. Feasibility study complete.

No.	JV Name	Shareholding	Mineral	Title	UPDATE
	Global Platinum Resources, Selous, Mash west.	ZMDC 20% Wanbao Rexco Limited (Hong Kong) of China 50% Old Stone 30%	Platinum Nickel	Hopewell Special Mining Lease No. 30, 85 Ni Blocks	Project at Prefeasibility stage. Wanbao Rexco mobilizing financial resources to progress to full feasibility.
	Shin Zim Platinum (Pvt) Ltd Selous, Mash West	ZMDC 50% Global PS Mining Investments Company Ltd from UAE 50%	Platinum Nickel	31 Blocks 23 Ni + 8 Pt	Cancellation of the agreement is in progress due to non-performance from Global PS. Discussion for mutual termination is in progress.
	Afrisino Mining Resources (Pvt) Ltd Kanyemba Mash Central	ZMDC 30% CNNC Overseas Uranium Holding Ltd & New On Investment Ltd 70%	Uranium	SG 4886	Mobilisation of financial resources to clear outstanding inspection fees and resume exploration is underway
	Sabi Mine	ZMDC 45% Chandiwana Mines 55%	Gold	Mining Lease No. 20	Operating and production currently at 15kg/month. To ramp up production to 30 kg per month by end of the year 2022.

Gold production from the two operating entities were as follows:

5.2.1 Jena Mines

In 2020 Jena Mines production was close to budget at 272 kg of gold against a budget of 276 kg which was a 22.5 % increment from 2019 production of 222 kg. The increase in production is attributed to reduced load shedding and reduction of gold inventory in the leaching circuit towards the end of the year. Power availability improved to 90% during the second half of the year under review. A total of 73,100 tonnes were hoisted from the mine against a budget of 69,470 Tonnes. Tonnes milled were 77,414 tonnes against a budget of 87,245 tonnes at a grade of 3.7g/t against a budget of 3.6g/t. Tonnes milled were affected during the first quarter by ZESA load shedding. Gold recovery was better than budget at 95% against a budget of 88%.

5.2.2 Sabi Mine

Sabi Gold Mine operated under Judicial Management during the period under review and produced 172.6 kg in 2020 against a budget of 292.4 kg. This was a 15% decrease from 2019 production of 203kg. A total of 76,376 tonnes were milled against a budget of 108,953 tonnes at a grade of 2.52g/t against a budget of 2.96g/t. Gold recovery was close to budget at 89.6% against a budget of 90%. Production was mainly affected by ZESA load shedding during the first quarter and poor ground stability encountered at 10 level during the fourth quarter. This also affected the head grade as the mine could not produce from the planned 10 level with good grades. Negative production variance due to grade was 33 kg while negative volume variance due to poor ground stability was 86.7kg. The poor ground stability challenges were resolved with the assistance of a geo mechanics consultant from South Africa.

5.2.3 Lynx Graphite Mine, Elvington Mine, Sandawana and Golden Kopje

There was no production from these mines. They were under care and maintenance.

Lynx Mine is now under a Contract mining partnership agreement with Fossil Mining Resources and is expected to be on line by end of the first quarter of 2022. Evington Mine, Sandawana and Golden Kopje were partially privatised and are now under a Joint Venture partnership with Kuvimba Mining House. The three mines require capital injection for exploration and mine development in order to resuscitate the mines.

5.2.4 Human Resources And Corporate Social Responsibility

The Corporation had a total staff compliment of 665 employees; Head Office (48), Sabi Gold mine (489) and Lynx Mine (128). The Corporate Secretary and legal Advisor was appointed to this position in 2020. The Chief Finance Officer acted in this position throughout the year.

The labour turnover was low for Senior management and NEC level employees as no critical staff left the organisation and industrial relations were cordial. The Corporation and its subsidiaries or joint venture partners are involved in the following areas in line with our thrust for Corporate Social Responsibility (CSR): Provision of medical supplies and facilities, provision of clean water and borehole, donations to charitable organisations and industrial attachments to students from School of mines and Universities.

5.3 FINANCIAL PERFORMANCE OVERVIEW

5.3.1 Financial highlights

The Corporation's financial statements are presented in Zimbabwean dollars (ZWL) in compliance with the Statutory Instrument 33 of 2019 and then adjusted for inflation. The inflation adjusted operating loss for the year was **$316,111,008** compared to prior year operating loss of **$364,845,368.** The inflation adjusted loss before tax for the year was **$5,479,644,772** compared to a profit of **$10,910,054,371** recorded in 2019. The loss was mainly attributed to foreign exchange loss of **$3,811,025,576** arising from a loan given to Sabi Mine by Chandiwana Mines and monetary losses.

5.3.2 Income

The group made an overall inflation adjusted loss before tax of **$5,479,644,772** for the year 2020, a 150% decrease from the reported profit of **$10,910,054,371** for 2019 due foreign exchange loss and monetary losses mentioned under section 5.3.1.

5.3.3 Revenue

Total inflation adjusted revenue from operations stood at **$1,116,540,934** as at 31 December 2020; **(2019: $6,869,047,486)** and total historical revenue from operations for the 2020 financial year stood at **$503,156,706** down from **$575,550,784** recorded in 2019 due to partial privatisation of Jena Mine in May 2020 and hiving off of ZCDC in March 2020. Historical revenue was mainly from gold proceeds which contributed **$470,147,636** in 2020. Gold revenue increased by **238%** from the 2019 figures as a result of improved gold price and movement in exchange rate.

5.3.4 Expenditure

The Group incurred inflation adjusted operating and administration expenditures of **$1,578,955,899** as at 2020; **(2019; $7,558,011,677)** and historical total expenditure of **$771,200,261** up from **$682,180,528** incurred in 2019. The increase in the expenditure was mainly attributed to general price increases due to inflationary pressures and the weakening Zimbabwean Dollar.

5.3.5 Statement Of Profit Or Loss

The Group had an inflation adjusted loss after tax of **$3,583,980,966** as at 31 December 2020; **(2019: $9,795,755,148),** This was largely attributed to foreign exchange loss of **$3,811,025,576** and loss on monetary position of **$1,249,470,496** recorded during the year. The Group had a historical loss after tax of **$1,343,715,497** as at December 2020; **(2019: ($313,044,510))**.

5.3.6 Statement Of Financial Position

The Group's inflation adjusted financial position was **$2,861,766,882** as at December 2020; **(2019: $17,650,777,440)** and historical financial position at year end was **$1,130,990,570** a decrease compared to 2019 figure of **$2,548,522,837.** The decrease was as a result of partial privatisation of ZMDC assets and hiving off of Zimbabwe Consolidated Diamond Company in 2020.

5.3.7 Statement Of Cash Flow

The Group's inflation adjusted cash inflow from operating activities after changes in operating working capital was **$2,449,184,310** as at 2020; (2019: **$5,250,441,820)** and historical outflow from operating activities was **$551,304,632** which was a decline compared to 2019 cash flow outflow figure of **$5,110,955.**

Inflation adjusted cash flow from investing activities generated a net outflow of **$39,724,036** in the period under review.

Cash outflow from financing activities was **$8,134,436** for the year under review.

In the financial period under review the Group's inflation adjusted cash and cash equivalents was **$13,573,124**; (2019; **$718,728,166**) and historical cash and cash equivalents was **$13,573,124** as at 31 December 2020 compared to the opening cash and cash equivalents of **$160,220,976** in 2019.

The Group managed to remit royalties in excess of **$23,507,382** to ZIMRA during the period under review.

5.4 OUTLOOK

The Corporation's outlook is positive and this is supported by the increase in commodity prices particularly gold, lithium and copper prices. The Corporation's copper projects (Alaska dump, Mhangura dump and United Kingdom) are coming on stream during the second quarter of 2022. These together with resuscitation of Lynx Mine should see a significant increase in revenue generation, employment creation and improved contribution to the fiscus. The Corporation is turning the corner and is forecasting to pay dividend to the shareholder in 2022. The above mentioned projects will significantly contribute to the USD12 billion milestone by year 2023.

5.4.1 New Projects

- **Alaska Project**

- **Mhangura Project**

- **United Kingdom/ Nora Project**

5.5 APPRECIATION

I would like to thank my colleagues in management and our staff for their unwavering support during the year. I would also like to acknowledge my great indebtedness to the Mining Development Board, the Ministry of Mines and Mining Development and all stakeholders in the Government for their guidance and support.

Thank you all.

BLESSED CHITAMBIRA

GENERAL MANAGER


Alaska Project

CORPORATE GOVERNANCE STATEMENT


Mhangura Project


United Kingdom/ Nora Project

6.0 CORPORATE GOVERNANCE STATEMENT

Zimbabwe Mining Development Corporation is controlled by a Board established in terms of section 4 of the ZMDC Act. The board should be comprised of not less than five and not more than nine Non-Executive Directors and *ex-officio* General Manager. The Directors are drawn from a diverse spectrum of professions and backgrounds and bring to the Corporation a wide range of expertise. The Board's functions are governed by, among other Acts, the ZMDC Act, Public Entities Corporate Governance Act and a Board Charter which help the Board to ensure that the necessary authority and procedures are in place to oversee the work of management and independent evaluation of ZMDC's business operations. The Board gives direction to the Corporation through the setting of the overall strategy and approval of budget. The Board regularly reviews the Corporation's policies and procedures to ensure compliance and consistency with the principles enshrined in local and international corporate governance instruments.

