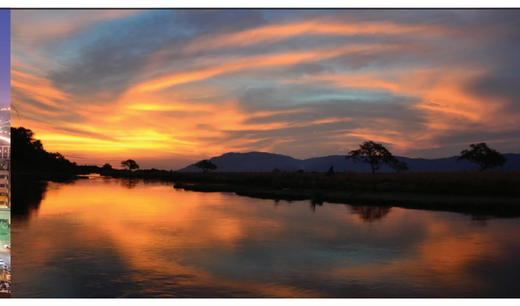
Hwange Colliery Company Limited

CONDENSED INTERIM FINANCIAL RESULTS

for the six months ended 30 June 2019

Registered Office: Hwange Colliery Company Limited
7th Floor Coal House, 17 Nelson Mandela Avenue
P.O. Box 2870, Harare, Zimbabwe

HWANGE
COLLIERY COMPANY LIMITED
(Incorporated in Zimbabwe)



ADMINISTRATOR'S STATEMENT AND LETTER

On behalf of the administration team, I present the unaudited financial results of Hwange Colliery Company Limited for the half year ended 30 June 2019.

Financial Performance

The Company's financial performance for the period under review improved in comparison to the same period in the 2018 financial year. The Company's revenue increased by 128% from ZWL$30.5 million for the six months ended 30 June 2018 to ZWL$69.8 million for the period under review. The company posted a profit of ZW$3.5 million against a loss of ZWL$23 million recorded in 2018.

Operations

The contract miner stopped mining on or about 15 December 2018 and only resumed mining in August 2019. In addition, the company only resumed open cast mining in March 2019. Owing to the above, production declined by 52% from 819,859 to 394,704 for the period under review. It is interesting to note that HCCL production increased marginally from 344,694 tonnes to 394,704 tonnes and it has continued to increase for the first three month of the second half from 158 981 tonnes to 224 191 tonnes .

Total sales tonnage declined by 16% from 682 152 in 2018 to 573 238 during the period under review. The sales mix however improved with HCC/HIC coal sales increasing by 4.2% from 268 570 tonnes to 279 790 tonnes. HPS sales to Hwange Power Station decreased by 38.% from 376,695 tonnes to 232,222 tonnes.

The cost of sales increased by 16% to $35.7 million from $30.6 million for the prior year comparative period. As a result, the company posted a gross profit of ZWL$34 million compared to a gross loss of ZWL$144,000 in prior year which is pleasing.

Scheme of Arrangement

In May 2017, HCCL entered into a scheme of arrangement with its creditors in terms of Section 191(2) of the Companies Act (Chapter 24:03) ("the Scheme") to restructure short term debt into long term debt.

While the proposed Scheme was sound, and long-term debt is a necessary mechanism to liquidate the Company's debts, the Scheme itself was not successful, as a number of the objectives were not met and ultimately, the Company lacked capacity to fund the Collection Account to settle interest due to creditors. The Scheme was therefore overtaken by the placement of the Company under Administration.

The Administrator recognizes the obligations of the Company under the Scheme, including but not limited to, debentures, and proposed payments to employees and other creditors. These will be incorporated into the Administrator's proposed scheme of reconstruction, as modified where necessary, to comply with the Reconstruction Act.

Outlook

There was very little production in the first three months of the year due to a combination of working capital constraints and antiquated equipment. The last three months have shown some notable improvements as a result of targeted interventions. The second half has started reasonably well and the strategic thrust for the second half of the year (H2 2019) will be the following.

a) Increased Production
The company should be able to comfortably produce 250,000 tonnes per month inclusive of the mining contractors' contribution. Further, the company has deliberately decided to mine the JKL Pit and underground which will result in the production of high value coking coal. Going forward, the plan is to invest in a coke oven battery with beneficiation in mind and this should result in a significant increase in revenues. The company continues to explore pillar mining which if successful, should result in production volumes being north of 300,000 tonnes per month.

H/03688

b) Open Cast Mining
The Company's open cast operation contributed 195,173 tonnes for the half year which represents 60% of the total half year production. There are still constraints in the internal logistics and processing section of the value chain. Efforts continue to be made to stabilize the operation for it to be able to consistently produce 120 000 tonnes per month in the 2nd half of the year.

c) Underground Mine Operations
The company is working on stabilizing the underground mine operation which averaged 21,000 tonnes per month for the period under review. The target is to bring the operation to 50,000 tonnes per month, which will contribute significantly to the Company's bottom line and enhance exports.

d) Processing Plants
The company made some significant efforts to stabilize the Jig and Floatation plant during the first half of the year. The plan for the 2nd half is to resuscitate the HMS plant so as to increase the washing capacity.

e) Coke Production
The Company's intended takeover project of the Hwange Coal Gasification Company (HCGC) Coke oven battery pursuant to a BOOT Agreement with its Chinese partners in HCGC was delayed. The Company has placed more emphasis and attention on coming up with its own coke oven battery while it continues takeover discussions with HCGC.

f) Cost reduction
The Company adopted a low cost high productivity strategy. This has remained an on-going strategy and shall be monitored through to year end.

g) M Block Underground Pillar Mining
The Company is engaging contractors to do pillar mining on old M block underground mine workings. Coal production is expected in the last quarter of the current financial year.

h) Improve efficiencies and competitiveness
As the Company increases the thrust on the core business of mining, it will also look at ways of weaning non-core activities such as road maintenance, electrical power distribution and sewage treatment. The adoption of enterprise resource planning systems to automate the administration of the business will also improve efficiencies and lower the cost per ton of coal produced.

Dividend

In view of the operating position, the company is not able to pay a dividend.

Appreciation

The economic environment continues to be challenging, however, I am happy with the progress made to date and remain confident that the various interventions made, will result in a positive turnaround of the company's fortunes. We are grateful for the support rendered by all stakeholders as we embark on this tough but achievable turnaround journey.

I would like to express my gratitude to the Administration team, Management and Staff for their collective efforts and dedication to the Company.

B. Moyo
Administrator
30 September 2019

OPERATIONAL REVIEW

I have pleasure in submitting my report on the Company's operations for the half year ended 30 June 2019.

Overview

An operating plan for the half year was adopted from the strategic guidelines and initiations adopted from the engagements that are done with the administration team.

Coal Production and Sales

Mining- Open pit mining averaged 32,073 metric tonnes per month whilst underground mining averaged 21,000 metric per month during the period under review.

Local Sales - Sales for the half year ended 30 June 2019 were 0.57 million metric tonnes which represented a 15.97% decrease compared to the same period last year. Thermal coal contributed 40.5% of sales while industrial coal sales to the industrial customers and the tobacco sector contributed 59.5%. Coking coal sales will be a major area of focus and growth as the production from 3 Main underground and JKL increases. The ultimate strategy will be coke production which is hinged on the Company's establishment of its own coke oven battery.

Export Sales -The Company's largest export market was Zambia. Export of industrial coal to this market contributed to the export revenue. Trial orders of industrial coal to new blue chip customers in Zambia and South Africa were also undertaken. These new customers will be a source of market share growth for the export business. Export sales contributed only 4% compared to the target of 20% contribution.

Estates Division Performance

Revenue grew by 22% to $6.1 million compared to the previous year. The revenue was generated from the following segments: real estate (54%), retail (34%), hospitality (6%) and education (6%)

Medical Services Division Performance

The Medical Services Division generated revenue of $1.3 million in the period under review. Service provision has improved significantly due to improved cash flows after the introduction of an externally managed medical aid.

Safety, Health, Environment And Quality

The Company's objective is zero harm to the environment, people and equipment. During the period under review, no fatality was recorded. The company is pursuing recertification on IBMS (ISO 9001:2015, ISO 14001:2015 and ISO 45001:2018) by the end of the year.

Outlook

The operating plan for the second half of the year (H2, 2019) will continue to focus on increased production and improved efficiencies. However, increased production requires that the Company allocates more funding to its operations which means that it will have to focus on its core business of mining and reduce non-mining costs in line with industry best practices.

Innovative ways to deal with the legacy debt will be explored while production of high margin and value coking coal will be increased.