The Board meets regularly, with a minimum of one scheduled meeting in every quarter of the year, to monitor and evaluate progress in the achievement of ZMDC's strategic objectives, strategy implementation and to assess overall performance of the Corporation. In pursuing the Corporation's objectives, the Board and ZMDC staff have committed to the highest level of Corporate Governance and strive to foster a culture that values and rewards exemplary ethical standards, personal and corporate integrity, and respect for others. For the better exercise of its functions and powers, the Board has established committees (in line with section 12 of the ZMDC Act) which deals with specific issues in line with their terms of reference as determined by the Board.

The Committees meet quarterly and report to the Board. The following committees were in place during the year under review: -

6.1 BOARD COMMITTEES AND COMPOSITIONS

6.1.1 Technical Committee

1 January 2020 to 31 December 2020

- Reason Mandimika - Chairman
- Charles Tawha - Member
- David Murangari - Member

The main mandate of the Committee is to assist the Board in fulfilling its oversight responsibilities with respect to the operational performance and operating risks of the Corporation, particularly regarding those areas where technical understanding is required. This includes, inter alia, reviewing the Corporation's management of technical risks, annual budget as it relates to planned exploration, development and operation of the various mineral properties. It further receives regular updates from management on mining, processing, projects and construction activities at the Corporation's mineral properties and evaluating the operational performance against budget.

6.1.2 Finance and Investment Committee

1 January 2020 to 31 December 2020

- Wellington Pasipamire - Chairman
- Slava Chellah - Member
- David Murangari - Member

The Finance and Investments Committee supervises the financial affairs of the Corporation to ensure long term stability and sustainability and that long-range planning and forecasting is undertaken to enable informed decisions on long term financial matters. It is responsible for approving the Corporation's budgets before submission to the Board. The Finance Committee also reviews and evaluates financial plans and results in stated strategies, objectives and plans.

6.1.3 Human Resources Committee

1 January 2020 to 31 December 2020

- Slava Chellah - Chairperson
- Richard Jaure - Member
- Reason Mandimika - Member

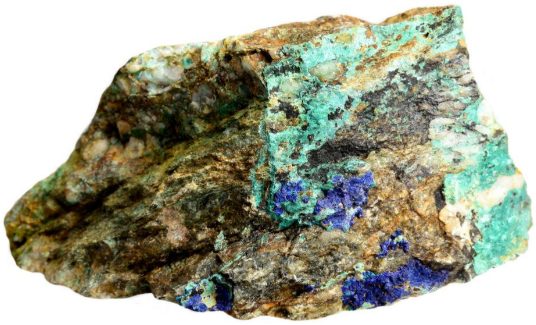
The Human Resources Committee supports and advises the Board on human resources matters. It specifically monitors the Corporation's human resources strategy, formulates and reviews human resources policies and staff conditions of service.

6.1.4 Audit, Legal & Risk Committee

1 January 2020 to 31 December 2020

- Richard Jaure - Chairman
- Wellington Pasipamire - Member
- Charles Tawha - Member

The Audit, Risk and Legal Committee primarily assists the Board in carrying out its duties as they relate to the Corporation's accounting policies, internal controls, enterprise-wide risk, management and financial reporting practice. It is responsible for receiving and reviewing audited financial statements before submitting to the main board. On the legal side, the committee identifies legal risk areas and appoints and supervises external legal counsel, focuses on compliance issues, and considers and reviews the Corporation's business contracts.



6.2. 2020 BOARD MEETINGS SCHEDULE

6.2.1 MAIN BOARD MEETINGS

Date Of Meeting	P. Chimboza	W. Pasipamire	D. Murangari	R. Jaure	S. G. Chella	R. Mandimika	C. Tawha
02/06/2020	✓	✓	Deceased	✓	✓	✓	✓
25/08/2020	✓	✓	Deceased	✓	✓	✓	✓
19/11/2020	✓	✓	Deceased	✓	✓	✓	✓
20/05/2021	✓	✓	Deceased	✓	✓	✓	✓

6.2.2 BOARD COMMITTEES' MEETINGS

1. Technical Committee

Date Of Meeting	R. Mandimika	D. Murangari	C. Tawha
12/05/2020	✓	Deceased	✓
06/08/2020	✓	Deceased	✓
06/11/2020	✓	Deceased	✓
09/02/2021	✓	Deceased	✓

2. Finance And Investment Committee

Date Of Meeting	W. Pasipamire	S.G.Chella	D.E.H. Murangari
05/05/2020	✓	✓	Deceased
28/07/2020	✓	✓	Deceased
28/10/2020	✓	✓	Deceased
10/02/2021	✓	✓	Deceased

3. Human Resources Committee

Date Of Meeting	S.G.Chella	R. Mandimika	R. Jaure
06/05/2020	✓	Apology	✓
06/08/2020	✓	✓	✓
03/11/2020	✓	✓	✓
11/02/2021	✓	✓	✓

4. Legal, Audit And Risk Committee

Date Of Meeting	R. Jaure	C. Tawha	W. Pasipamire
06/05/2020	✓	✓	✓
29/07/2020	✓	✓	✓
29/10/2020	✓	✓	✓
12/02/2021	✓	Apology	✓

FINANCIAL

31 December 2020

STATEMENTS

ZIMBABWE MINING DEVELOPMENT CORPORATION AND ITS SUBSIDIARIES

NATURE OF BUSINESS

The main business of the Zimbabwe Mining Development Corporation is investing in various entities which are in the mining sector on behalf of the Government of Zimbabwe.

DIRECTORS:

Chimboza P.	(Chairman)
Pasipamire W.	(Vice Chairman)
Chitambira B.	(General Manager)
Chella S.	(Non Executive)
Mandimika R.	(Non Executive)
Tawha. C.	(Non Executive)

SECRETARY:

Chiparo T.

REGISTERED OFFICE:

6 Constantia Avenue
Strathaven
HARARE

AUDITORS

Grant Thornton
Registered Public Auditors
Chartered Accountants (Zimbabwe)
Camelsa Business Park
135 Enterprise Road
Highlands
HARARE

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements for the year ended 31 December 2020

It is the Directors' responsibility to ensure that the consolidated financial statements fairly present the state of affairs of the Corporation. The external auditors are responsible for independently reviewing and reporting on the consolidated financial statements.

The Directors have assessed the ability of the Corporation to continue as a going concern and believe that the preparation of these consolidated financial statements on a going concern basis is still appropriate. However, the Directors believe that under the current economic environment a continuous assessment of the ability of the Corporation to continue to operate as a going concern will need to be performed to determine the continued appropriateness of the going concern assumption that has been applied in the preparation of these consolidated financial statements.

The consolidated financial statements set out in this report have been prepared by management in accordance with International Financial Reporting Standards (IFRSs). They are based on appropriate accounting policies which are supported by reasonable prudent judgements and estimates.

The Corporation's accounting and internal control systems are designed to provide reasonable assurance as to the integrity and reliability of the consolidated financial statements and to adequately safeguard, verify and maintain accountability of its assets. Such controls are based on established written policies and procedures and all employees are required to maintain the highest ethical standards in ensuring that the Corporation's business practices are conducted in a manner which in all reasonable circumstances is above reproach. Issues that came to the attention of the Directors have been addressed and the Directors confirm that the system of accounting and internal control is operating in a satisfactory manner.

The Corporation's consolidated financial statements which are set out on pages 8 to 32 were, in accordance with their responsibilities, approved by the Board of Directors on 16 FEBRUARY 2022 and are signed on its behalf by:

Chimboza P.	Chitambira B
Chairman	***General Manager***

INDEPENDENT AUDITORS' REPORT

Grant Thornton
Camelsa Business Park
135 Enterprise Road, Highlands
PO Box CY 2619
Causeway, Harare
Zimbabwe

T +263 0242 442511-4
F +263 0242 442517 / 496985
E info@zw.gt.com
www.grantthornton.co.zw

To the members of Zimbabwe Mining Development Corporation and its subsidiaries

Report on the Audit of the Financial Statements

Adverse Opinion

We have audited the consolidated financial statements of Zimbabwe Mining Development Corporation and its subsidiaries set out on pages 8 to 32, which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, because of the significance of the matters described in the Basis for Adverse Opinion section of our report, consolidated financial statements do not present fairly, in all material respects, the financial position of Zimbabwe Mining Development Corporation (Private) Limited and its subsidiaries as at 31 December 2020, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis of adverse opinion

Non-compliance with IAS 21 on the accounting of comparatives and transactions for the period

On 1 October 2018, the Reserve Bank of Zimbabwe (RBZ) issued a Monetary Policy Statement which directed banks to separate bank accounts into Real Time Gross Settlement Foreign Currency Accounts (RTGS FCAs) and Nostro FCAs. During the prior financial year up to 22 February 2019, the Corporation transacted using a combination of Nostro FCA (USD) and RTGS FCA (electronic payment), including mobile money, bond notes and coins.