Appreciation

Management and staff showed resilience and remained focused on its turnaround plan implementation. I would like to thank the Administrator, Mr. B. Moyo and his team, management and staff for their support, dedication and relentless commitment during the period under review and look forward to their support through to year end.

Dr. C. Zinyemba
Managing Director (Acting)
30 September 2019

CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the six months ended 30 June 2019

		Notes	6 months to 30 June 2019 ZWL Reviewed	6 months to 30 June 2018 ZWL Reviewed	Year 31 Dec 2018 ZWL Audited
Revenue		6	69 849 448	30 538 196	69 144 019
Cost of sales			(35 713 948)	(30 682 115)	(72 540 235)
Gross profit/(loss)			34 135 500	(143 919)	(3 396 216)
Other income			263 888	558 174	1 312 918
Marketing costs			(365 214)	(323 038)	(584 759)
Administrative costs			(23 015 004)	(10 825 269)	(32 261 863)
Care and maintenance costs			(645 900)	(4 119 607)	(6 314 355)
Impairment reversal			5 994 520	-	(19 607 454)
Operating profit/(loss)			16 367 790	(14 853 659)	(60 851 729)
Finance cost			(12 844 948)	(8 147 736)	(17 614 462)
Share of loss from equity accounted investments			-	-	23 507
PROFIT/(LOSS) BEFORE TAX			3 522 842	(23 001 395)	(78 442 684)
Income tax		7	-	-	-
PROFIT/(LOSS) FOR THE PERIOD/ YEAR			3 522 842	(23 001 395)	(78 442 684)
Other comprehensive income:					
Other comprehensive income for the period/year, net of tax			-	-	-
TOTAL COMPREHENSIVE PROFIT/(LOSS) FOR THE PERIOD/YEAR			3 522 842	(23 001 395)	(78 442 684)
Attributable loss per share	- basic	7	0.02	(0.13)	(0.49)
	- diluted	7	0.02	(0.13)	(0.49)
Headline loss per share	- basic	7	(0.01)	(0.13)	(0.48)
	- diluted	7	(0.01)	(0.13)	(0.48)

CONDENSED STATEMENT OF FINANCIAL POSITION

as at 30 June 2019

	Notes	30 June 2019 ZWL Reviewed	30 June 2018 ZWL Reviewed	31 Dec 2018 ZWL Audited
ASSETS				
Non- current assets				
Property, plant and equipment	9	82 825 188	104 062 428	80 135 517
Investment property	10	4 490 000	4 490 000	4 490 000
Investments accounted for using the equity method	11	14 776 538	14 753 031	14 776 538
Intangible assets	12	380 017	592 882	486 448
Exploration and devaluation		-	685 813	-
Stripping activity asset	13	1 471 273	-	1 471 273
Inventories non - current portion		6 812 230	8 138 714	6 812 230
		110 755 246	132 722 868	108 172 006
Current assets				
Stripping activity asset	13	-	6 462 360	-
Inventories	14	22 678 630	19 151 915	16 948 244
Trade and other receivables	15	45 197 257	18 339 519	31 914 245
Cash and cash equivalents	16	6 173 030	5 056 509	1 562 699
		74 048 917	49 010 303	50 425 188
Total assets		**184 804 163**	**181 733 171**	**158 597 194**
EQUITY AND LIABILITIES				
Capital and reserves				
Share capital	17	45 962 789	45 962 789	45 962 789
Non-distributable reserves		4 358 468	4 358 468	4 358 468
Share premium		577 956	577 956	577 956
Revaluation reserve		39 948 518	39 948 518	39 948 518
Translation reserve		624 151	-	-
Accumulated losses		(377 349 534)	(325 431 087)	(380 872 376)
		(285 877 652)	(234 583 356)	(290 024 645)
Non-current liabilities				
Finance lease liability	18.1	400 000	600 000	500 000
Borrowings	19.1	175 732 386	154 003 630	169 393 312
Long term creditors	20.2	220 514 760	183 702 670	212 511 251
Income tax liability		10 054 850	10 054 850	10 054 850
		406 701 996	348 361 150	392 459 413
Current liabilities				
Finance lease liability	18.2	911 190	390 969	811 190
Borrowings	19.2	-	12 605 825	545 455
Trade and other payables	20.1	46 230 167	39 939 289	38 644 022
Provisions	21	16 838 462	15 019 294	16 161 75
		63 979 819	67 955 377	56 162 426
Total equity and liabilities		**184 804 163**	**181 733 171**	**158 597 194**

CONDENSED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2019

	Share capital ZWL	Non-distributable reserves ZWL	Share premium ZWL	Revaluation reserve ZWL	Translation reserve ZWL	Accumulated losses ZWL	Total ZWL
Balance at 1 January 2019	45 962 789	4 358 468	577 956	39 948 518	-	(380 872 376)	(290 024 645)
Total comprehensive loss for the period (reviewed)	-	-	-	-	624 151	3 522 842	4 146 993
Balance at 30 June 2019 (reviewed)	45 962 789	4 358 468	577 956	39 948 518	624 151	(377 349 534)	(285 877 652)
Balance at 1 January 2018	45 962 789	4 358 468	577 956	39 948 518	-	(302 429 692)	(211 581 962)
Total comprehensive loss for the period (reviewed)	-	-	-	-	-	(23 001 395)	(23 001 395)
Balances at 30 June 2018 (reviewed)	45 962 789	4 358 468	577 956	39 948 518	-	(325 431 087)	(234 583 357)
Balance at 1 January 2018	45 962 789	4 358 468	577 956	39 948 518	-	(302 429 692)	(211 581 961)
Total comprehensive loss for the year (audited)	-	-	-	-	-	(78 442 684)	(78 442 684)
Balances at 31 December 2018 (audited)	45 962 789	4 358 468	577 956	39 948 518	-	(380 872 376)	(290 024 645)

CONDENSED STATEMENT OF CASH FLOWS

for the six months ended 30 June 2019

	Notes	30 June 2019 ZWL Reviewed	30 June 2018 ZWL Reviewed	31 Dec 2018 ZWL Audited
Cash generated from operating activities				
Loss before taxation		3 522 842	(23 001 395)	(78 442 684)
Adjustment for non-cash items		(16 068 340)	14 036 861	51 174 903
Net effect of changes in working capital		10 750 550	22 400 608	21 287 674
Net cash (utilised in)/ generated from operations		(1 794 948)	13 436 074	(5 980 107)
Interest paid		-	-	(1 254 171)
Tax paid		-	-	-
Net cash (utilised in)/generated from operating activities		(1 794 948)	13 436 074	(7 234 278)
Cash flows from investing activities				
Purchase of property, plant and equipment		(1 598 231)	(2 551 902)	(4 167 008)
Exploration and Evaluation		-	(685 813)	-
Net cash utilised in investing activities		(1 598 231)	(3 237 715)	(4 167 008)
Cash flows from financing activities				
Proceeds from borrowings		-	12 518 150	12 789 048
Repayment of borrowings		-	-	(2 792 343)
Long term creditors		8 003 509	(26 524 181)	(5 896 901)
Net cash generated from/(utilised in) financing activities		8 003 509	(14 006 031)	4 099 804
Net (decrease)/increase in cash and cash equivalents		4 610 331	(3 807 672)	(7 301 482)
Cash and cash equivalents at beginning of the period/year		1 562 699	8 864 181	8 864 181
Cash and cash equivalents at end of period/year	16	6 173 030	5 056 509	1 562 699

AUDITORS' STATEMENT

The condensed interim financial results for the six months ended 30 June 2019 have been reviewed by Grant Thornton Chartered Accountants (Zimbabwe). A report on the review has been issued and has an adverse conclusion with respect to the following:

- Non-compliance with IAS 21, The Effect of Changes in Foreign Exchange Rates;
- Fair value determination of Property, Plant and Equipment in the prevailing economic environment; and
- Going concern.

The Engagement Partner responsible for this review is Farai Chibisa. The review report on these condensed interim financial results is available for inspection at the company's registered office.

NOTES TO THE ABRIDGED FINANCIAL STATEMENTS (continued)

for the six months ended 30 June 2019

1 Nature of operations

Hwange Colliery Company Limited is a Company whose principal activities include extraction, processing and distribution of coal and coal products and provision of health services, provision of properties for rental and various retail goods and services.