In order to comply with SI 33/2019, the RTGS transactions and balances for the prior year were accounted for on the basis of a rate of 1:1 between USD and RTGS. The Corporation changed the functional currency on 22 February 2019 in compliance with legislation. This was not consistent with IAS 21, in which compliance would have resulted in the reassessment of the functional currency at a date earlier than 22 February 2019.

In addition, during the period 22 February 2019 to 31 December 2020, the foreign currency denominated transactions and balances were translated into ZWL using the official interbank exchange rate which is not considered an appropriate spot rate for translations as required by IAS 21. The opinion on the prior year financial statements was modified in respect of this matter and the misstatements have not been corrected in the financial statements for the year ended 31 December 2020.

Had the Corporation applied the requirements of IAS 21, many of the elements of the financial statements would have been materially impacted and therefore the departure from the requirements of these standards is considered to be material and pervasive to the financial statements, taken as a whole. The financial effects on the financial statements of this departure have not been determined.

Non-compliance with International Accounting Standard (IAS) 29 – Financial Reporting in Hyperinflationary Economies

The Directors have applied the IAS 29 – *Financial Reporting in Hyperinflationary Economies* with effect from 1 January 2019 to 31 December 2020. However, its application was based on prior and current year's financial information which was not in compliance with IAS 21 as described above. Had the correct base numbers been used, most elements of the financial statements would have been materially different. The impact of the departure from the requirements of these standards is considered material and pervasive to the financial statements.

Fair value determination for assets, transactions and liabilities

The determination of fair values for assets, transactions and liabilities presented in the inflation adjusted annual financial statements is affected by the prevailing economic environment and may therefore be distorted. This may result in significant variations in fair values, depending on factors and assumptions used in the determination of the fair values.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Inflation Adjusted Annual Financial Statements section of our report.

We are independent of the Corporation in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse opinion.

Non-compliance with International Accounting Standard 28 (IAS 28), Investments in Associates and Joint Ventures and International Financial Reporting Standard 11 (IFRS 11), Joint Arrangements.

IAS 28 and IFRS 11 require a parent to recognize its interests in joint ventures and associates in its separate financial statements at cost or at fair value. Zimbabwe Mining Development Corporation did not recognize its shareholding in Todal Mining (Private) Limited. Accordingly, we were unable to determine the extent of the financial impact of non-compliance on the financial statements.

Emphasis of matter

COVID 19 Outbreak

We draw attention to **note 30**, which describes the uncertainties related to the possible effects of the COVID-19 outbreak on the Group.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The key audit matters noted below relate to the financial statements.

Other information

The Directors are responsible for the other information. The other information comprises the Directors' Report, Chairman's Statement and Company Secretary's Certificate, as required by the Companies and Other Business Entities Act (Chapter 24:31) which we obtained prior to the date of this auditors' report. The other information does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance or conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors for the consolidated financial Statements

Directors are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and in the manner required by the Companies and Other Business Entities Act (Chapter 24:31) and the relevant statutory instruments and for such internal control as is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Corporation to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Corporation audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on other legal and regulatory requirements

In our opinion, except for the effects of the matters described in the basis of adverse opinion, the financial statements have been properly prepared, in all material respects, in accordance with the accounting policies and comply with the disclosure requirements of the Companies and Other Business Entities Act (Chapter 24:31).

The engagement partner on the audit resulting in this independent auditor's report is Edmore Chimhowa.

Grant Thornton

Edmore Chimhowa
Partner

Registered Public Auditor (PAAB No: 0470)

16 March 2022

Grant Thornton
Chartered Accountants (Zimbabwe)
Registered Public Auditors

HARARE

Consolidated statement of financial position as at 31 December 2020

		Inflation Adjusted		Historical cost	
ASSETS	**Note**	**2020 ZWL**	**2019 ZWL**	**2020 ZWL**	**2019 ZWL**
Non current assets					
Property, plant and equipment	4	2 735 856 292	7 038 012 770	1 045 111 944	1 266 994 604
Intangible assets	5	92 430	11 398 402	134 866	761 498
Investment in subsidiaries	8	13 216 540	815 286 814	474 253	20 770 109
Investment Property	6	-	13 630 981	-	477 402
Biological assets		54 648	101 201	1 350	2 500
Right of use assets	10	9 572 169	1 430 297	1 309 197	49 610
Exploration and evaluation assets	12	14 088 852	257 576 480	3 137 830	20 989 877
Other receivables	26	-	345 442	-	77 007
		2 772 880 931	8 137 782 387	1 050 169 440	1 310 122 607
Current assets					
Inventory	9	43 540 672	6 920 309 399	35 552 128	660 431 193
Trade and other receivables	11	25 905 471	245 509 609	25 829 194	54 729 717
Related parties receivables	22.2	5 866 684	1 537 583 563	5 866 684	342 762 606
Cash and bank	13	13 573 124	809 592 482	13 573 124	180 476 714
		88 885 951	9 512 995 053	80 821 130	1 238 400 230
Total assets		2 861 766 882	17 650 777 440	1 130 990 570	2 548 522 837
EQUITY AND LIABILITIES					
Equity					
Share capital	14	-	-	-	-
Non distributable reserve		857 604 794	1 123 289 555	28 268 870	40 313 123
Shareholder's contribution		-	3 168 004 865	-	80 000 000
Revaluation reserve		1 059 564 608	2 038 599 313	765 990 893	850 952 676
(Accumulated loss)/retained earnings		(3 369 824 414)	1 689 731 365	(1 760 460 883)	(563 198 925)
		(1 452 655 012)	8 019 625 098	(966 201 120)	408 066 874
Non controlling Interest		-	12 635 534	-	(396 630)
		(1 452 655 012)	8 032 260 632	(966 201 120)	407 670 244
Non current liabilities					
Loans and borrowings	15.1	773 031 953	1 345 588 678	773 031 953	299 962 547
Environmental rehabilitation provision	24	85 845 834	987 866 844	79 360 961	272 466 471
Deferred tax liability	7	2 375 241 336	1 803 074 506	164 496 004	346 363 116
Post employment benefit liability	25	5 389 220	7 925 870	5 389 220	1 766 858
		3 239 508 343	4 144 455 898	1 022 278 138	920 558 992
Current liabilities					
Trade and other payables	16	174 471 726	2 815 812 283	174 471 726	627 709 075
Short term provision	23	734 271	383 325 854	734 271	85 452 116
Short term loans	15.2	686 444 258	1 411 092 474	686 444 258	314 564 844
Related party payables	22.3	197 678 775	162 240 106	197 678 775	36 167 037
Current tax payable		15 584 522	610 725 877	15 584 522	136 144 791
Bank overdraft	13	-	90 864 316	-	20 255 738
		1 074 913 552	5 474 060 910	1 074 913 552	1 220 293 601
Total equity and liabilities		2 861 766 882	17 650 777 440	1 130 990 570	2 548 522 837

Chimboza P.
Chairman

Chitambira B
General Manager

Consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2020

		Inflation Adjusted		Historical cost	
	Note	2020 ZWL	2019 ZWL	2020 ZWL	2019 ZWL
Revenue	17	1 116 540 934	6 869 047 486	503 156 706	575 550 784
Other income	18	146 303 957	324 118 823	61 581 485	48 611 904
Operating and administration expenses		(1 578 955 899)	(7 558 011 677)	(771 200 261)	(682 180 528)
Loss from operations		(316 111 008)	(364 845 368)	(206 462 070)	(58 017 840)
Finance costs	19	(103 037 692)	3 263 222 390	(70 008 163)	(6 623 842)
Foreign exchange loss		(3 811 025 576)	-	(1 162 955 558)	-
Gain/ (loss) on monetary position		(1 249 470 496)	8 011 677 349	-	-
(Loss)/profit for the year		(5 479 644 772)	10 910 054 371	(1 439 425 791)	(64 641 682)
Income tax	21	1 895 663 806	(1 114 299 223)	95 710 294	(248 402 828)
(Loss)/profit after tax		(3 583 980 966)	9 795 755 148	(1 343 715 497)	(313 044 510)
Other comprehensive income					
Remeasurement of defined benefit plan		(3 622 363)	-	(3 622 363)	-
Revaluation of property, plant and equipment		821 485 306	2 692 216 361	853 978 138	1 126 133 571
Taxation		(198 338 843)	(653 617 048)	(240 005 218)	(275 180 895)
Other comprehensive income for the year, net of tax		619 524 100	2 038 599 313	610 350 557	850 952 676
Total comprehensive (loss)/income for the year, net of tax		(2 964 456 866)	11 834 354 461	(733 364 940)	537 908 166
(Loss)/income attributable to:					
Owners of parent		(3 583 980 966)	9 773 018 989	(1 343 715 497)	(313 010 376)
Non-controlling interest		-	22 736 160	-	(34 134)
		(3 583 980 966)	9 795 755 148	(1 343 715 497)	(313 044 510)
Other comprehensive (loss)/income attributable to:					
Owners of parent		(2 964 456 866)	11 811 618 301	(733 364 940)	537 942 300
Non-controlling Interest		-	22 736 160	-	(34 134)
		(2 964 456 866)	11 834 354 461	(733 364 940)	537 908 166

Consolidated statement of changes in equity for the year ended 31 December 2020

Inflation adjusted

	Share capital ZWL	Shareholder Contribution ZWL	Non distributable reserve ZWL	Revaluation reserve ZWL	Accumulated loss ZWL	Non controlling interest ZWL	Total ZWL
Balance as at 1 January 2019	-	3 168 004 865	1 123 289 555	-	(5 834 721 505)	(10 100 626)	(1 553 527 711)
Prior year adjustment*	-	-	-	-	66 583 739	-	66 583 739
Total comprehensive income for the year	-	-	-	2 038 599 313	7 457 869 131	22 736 160	9 519 204 603
Balance as at 31 December 2019	-	3 168 004 865	1 123 289 555	2 038 599 313	1 689 731 365	12 635 534	8 032 260 631
Balance as at 1 January 2020	-	3 168 004 865	1 123 289 555	2 038 599 313	1 689 731 365	12 635 534	8 032 260 631
Total comprehensive income for the year	-	-	-	619 524 100	(3 694 614 194)	-	(3 075 090 094)
Derecognition of privatised entities	-	(3 168 004 865)	(265 684 761)	(1 598 558 805)	(1 364 941 585)	(12 635 534)	(6 409 825 549)
Balance as at 31 December 2020	-	-	857 604 794	1 059 564 608	(3 369 824 414)	-	(1 452 655 012)

Historical cost

	Share capital ZWL	Shareholder Contribution ZWL	Non distributable reserve ZWL	Revaluation reserve	Accumulated loss ZWL	Non controlling interest ZWL	Total ZWL
Balance as at 1 January 2019	-	80 000 000	40 313 123	-	(251 869 954)	(362 496)	(131 919 327)
Prior year adjustment*	-	-	-	-	1 681 405	-	1 681 405
Total comprehensive income/(loss) for the yr	-	-	-	850 952 676	(313 010 376)	(34 134)	537 908 166
Balance as at 31 December 2019	-	80 000 000	40 313 123	850 952 676	(563 198 925)	(396 630)	407 670 244
Balance as at 1 January 2020	-	80 000 000	40 313 123	850 952 676	(563 198 925)	(396 630)	407 670 244
Total comprehensive income/(loss) for the yr	-	-	-	610 350 557	(1 361 739 436)	-	(751 388 879)
Derecognition of privatised entities	-	(80 000 000)	(12 044 253)	(695 312 340)	164 477 478	396 630	(622 482 485)
Balance as at December 2020	-	-	28 268 870	765 990 893	(1 760 460 883)	-	(966 201 120)

Consolidated statement of cash flows for the year ended 31 December 2020

	Note	Inflation Adjusted 2020 ZWL	Inflation Adjusted 2019 ZWL	Historical cost 2020 ZWL	Historical cost 2019 ZWL
CASH FLOWS FROM OPERATING ACTIVITIES					
(Loss)/profit before taxation		(5 479 644 772)	10 910 054 371	(1 439 425 791)	(64 641 682)
Depreciation of property, plant and equipment	4	83 751 325	207 198 598	86 012 845	2 613 107
Amortisation of intangible assets	5	251 089	1 809 742	13 536	115 723
Net finance costs/(income)	19	103 037 692	(3 263 222 390)	70 008 163	6 623 842
Exchange gain		3 489 266	-	3 489 266	-
Increase/(decrease) in provisions		1 284 612 593	(1 027 125 752)	277 823 355	278 892 490
Operating cash flows before working capital changes		(4 004 502 807)	6 828 714 569	(1 002 078 626)	223 603 480
Changes in working capital					
Decrease/(increase) in inventories		6 876 768 727	(2 631 462 296)	624 879 065	(544 750 236)
Decrease/(increase) in trade and other receivables		219 604 138	32 988 336	28 900 523	(44 918 958)
(Decrease)/increase in trade and other payables		(2 641 340 557)	(1 188 063 511)	(453 237 349)	492 199 743
Decrease/(increase) in related party receivables		1 531 716 879	(1 537 583 563)	336 895 922	(342 762 606)
Increase in related party payables		-	47 587 011	161 511 738	32 777 681
Decrease/(increase) in long term receivables		345 442	1 676 158	77 007	(4 455)
Increase/(decrease) in long term payables		569 630 180	433 362 726	(178 244 750)	185 368 238
		2 552 222 002	1 987 219 430	(481 296 469)	1 512 887
Net finance (costs)/income	19	(103 037 692)	3 263 222 390	(70 008 163)	(6 623 842)
Cash generated from/(utilised in) operating activities		2 449 184 310	5 250 441 820	(551 304 632)	(5 110 955)
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of plant and equipment	4	(39 740 786)	1 231 479 753	(30 040 686)	(70 339 023)
Proceeds from disposal of plant and equipment		16 750	966 518	457	27 503
Cash (utilised in)/generated from investing		(39 724 036)	1 231 289 382	(30 040 229)	(70 385 010)
CASH FLOWS FROM FINANCING ACTIVITIES					
Loans (repaid)/received		(8 134 436)	6 232 503 711	498 292 065	227 318 043
Cash generated from financing activities		(8 134 436)	6 232 503 711	498 292 065	227 318 043
Increase/(decrease) in cash and cash equivalents		2 401 325 838	12 714 234 913	(83 052 796)	151 822 078
Effects on cashflows on privatised entities		-	-	(63 595 056)	-
Net effect of inflation		(3 106 480 880)	(9 678 137 508)	-	-
Cash and cash equivalents at the beginning of the year		718 728 166	236 454 582	160 220 976	8 398 898
Cash and cash equivalents at the end of the year	13	13 573 124	718 728 166	13 573 124	160 220 976

Statement of accounting policies for the year ended 31 December 2020

1 GENERAL INFORMATION

1.1 Nature of business

The main business of the Zimbabwe Mining Development Corporation is investing in various entities which are in the mining sector on behalf of the Government of Zimbabwe. It is 100% owned by the Government of Zimbabwe.

It is registered office is 6 Constantia Avenue, Strathaven, Harare ; Zimbabwe.

1.2 Currency

These consolidated financial statements are presented in Zimbabwe Dollars being the functional and reporting currency of the primary economic environment in which the Corporation operates.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards(IFRS) and the International Financial Reporting Interpretations Committee (IFRIC) interpretations. The consolidated financial statements are based on statutory records that are maintained under the historical cost convention except for some items of property, plant and equipment which are carried at revalued amounts.

The consolidated financial statements include the financial statements of the Corporation and its subsidiaries. The Corporation's subsidiaries are entities in which it holds, directly or indirectly, more than 50% of the voting rights or where it exercises control. The effects of material inter-Corporation transactions and balances have been eliminated.

New Standards, amendments and interpretations to existing standards that are effective and have been adopted by the Corporation

IAS 29 'Financial Reporting in Hyperinflationary Economies'

The Corporation adopted IAS 29 – "Financial Reporting in Hyper -Inflationary Economies" effective 1 January 2019 as proclaimed by the local accounting regulatory board, Public Accountants and Auditors Board "PAAB". IAS 29 requires that the financial statements prepared in the currency of a hyper-inflationary economy be stated in terms of a measuring unit current at the balance sheet date. The restatement has been calculated by means of conversion factors derived from the consumer price index(CPI) prepared by the Reserve Bank Of Zimbabwe. The conversion factors used to restate the financial statements at 31 December 2020, using a February 2019 base are as follows:

Date	Index	Conversion factor
31-Dec-20	2474.51	1
31-Dec-19	551.63	4.49

Statement of accounting policies for the year ended 31 December 2020 (continued)

2.7 Foreign currency transactions and balances

The Group's investments in a joint arrangements are classified as joint ventures in which the Group has rights to shares of the arrangements' net assets rather than direct rights to underlying assets and obligations for underlying liabilities. Accordingly, if adopted today, these amendments would not have a material impact on the consolidated financial statements.

The amendments are effective for reporting periods beginning on or after 1 January 2016.

2.8 IFRS 9 'Financial Instruments' (2014)

The IASB recently released IFRS 9 'Financial Instruments' (2014), representing the completion of its project to replace IAS 39 'Financial Instruments: Recognition and measurement'. The new standard introduces extensive changes to IAS 39's guidance on the classification and measurement of financial assets and introduces a new 'expected credit loss' model for the impairment of financial assets. IFRS 9 also provides new guidance on the application of hedge accounting. The Group's management are yet to assess the impact of IFRS 9 on these consolidated financial statements. The new standard is required to be applied for annual reporting periods beginning on or after 1 January 2018.

Property, plant and equipment are subsequently carried at fair value, based on periodic valuations by a professionally qualified valuer, less accumulated depreciation and impairment losses. These revaluations are made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Changes in fair value are recognised in other comprehensive income and accumulated in the revaluation reserve except to the extent that any decrease in value in excess of the credit balance on the revaluation reserve, or reversal of such a transaction, is recognised in profit or loss.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset. Increase in the carrying amount arising on revaluation of property, plant and equipment are credited to a revaluation reserve through the statement of other comprehensive income. Decreases that offset previous increases of the same asset are charged against revaluation reserve in equity through other comprehensive income; all other decreases are charged to the profit or loss. The revaluation surplus included in equity in respect of an item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

3 SUMMARY OF ACCOUNTING POLICIES

3.1 Overall considerations

These consolidated financial statements have been prepared using the measurement bases specified by IFRS for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies below:

Statement of accounting policies for the year ended 31 December 2020 (continued)

3.2 Basis of consolidation(continued)

The Group financial statements consolidate those of the parent company and all of its subsidiaries as of 31 December 2020. The parent controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. All subsidiaries have a reporting date of 31 December 2020.