2 Basis of preparation of the condensed financial statements

The condensed interim financial statements for the six months ended 30 June 2019 have been prepared in accordance with IAS 34, 'Interim financial reporting'. They do not include all of the information required for full annual financial statements and should be read in conjunction with the audited annual financial statements for the year ended 31 December 2018, which have been prepared in accordance with International Financial Reporting Standards; Companies Act(Chapter 24:03) and the relevant statutory instruments (SI 33/99 and SI 62/96).

The company is a limited liability company incorporated and domiciled in Zimbabwe. It is listed primarily on the Zimbabwe Stock Exchange (ZSE), and also on the Johannesburg Stock Exchange (JSE) and London Stock Exchange (LSE).

This condensed interim financial information have been reviewed, not audited.
These condensed interim financial statements were approved for issue by the Administrator on 30 September 2019.

3 Significant accounting policies

The interim financial statements have been prepared in accordance with the accounting policies adopted in the Company's most recent annual financial statements for the year ended 31 December 2018.

4 Funtional and presentation currency

During the period under review, the Reserve Bank of Zimbabwe issued a monetary policy statement whose highlights, among other issues, were:

a) Denomination of real time gross settlement (RTGS) balances, bond notes and coins collectively to ZWL/RTGS dollars. ZWL/RTGS dollars become part of the multi-currency system.

b) RTGS dollars were to be used by all entities (including the Government) and individuals in Zimbabwe for purposes of pricing of goods and services, record debts, accounting and settlement of domestic transactions.

c) Establishment of an inter-bank foreign exchange market where the exchange rate would be determined on a willing-buyer willing-seller basis.

d) Prohibition of the use of foreign currency for domestic transactions with effect from 24 June 2019.

Statutory instrument (SI) 142 of 2019 gave effect to the outlawing of foreign currency for domestic transactions and effectively establishing ZWL as the sole currency. As a result of the currency changes announced by the monetary authorities, the Administrators assessed as required by International Acccounting Standard (IAS) 21, the Effects of Changes in Foreign Exchange Rates with the guidance issued by the Public Accountants and Auditors Board (PAAB) whether there was a change in the functional and reporting currency.

Based on this assessment, the Company changed its functional and reporting currency to Zimbawean Dollars (ZWL) from United States Dollars with effect from February 2019. The Company translated the statement of financial position as at 31 December 2018 in line with Statutory Instrument 33/2019 in February 2019. The translation bases prescribed by Statutory Instrument 33/2019 and adopted by the company are not in line with IAS 21.

5 Estimates

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing the condensed interim financial statements, the significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the audited annual financial statements as at and for the year ended 31 December 2018.

	30 June 2019 ZWL Reviewed	30 June 2018 ZWL Reviewed	31 Dec 2018 ZWL Audited
6 Revenue			
Coal sales			
HCC/HIC	279 790	268 570	705 627
HPS coal	232 222	376 695	742 756
Coal fines and breeze	61 226	36 724	73 826
Total coal sales (tonnes)	573 238	681 989	1 522 209
Coke tonnes	-	163	-
Total sales (tonnes)	**573 238**	**682 152**	**1 522 209**
	ZWL	**ZWL**	**ZWL**
Mining	62 943 204	24 570 948	56 787 889
Estates	5 723 169	4 980 726	10 310 850
Medical Services	1 183 075	986 522	2 045 280
Total	**69 849 448**	**30 538 196**	**69 144 019**
7 Taxation			
Current tax	-	-	-
Deferred tax	-	-	-
	-	-	-

8 Profit/(loss) per share

8.1 Basic

Basic profit/(loss) per share is calculated by dividing the profit/(loss) attributable to shareholders by the weighted average number of ordinary shares in issue during the period/year.