All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a group perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable.

Non-controlling interests, presented as part of equity, represent the portion of a subsidiary's profit or loss and net assets that is not held by the Group. The Group attributes total comprehensive income or loss of subsidiaries between the owners of the parent and the non-controlling interests based on their respective ownership interests.

3.3 Business combinations

The Group applies the acquisition method in accounting for business combinations. The consideration transferred by the Group to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity interests issued by the Group, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred.

The Group recognises identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have been previously recognised in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are generally measured at their acquisition-date fair values.

Goodwill is stated after separate recognition of identifiable intangible assets. It is calculated as the excess of the sum of fair value of consideration transferred, the recognised amount of any non-controlling interest in the acquiree and acquisition-date fair value of any existing equity interest in the acquiree, over the acquisition-date fair values of identifiable net assets. If the fair values of identifiable net assets exceed the sum calculated above, the excess amount (ie gain on purchase) is recognised in profit or loss immediately.

Statement of accounting policies for the year ended 31 December 2020 (continued)

3.4 Investment in subsidiaries

A subsidiary is an entity in which the company has power to control the financial and operating policies so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable are considered when assessing whether the company has such power over another entity.

An investment in subsidiary, which is eliminated on consolidation, is stated in the company's separate financial statements at cost less impairment losses, if any. On disposal of such an investment, the difference between the net disposal proceeds and its carrying amount is included in profit or loss.

3.5 Revenue recognition

3.5.1 Dividend income

Dividends are recognised when they become legally payable. In the case of interim dividends to equity shareholders, this is when declared by the directors. In the case of final dividends, this is when approved by the shareholders at the annual general meeting.

3.5.2 Management and resource depletion fees.

Management and resource depletion fees are recognised when the respective subsidiaries realize revenue for sale transactions concluded.

3.5.3 Revenue from sale of copper reverts

Revenue from sale of copper reverts is recognised when the transaction has been authorized by the Ministry of Mines and Mining Development and when significant risks and rewards of ownership have been transferred to the buyer by signing the sales agreement.

3.5.4 Interest income

Interest income is accrued on a time proportionate basis, by reference to the principal outstanding and effective interest rate applicable.

3.5.5 Rental income

Rental income is accrued on a straight-line basis, in accordance with the terms and conditions of the lease agreement.

Statement of accounting policies for the year ended 31 December 2020 (continued)

3.6 Financial instruments

3.6.1 Financial assets

The Group classifies its financial assets into one of the categories discussed below, depending on the purpose for which the asset was acquired. The Group has not classified any of its financial assets as held to maturity.

3.6.1 Financial assets

Dividends are recognised when they become legally payable. In the case of interim dividends to equity shareholders, this is when declared by the directors. In the case of final dividends, this is when approved by the shareholders at the annual general meeting.

3.6.1.1 Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of services to customers (e.g trade receivables). They are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less allowance for credit losses.

3.6.1.2 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, other short term highly liquid investments readily convertible to known amounts of cash with original maturities of three months or less, and-for the purpose of the cash flow statement it includes bank overdraft.

3.6.1.3 Available-for-sale financial assets (Quoted)

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories. Available-for-sale financial assets are initially and subsequently measured at fair value. Changes in the fair value are recognized in other comprehensive income and accumulated in the available for sale reserve. Where there is significant or prolonged decline in the fair value of an available for sale financial asset (which constitute objective evidence of impairment), the full amount of impairment, including any amount previously recognized in other comprehensive income, is recognized in profit or loss. Purchases and sales of available for sale financial assets are recognized on settlement date with any changes in fair value between trade date and settlement date being recognized in the available for sale reserve. On sale, the cumulative gain or loss recognized in other comprehensive income is reclassified from available for sale reserve to profit or loss.

Statement of accounting policies for the year ended 31 December 2020 (continued)

3.6 Financial instruments (continued)

3.6.1.4 Available-for-sale financial assets (Unquoted)

The unquoted available for sale investments are initially and subsequently measured at cost less impairment losses.

3.6.1.5 De-recognition of financial assets

Investments are derecognized when the rights to receive cash flows from the investments have expired or where they have been transferred and the Group has also transferred substantially all risks and rewards of ownership. Gains and losses are recognised in profit or loss when the financial assets are derecognized or impaired.

3.6.1.6 Impairment of financial assets

A financial asset is deemed to be impaired when its carrying amount is greater than its estimated receivable amount, and there is evidence to suggest that the impairment occurred subsequent to the initial recognition of the asset in the consolidated financial statements.

3.6.2 Financial liabilities

The Group's financial liabilities include borrowings, trade and other payables and bank overdrafts. These are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument.

Such liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the statement of financial position. For the purposes of each financial liability, interest expense includes initial transaction costs and any premium payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

3.6.3 Fair value measurement hierarchy

IFRS 7 requires certain disclosures which require the classification of financial assets and financial liabilities measured at fair value using a fair value hierarchy that reflects the significance of the inputs used in making the fair value measurement. The fair value hierarchy has the following levels:

Investments are derecognized when the rights to receive cash flows from the investments have expired or where they have been transferred and the Group has also transferred substantially all risks and rewards of ownership. Gains and losses are recognised in profit or loss when the financial assets are derecognized or impaired.

Statement of accounting policies for the year ended 31 December 2020 (continued)

3.7 Post-employment benefits

3.7.1 Defined contribution schemes

The Group makes defined pension contributions to National Social Security Authority (NSSA) and the Mining Industry Development Fund (MIPF). These are charged to the profit or loss in the year to which they relate.

3.7.2 Defined benefit plan

The Parent manages ZMDC Pension Fund as a defined benefit plan. The cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried at intervals not exceeding three years.

Defined benefit plan surpluses and deficits are measured at:

The fair value of plan assets at the reporting date; less

Plan liabilities calculated using the projected unit credit method discounted to its present value using yields available on high quality corporate bonds that have maturity dates approximating to the terms of the liabilities; plus

Unrecognised past service costs; less

The effect of minimum funding requirements agreed with scheme trustees.

Remeasurements of the net defined obligation are recognised in other comprehensive income. The remeasurements include:

Actuarial gains and losses

Return on plan assets (interest exclusive)

Any asset ceiling effects (interest exclusive).

Service costs are recognised in profit or loss, and include current and past service costs as well as gains and losses.

Net interest expense (income) is recognised in profit or loss, and is calculated by applying the discount rate used to measure the defined benefit obligation (asset) at the beginning of the annual period to the balance of the net defined benefit obligation (asset), considering the effects of contributions and benefit payments during the period.

Gains or losses arising from changes to scheme benefits or scheme curtailment are recognised immediately in profit or loss. Settlements of defined benefit schemes are recognised in the period in which the settlement occurs.

3.8 Intangible assets

Externally acquired intangible assets are initially recognised at cost and subsequently at cost less accumulated amortisation and any accumulated impairment losses. The Group has accounting software (SAP software system) which is amortised over the period in which benefits are expected to be obtained but not exceeding 10 years.

Exploration and evaluation assets are initially recognised at cost. The assets have a finite useful life. Amortisation is calculated using the units of production method.

Statement of accounting policies for the year ended 31 December 2020 (continued)

3.9 Property, plant and equipment

Items of property, plant and equipment are initially recognised at cost. As well as the purchase price, cost includes directly attributable costs and the estimated present value of any future unavoidable costs of dismantling and removing items.

Items of property, plant and equipment other than land and buildings are subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

Land is not depreciated. Depreciation is provided on all other items of property, plant and equipment so as to write off their carrying value over their expected useful economic lives.

Depreciation is provided at the following rates on a straight line basis:

Buildings	40 years
Mining assets	10 years
Furniture, fittings and other equipment	10 years
Motor vehicles	5 years
Lab equipment	2 years
Land	not depreciated
Work in progress	not depreciated

The assets' residual values and useful lives are reviewed at each reporting date and adjusted if appropriate. The residual value of an asset is the estimated amount that would currently be obtained from disposal of the asset, after deducting the estimated costs of disposal, if the asset was already of the age and in condition expected at the end of its useful life. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Impairment of property, plant and equipment

The carrying amount of property, plant and equipment is reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. Impairment loss is recognised directly through the statement of profit or loss and other comprehensive income when the carrying amounts of the assets exceed the fair values of the respective assets.

Derecognition of property, plant and equipment

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from use or disposal. Gains and losses on disposals are determined by comparing proceeds with the carrying amounts. These gains and losses are included in profit or loss.

Statement of accounting policies for the year ended 31 December 2020 (continued)

3.10 Inventories

Inventories are initially at cost and subsequently measured at the lower of cost and net realisable value. Net realisable value represents the estimated selling price for inventories less all estimated costs necessary to make the sale. Cost of inventory comprises all costs of purchase, conversion and other costs incurred in bringing the inventories to their present location and condition.

3.11 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events and a reliable estimate of the obligation can be made. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

3.12 Joint ventures

Investments in equity accounted joint ventures are measured initially at cost and subsequently using the equity accounting method.

3.13 Subsidiaries

Investments in unconsolidated subsidiaries are measured initially at cost and subsequently at cost less impairment losses.

3.14 Foreign currency transactions

Transactions in foreign currencies are initially recorded in the functional currency at the exchange rate ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rate of exchange ruling at the reporting date. All differences are taken to profit or loss. Non-monetary items that are measured in terms of historical cost in foreign currencies are translated using the exchange rates as at the date of the initial transactions.

3.15 Borrowing costs

Borrowing costs are recognised in profit or loss using the effective interest rate method, except if they are directly attributable to the acquisition, construction or production of a qualifying asset then they are capitalized to the cost of the asset.

Notes to the consolidated financial statements for the year ended 31 December 2020 (continued)

4 PROPERTY, PLANT AND EQUIPMENT

	Inflation adjusted							
	Land and buildings ZWL	Plant and machinery ZWL	Motor vehicles ZWL	Mining Assets ZWL	Computer equipment ZWL	Work in progress ZWL	Furniture and office equipment ZWL	Total ZWL
At January 2019	351 848 494	2 408 789 865	189 913 332	18 481 730	2 524 963	857 470 499	32 188 419	3 861 217 302
Additions	21 742 767	227 721 455	7 140 253	-	1 804 050	968 278 813	4 792 415	1 231 479 753
Transfers	-	99 171 946	-	-	-	(99 171 946)	-	-
Revaluation/(impairment)	677 472 106	1 489 547 200	5 312 769	-	(118 907)	-	(4 733 394)	2 167 479 774
Depreciation on disposal	-	-	-	-	-	-	-	-
Depreciation for the year	(286 207)	(198 971 319)	(4 896 334)	(1 613 235)	(875 365)	-	(556 138)	(207 198 598)
Reclassification to Investment Property	(13 998 942)	-	-	-	-	-	-	(13 998 942)
Disposals	-	(130 642)	(154 677)	-	-	-	(681 200)	(966 519)
At 31 December 2019	1 036 778 218	4 026 128 505	197 315 343	16 868 495	3 334 741	1 726 577 366	31 010 102	7 038 012 770
At January 2020	1 036 778 218	4 026 128 505	197 315 343	16 868 495	3 334 741	1 726 577 366	31 010 102	7 038 012 770
Additions	-	7 442 065	-	-	2 415 262	28 148 983	1 734 476	39 740 786
Revaluation/(impairment)	456 303 670	335 787 959	15 177 828	-	(432 710)	-	12 850 898	819 687 645
Depreciation for the year	(33 308 223)	(34 847 143)	(8 142 946)	(250 740)	(517 913)	-	(6 684 360)	(83 751 325)
Transfers of Marange assets	-	-	705 374	-	-	-	-	705 374
Disposals	-	-	-	-	(16 750)	-	-	(16 750)
Derecognition of privatised entities	(2 433 370 946)	(3 628 640 758)	(177 263 356)	(4 629 362)	(1 058 860)	(759 671 295)	(21 082 193)	(7 025 716 770)
At 31 December 2020	973 597 281	705 870 628	27 792 243	11 988 393	3 723 770	995 055 054	17 828 923	2 735 856 292

Notes to the consolidated financial statements for the year ended 31 December 2020 (continued)

4 PROPERTY, PLANT AND EQUIPMENT

Historical cost

	Land and buildings ZWL	Plant and machinery ZWL	Motor vehicles ZWL	Mining Assets ZWL	Computer equipment ZWL	Work in progress ZWL	Furniture and office equipment ZWL	Total ZWL
At January 2019	13 094 474	66 455 210	3 136 583	662 752	34 987	15 059 981	524 411	98 968 398
Additions	2 416 581	19 777 916	1 341 390	41 083	148 170	46 049 543	564 340	70 339 023
Transfers	-	8 221 270	-	-	-	(8 221 270)	-	-
Revaluation	201 038 764	856 349 158	37 572 088	-	383 142	-	5 487 041	1 100 830 193
Depreciation for the year	(91 420)	(2 014 251)	(182 802)	(118 235)	(65 947)	-	(140 452)	(2 613 107)
Reclassification to Investment Property	(502 400)	-	-	-	-	-	-	(502 400)
Disposals	-	(3 299)	(7 002)	-	-	-	(17 202)	(27 503)
At 31 December 2019	215 955 999	948 786 004	41 860 257	585 600	500 352	52 888 254	6 418 138	1 266 994 604
At January 2020	215 955 999	948 786 004	41 860 257	585 600	500 352	52 888 254	6 418 138	1 266 994 604
Additions	-	7 442 065	-	-	2 176 440	18 687 705	1 734 476	30 040 686
Depreciation for the year	(32 713 947)	(34 702 578)	(11 053 108)	(122 625)	(509 224)	-	(6 911 363)	(86 012 845)
Revaluation	487 762 881	335 761 824	17 218 863	-	109 780	-	13 124 790	853 978 138
Transfers of Marange assets	-	-	231 010	-	-	-	-	231 010
Disposals	-	-	-	-	(457)	-	-	(457)
Derecognition of privatised entities	(99 609 176)	(860 436 186)	(37 801 598)	(203 016)	(92 402)	(17 717 750)	(4 259 064)	(1 020 119 192)
At December 2020	571 395 757	396 851 129	10 455 424	259 959	2 184 489	53 858 209	10 106 977	1 045 111 944

Notes to the consolidated financial statements for the year ended 31 December 2020 (continued)

		Inflation Adjusted		Historical cost	
		2020 ZWL	2019 ZWL	2020 ZWL	2019 ZWL
5	**Intangible assets**				
	Net Present Value				
	Opening Balance	11 398 402	10 951 907	761 498	391 836
	Additions	-	1 156 889	-	73 490
	Revaluation	-	1 099 348	-	411 895
	Removal of privatised assets	(11 054 883)	-	(613 096)	-
	Closing balance	343 519	13 208 144	148 402	877 221
	Amortisation				
	Charge for the year	(251 089)	(1 809 742)	(13 536)	(115 723)
	Net book value	92 430	11 398 402	134 866	761 498
6	**Investment property**				
	Opening Balance	13 630 981	-	477 402	-
	Transfer from property, plant and equipment	-	13 998 942	-	502 400
	Removal of privatised assets	(13 630 981)	-	(477 402)	-
	Depreciation charge for the year	-	(367 961)	-	(24 998)
	Closing Balance	-	13 630 981	-	477 402
	No Investment property was guaranteed as security towards the company's loans and liabilities in 2020.				
7	**Deferred tax (liability)/asset**				
	Opening balance	1 803 074 506	3 570 990 777	(346 363 116)	177 220 607
	Movement through profit and loss	1 895 663 806	(1 114 299 223)	95 710 294	(248 402 828)
	Movement through other comprehensive income	(198 338 843)	(653 617 048)	(240 005 218)	(275 180 895)
	Adjustment of privatised entities	(1 125 158 134)	-	655 154 044	-
	Closing balance	2 375 241 336	1 803 074 506	164 496 004	(346 363 116)
8	**Investment in subsidiaries**				
	Investment in Lynx mine	13 210 468	13 210 468	474 103	474 103
	Investment in DTZ	-	802 070 272	-	20 295 856
	Investment in Anmark	6 072	6 074	150	150
	Investment in subsidiaries	13 216 540	815 286 814	474 253	20 770 109
9	**Inventory**				
	Emeralds	-	250 723	-	8 998
	Diamonds - finished goods	-	3 983 074 617	-	386 660 215
	Spares and consumables	43 540 672	637 543 546	35 552 128	50 541 918
	Work In Progress	-	2 299 440 513	-	223 220 062
		43 540 672	6 920 309 399	35 552 128	660 431 193

Notes to the consolidated financial statements for the year ended 31 December 2020 (continued)

		Inflation Adjusted		Historical cost	
		2020 ZWL	2019 ZWL	2020 ZWL	2019 ZWL
10	**Right of use asset**				
	Buildings	11 120 776	1 557 018	1 983 729	61 915
	Accumulated depreciation	(1 548 607)	(126 721)	(674 532)	(12 305)
		9 572 169	1 430 297	1 309 197	49 610
11	**Trade and other receivables**				
	Trade receivables	6 224 799	23 674 000	6 148 522	5 277 477
	Other	21 695 163	231 236 913	21 695 163	51 548 006
		27 919 962	254 910 913	27 843 685	56 825 483
	Less: Allowance for credit losses	(2 014 491)	(9 401 304)	(2 014 491)	(2 095 766)
	Trade receivables-net	25 905 471	245 509 609	25 829 194	54 729 717
		25 905 471	245 509 609	25 829 194	54 729 717
	As at 31 December 2020 trade and other receivables of ZWL 25 905 471 (2019: ZWL 245 509 609) were past due but not impaired.				
	Movement in the allowance for credit losses for trade receivables is as follows:				
	Opening balance	9 401 304	67 312 565	2 095 766	3 481 849
	Movement for the year	(7 386 813)	(6 217 768)	(81 275)	(1 386 083)
	Effects of inflation	-	(51 693 493)	-	-
	Closing balance	2 014 491	9 401 304	2 014 491	2 095 766
12	**Exploration and evaluation assets**				
	At Cost				
	Cost 1 January	257 576 480	175 949 052	20 989 877	4 464 457
	Additions	-	81 627 428	-	16 525 420
	Derecognition of privatised entities	(243 487 628)	-	(17 852 047)	-
	At 31 December	14 088 852	257 576 480	3 137 830	20 989 877
13	**Cash and cash equivalents**				
	For the purposes of the statement of cashflows, cash and cash equivalents comprise of:				
	Cash and bank	13 573 124	809 592 482	13 573 124	180 476 714
	Bank overdraft	-	(90 864 316)	-	(20 255 738)
	Cash and cash equivalents	13 573 124	718 728 166	13 573 124	160 220 976

Notes to the consolidated financial statements for the year ended 31 December 2020 (continued)

	Inflation adjusted		Historical cost	
	2020 ZWL	2019 ZWL	2020 ZWL	2019 ZWL
14 Share capital				
Authorised share capital				
180 000 000 ordinary shares of ZWL 1 each	807 454 012	807 454 012	180 000 000	180 000 000
Issued				
44 000 000 ordinary shares of ZWL 1 each	-	-	-	-
The unissued shares are under the control of the directors subject to restrictions imposed by the Companies and Other Business Entities Act (Chapter 24:31).				
15 15.1 Long term				
Reserve Bank of Zimbabwe	-	537 281 344	-	119 772 322
FBC Bank	-	-	-	-
Fidelity Printers	-	20 277 346	-	4 520 285
Chandiwana	773 031 953	788 029 988	773 031 953	175 669 940
	773 031 953	1 345 588 678	773 031 953	299 962 547
15.2 Short term				
CBZ Bank Limited	11 329 219	45 315 391	11 329 219	10 101 839
RBZ	2 000 000	837 112 103	2 000 000	186 611 468
ZCDC	1 000 000	-	1 000 000	-
Chandiwana	667 822 425	509 494 420	667 822 425	113 577 980
Fidelity Printers	4 292 614	19 170 560	4 292 614	4 273 557
	686 444 258	1 411 092 474	686 444 258	314 564 844

The loans relate to the following facilities:

Reserve Bank of Zimbabwe
The loan was granted to ZMDC in July 2012, for the purchase of SMM Holdings (UK). There is no interest and repayment period for the loan in the agreement.

CBZ Bank Limited
The loan facility with CBZ Bank Limited accrues interest at 13% per annum. It is repayable over 2 years and expired on 31 October 2015. The Corporation has undertaken to deposit all business proceeds through accounts held with CBZ Bank Limited as security for the loan.

Fidelity Printers
The loan facility was granted on 15 July 2018 and accrues an interest of 10% per annum and is repayable over 3 years. The purpose of the loan is to assist artisinal miners to increase gold output. The loan will be repaid through gold deposits to FPR from Bubi Milling Centre.

Chandiwana
The loan balance is secured by equipment bought by Chandiwana Mines Private Limited at Kimberworth Private Limited t/a Sabi Gold Mine. The loan bears interest at 8.33% per annum and compounded monthly. The lender has confirmed that the principal amount of the loan will not be called within 12 months after reporting date.

Notes to the consolidated financial statements for the year ended 31 December 2020 (continued)

	Inflation Adjusted		Historical cost	
	2020 ZWL	2019 ZWL	2020 ZWL	2019 ZWL
16 Trade and other payables				
Trade	7 751 718	581 506 529	7 751 718	129 631 129
Other	166 720 008	2 234 305 754	166 720 008	498 077 946
	174 471 726	2 815 812 283	174 471 726	627 709 075
17 Revenue				
Gold sales	1 060 504 440	2 582 409 254	470 147 636	139 004 935
Diamond	-	4 192 402 449	-	420 466 906
Graphite	764 101	-	675 338	-
Rentals	696 311	591 411	308 650	40 000
Management Fees	48 393 907		26 642 026	-
Chrome and copper	6 182 175	93 644 372	5 383 056	16 038 943
	1 116 540 934	6 869 047 486	503 156 706	575 550 784
18 Other income				
Rental income	1 765 157	1 820 706	1 151 688	161 021
Scrap sales	3 165 477	80 521	2 973 079	3 397
Sundry revenue	141 373 323	322 217 596	57 456 718	48 447 486
	146 303 957	324 118 823	61 581 485	48 611 904
19 Net finance costs				
Exchange gain	-	4 056 082 608	-	42 216 119
Interest received	-	4 620 714	-	795 913
Interest expense	103 037 692	(797 480 932)	70 008 163	(49 635 874)
	103 037 692	3 263 222 390	70 008 163	(6 623 842)
21 Income tax expense				
Group				
Current tax	-	1 045 469 945	-	(125 811 304)
Deferred tax	1 895 663 806	(2 159 769 168)	95 710 294	(122 591 524)
	1 895 663 806	(1 114 299 223)	95 710 294	(248 402 828)

Notes to the consolidated financial statements for the year ended 31 December 2020 (continued)

22 RELATED PARTY INFORMATION

Related party companies in the financial statements refer to companies with common direct or indirect shareholders, subsidiaries, associate and key management personnel.

22.1 Related parties

The Corporation's related parties include companies under common control, key management and others as decribed below:

Related party	Nature of relationship
Global Platinum Resources (Private) Limited	Associate
Mining Promotion Corporation (Private) Limited	Associate
Zimbabwe German Graphite Mines (Private) Limited	Wholly owned subsidiary
Elvington Mine (Private) Limited	Associate
Golden Kopje (Private) Limited	Associate
Kimberworth Investments (Private) Limited	Associate
Protea Court (Private) Limited	Wholly owned subsidiary
Sandawana Mines (Private) Limited	Associate
Jena Mines (Private) Limited	Associate
Todal Mining (Private) Limited	Joint Venture
Great Dyke Investments	Joint Venture
Mr. B. Chitambira	Key management
Mr. J. Maiwasha	Key management
Mr. T. Chiparo	Key management
Mr. G. Chimhina	Key management

	Inflation Adjusted		Historical cost	
	2020 ZWL	2019 ZWL	2020 ZWL	2019 ZWL
22.2 Related party receivables				
Mbada Diamonds (Private) Limited	7 148 435	32 066 847	7 148 435	7 148 435
Kusena Diamonds (Private) Limited	6 040 104	23 967 272	6 040 104	5 342 854
Marange Resources (Private) Limited	26 400 899	168 272 218	26 400 899	37 511 733
Jena Mines (Private) Limited	3 205 015	-	3 205 015	-
Shabani and Mashava Mines (Private) Limited	16 812 611	75 418 946	16 812 611	16 812 611
Oldstone (Private) Limited	700 000	3 140 099	700 000	700 000
Anjin Investments (Private) Limited	675 896	3 031 972	675 896	675 896
Purediam	-	1 223 877 923	-	272 830 431
Mining Promotions Corporation	2 079 000	9 326 094	2 079 000	2 079 000
Golden Kopje (Private) Limited	-	89 659	-	19 987
Glassfinish Investments (Private) Limited	-	179 434 225	40 000 000	40 000 000
Diamond Mining Corporation (Private) Limited	-	15 779 356	-	3 517 580
Minerals Marketing Corporation of Zimbabwe	-	174 948	-	39 000
Jinan (Private) Limited	-	192 869	-	42 995
Moral capital	27 831		27 831	
BIT Minerals	592 137		592 137	
Allowance for credit losses	(57 815 244)	(197 188 865)	(97 815 244)	(43 957 916)
	5 866 684	1 537 583 563	5 866 684	342 762 606

Notes to the consolidated financial statements for the year ended 31 December 2020 (continued)

		Inflation Adjusted		Historical cost	
		2020 ZWL	2019 ZWL	2020 ZWL	2019 ZWL
22.3	**Related party payables(continued)**				
	Grand Sanyon	1 768 174	-	1 768 174	-
	Golden Kopje	8 187 650	-	8 187 650	-
	Judicial Manager	187 662 867	162 114 946	187 662 867	36 139 136
	Renco Mine	27 200	122 015	27 200	27 200
	Ministry of Mines	32 183	-	32 183	-
	Lomagudi Smelting	701	3 145	701	701
		197 678 775	162 240 106	197 678 775	36 167 037
23	**Short term provision**				
	Other	-	2 763 287	-	616 000
	Provision for doubtful debts	-	10 255 590	-	2 286 206
	Special Grant	-	206 827 362	-	46 106 558
	Audit fees	-	5 154 607	-	1 149 080
	Leave pay	734 271	158 325 008	734 271	35 294 272
		734 271	383 325 854	734 271	85 452 116
24	**Environmental rehabilitation provision**				
	The carrying amounts and the movements in the provision account are as follows:				
	Opening balance	987 866 844	987 866 844	272 466 471	28 553 393
	Movement through profit	(531 496)	-	61 378 279	243 913 078
	Write off of privatised assets	(901 489 514)	-	(254 483 789)	-
	Carrying amount at the year end	85 845 834	987 866 844	79 360 961	272 466 471
25	Defined benefit scheme	5 389 220	7 925 870	5 389 220	1 766 858

Employees of the Group are members of the ZMDC Pension Fund which is a defined benefit plan administered by Trustees. The pension fund is funded by payments from employees and the corporation taking into account the recommendations of independent qualified actuaries.

Actuarial assumptions

The principal actuarial assumptions used in the report were as follows:

Valuation rate of interest	10%
Rate of salary escalation	9%
Allowance for future pension increases	5%
Rate of dividend and rent growth	4%

Notes to the consolidated financial statements for the year ended 31 December 2020 (continued)

		Inflation Adjusted		Historical cost	
		2020 ZWL	2019 ZWL	2020 ZWL	2019 ZWL
26	**Other receivables**				
	Staff housing	-	345 442	-	77 007

27 FINANCIAL INSTRUMENTS - RISK MANAGEMENT

The Group is exposed through its operations to the following financial risks:
· Credit risk
· Liquidity risk

In common with all other businesses, the Group is exposed to risks that arise from its use of financial instruments. This note describes the Group's objectives, policies and processes for managing those risks and methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes in the Group's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from the previous periods unless otherwise stated in this note.

Principal financial instruments

The principal financial instruments used by the Group from which financial instrument risk arises are as follows:

·Trade receivables
·Cash and cash equivalents
·Trade and other payables
·Bank overdraft
·Fixed rate loans

Credit risk is the risk of financial loss to the Group if a customer or a counterparty to a financial instrument fails to meet its contractual obligations. The Group is mainly exposed to credit risk from trade and other receivables. The credit risk with respect to trade and other receivables is limited to contractual obligations by debtors. It is Group's policy, to assess the credit risk of new customers before entering contracts. Further disclosures regarding trade and other receivables, which are neither past due nor impaired, are provided in note 16. Credit risk also arises from cash and cash equivalents and deposits with banks and financial institutions. The Group's cash and cash equivalents are placed with high quality financial institutions.

Notes to the consolidated financial statements for the year ended 31 December 2020 (continued)

28 LIQUIDITY RISK MANAGEMENT

This is the risk of insufficient liquid funds being available to cover commitments. In order to mitigate any liquidity risk that the Group faces, the Group's policy has been throughout the year ended 31 December 2020, to maintain substantial unutilised facilities as well as significant liquid resources. Borrowing facilities are negotiated with approved financial institutions at acceptable interest rates. The liquidity risk exposure in relation to financial liabilities are set out below.

Financial liabilities	Up to 3 months	Between 3 and 12 months	Between 12 and 24 months
	ZWL	ZWL	ZWL
Loans and borrowings	1 459 476 211	1 459 476 211	614 527 391
Bank overdraft	-	-	20 255 738
Trade and other payables	174 471 726	174 471 726	627 709 075

Interest rate risk management

Interest rate risk is the risk that fluctuating interest rates will unfavourably affect the Group's earnings and the value of its assets, liabilities and capital. The Group held interest bearing liabilities as at 31 December 2020 as disclosed herein. However, interest rates are fixed and, therefore, a sensitivity analysis has not been performed.

28.1 Foreign exchange risk

Foreign exchange risk arises when individual Group enters into transactions denominated in a currency other than its functional currency. The Group's policy is, where possible, to settle liabilities denominated in its functional currency with the cash generated from its own operations in that currency. Where the Group has liabilities denominated in a currency other than its functional currency (and have insufficient reserves of that currency to settle them), cash already denominated in that currency will, where possible, be transferred from elsewhere within the Group.

28.2 Financial instruments not measured at fair value

Financial instruments not measured at fair value include cash and cash equivalents, trade and other receivables, trade and other payables. Due to their short term nature, their carrying values approximates their fair value.

Notes to the consolidated financial statements for the year ended 31 December 2020 (continued)

29 MANAGEMENT OF CAPITAL

The Group's objective when managing capital is to safeguard the entity's ability to continue as a going concern, so that it can provide returns for shareholders and benefits to other stakeholders. The capital of the Group comprise issued share capital, non distributable reserves, available for sale reserve and retained earnings.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. The Group pays dividends from profits and they are paid if resources are available to do so.

The Group sets the amount of capital it requires in proportion to risk. The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

	Inflation adjusted		Historical cost	
	2020 ZWL	2019 ZWL	2020 ZWL	2019 ZWL
The Group's capital is made up of				
Shareholder's contribution	-	3 168 004 865	-	80 000 000
Non distributable reserve	857 604 794	1 123 289 555	28 268 870	40 313 123
Accumulated loss	(3 369 824 414)	1 689 731 365	(1 760 460 884)	(563 198 925)
	(2 512 219 620) -	7 459 299 285	(1 732 192 014)	(442 885 802)

30 CONTINGENT LIABILITIES

Legal cases

The Parent cancelled a joint venture agreement with Amari due to alleged misrepresentations made by Amari. Amari has invoked the dispute resolution clause and referred the matter for arbitration to the International Court of Arbitration in Paris. The International Court of Arbitration in Paris awarded, Amari, USD 48 million in penalties but the Parent lodged an appeal on 12 June 2014 to reverse the award.

Proceedings were instituted in the US courts (the Southern District Court of New York) for a declaratory judgement to have the corporation together with MMCZ, Agribank, ZB bank and ZIMRE Properties declared as alter egoes or instrumentalities of the government of Zimbabwe and therefore liable for an arbitration award of USD 40 million plus interest in favour of Funnekotter and others which the company obtained against the government of Zimbabwe. The award related to Zimbabwe farms that Funnekotter and other Dutch Nationals had been utilising in terms of the agreement involving the Zimbabwe and Dutch governments, despite the said agreements the farms were taken over by Zimbabwe nationals and subsequently gazetted.

Notes to the consolidated financial statements for the year ended 31 December 2020 (continued)

30 CONTINGENT LIABILITIES (CONTINUED)

Legal cases (continued)

The ultimate outcome of the above matters cannot presently be determined, and management has not been able to reliably estimate a provision to the extent of the potential financial losses arising from the pending legal case.

31 GOING CONCERN

The Directors have assessed the ability of the Group to continue operating and believe that the preparation of these financial statements on a going concern basis is still appropriate.

Net Profit/ loss after tax

During the year ended 31 December 2020, the Group incurred an inflations adjusted loss after tax of ZWL 3 583 980 966, (2019: profit of ZWL 9 795 755 149) and historical loss of ZWL 1 343 715 497 as at 31 December 2020 (2019: loss of ZWL 313 044 510).

Litigation cases

The Parent had litigation claims levelled against it during the year. The value of significant legal cases for Zimbabwe Mining Development Corporation as at 31 December 2020 is as follows:

	ZWL	Carats
Cases for which judgement has been passed against the corporation	-	-
Shareholder's contribution	120 514 606	129 400
Total value of litigation cases	120 514 606	129 400

Impact of Covid 19

His Excellency President Emmerson Mnangagwa on 17 March 2020 declared the outbreak of the Coronavirus as a National Disaster. The Group was considered to be offering essential service according to SI 83 of 2020 and therefore continued to operate cautiously during the lockdown period which commenced on 31 March 2020. In addition to the threat to public health, social disruption and the wellbeing of our workers, COVID-19 has profoundly affected the business operations. Operations are affected by the pandemic as some key service providers and customers are closed during the lockdown period and specialists from some regions were isolated due to travel restrictions. The extent of the impact of COVID-19 on the Company's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on its customers, employees and vendors all of which are uncertain and cannot be predicted. The Group will comply with all Government directives and has already taken a proactive approach in its response to the outbreak and in ensuring the safety of workers and the sustainability of the business. The number of staff present at work has been reduced to only those that are critical to the operation of power plants and implementation of key projects.

31.1 Transfer of ZMDC Shareholding in ZCDC to Ministry of Mines and Mining Development

Pursuant to the 4th Cabinet meeting held on 19 February 2019, wherein it was resolved that ZMDC should hive off its ZCDC shareholding to the Ministry of Mines and Mining Development. In compliance with Cabinet directive, The Ministry of Finance and Economic Development, in terms of Section 48 of the Public Finance Management Act (Chapter 22:19), approved the transfer of ZMDC shareholding in ZCDC to the Ministry of Mines and Mining Development. The ZMDC board resolved to hive off 100% shareholding to the Ministry of Mines and Mining Development. Thus, ZCDC was hived off in 2020.

31.2 Privatisation of ZMDC Gold assets and Sandawana Mines

Cabinet, at its 25th meeting held on 16 July 2019, duly approved Landela Mining Ventures (Pvt) Limited to partner ZMDC for the exploration, mining and beneficiation of the following assets, Jena Mines (Pvt) Ltd, Golden Kopje (Pvt) Ltd, Elvington Gold Mine and Sandawana Mines (Pvt) Ltd. ZMDC ceded 85% stake in all the entities and remained with 15% free carry shareholding in 2020.

NOTES

NOTES

ZMDC

ZIMBABWE MINING
DEVELOPMENT CORPORATION

“Unearthing the future”