	30 June 2019 ZWL Reviewed	30 June 2018 ZWL Reviewed	31 Dec 2018 ZWL Audited
Profit/(loss) attributable to shareholders	3 522 842	(23 001 395)	(78 442 683)
Weighted average number of ordinary shares in issue	183 757 366	183 757 366	183 720 699
Basic profit/(loss) per share	**0.02**	**(0.13)**	**(0.43)**

8.2 Diluted

	30 June 2019 ZWL Reviewed	30 June 2018 ZWL Reviewed	31 Dec 2018 ZWL Audited
Profit/(loss) used to determine diluted profit/(loss) per share	3 522 842	(23 001 395)	(78 442 683)

The weighted average number of ordinary shares for the purpose of diluted loss per share, reconciles to the weighted average number of ordinary shares used in the calculation of basic loss per share as follows:

Weighted average number of ordinary shares in issue	183 757 366	183 757 366	183 720 699
Weighted average number of ordinary shares for diluted loss per share	183 757 366	183 757 366	183 720 699
Diluted profit/(loss) per share	**0.02**	**(0.13)**	**(0.43)**

8.3 Headline profit/(loss) per share

Headline loss per share excludes all items of a capital nature and represents an after tax amount. It is calculated by dividing the headline loss shown below by the number of shares in issue during the year.

Reconciliation between headline profit/(loss) and basic loss:

	30 June 2019 ZWL Reviewed	30 June 2018 ZWL Reviewed	31 Dec 2018 ZWL Audited
IAS 33 - Profits/(losses)	3 522 842	(23 001 395)	(78 442 683)
Non - recurring items:			
Proceeds on sale of scrap	(83 406)	(234 205)	(241 624)
Impairment	(5 994 521)	-	19 607 454
Loss on disposal of Treasury Bills			(892 350)
Stripping activity impairment			7 400 290
Tax effect of the above	-	-	(4 756 921)
Headline losses	(2 555 085)	(23 235 600)	(57 325 834)
Weighted average number of ordinary shares in issue	183 757 366	183 757 366	183 720 699
Headline loss per share	(0.01)	(0.13)	(0.31)

	30 June 2019 ZWL Reviewed	30 June 2018 ZWL Reviewed	31 Dec 2018 ZWL Audited
9 Property, plant and equipment			
Carrying amount at the beginning of the period/year	80 135 517	107 569 137	107 569 137
Additions	1 598 231	2 551 902	4 167 008
Impairment-reversal	5 994 520	-	(19 607 454)
Depreciation charge for the period/year	(4 903 080)	(6 058 611)	(11 993 174)
Carrying amount at the end of the period/year	**82 825 188**	**104 062 428**	**80 135 517**

In February 2019, the Government of Zimbabwe gazzetted Statutory Instrument 33 which prescribed the take-on balances for assets and liabilities for transactions done prior to 21 February 2019. The values of the assets reflected in the financial statements were computed using an exchange rate of 1:1 between USD and ZWL.

	30 June 2019 ZWL Reviewed	30 June 2018 ZWL Reviewed	31 Dec 2018 ZWL Audited
10 Investment property			
Fair value	4 490 000	4 490 000	4 490 000

Investment property comprises of:

- Land situated at Lot 7 of Stand 2185, Salisbury Township Harare with an administration building thereon.

- Land situated at Stand 555, Bulawayo Township Bulawayo with an administration building thereon.

	30 June 2019 ZWL Reviewed	30 June 2018 ZWL Reviewed	31 Dec 2018 ZWL Audited
10.1 The following amount has been recognised in profit or loss:			
Rental income	166 297	226 162	465 525
11 Investment in equity accounted investments			
Investments in associates (note 10.1)	23 507	-	23 507
Investments in joint venture (note 10.2)	14 753 031	14 753 031	14 753 031
	14 776 538	**14 753 031**	**14 776 538**
11.1 Investments in associates			
Carrying amount as at beginning of period/year	23 507	-	-
Share of loss	-	-	23 507
Carrying amount at the end of the period/year	**23 507**	**-**	**23 507**

The Company holds a 49% voting and equity interest in Clay Products (Private) Limited. The Company also holds a 44% voting and equity interest in Zimchem Refineries (Private) Limited. The investments are accounted for using the equity method.

The Company did not recognise losses for the period amounting to ZWL 566 507 (2018: USD 146 254.24) for Zimchem Refiners (Private) Limited as the cumulative losses exceed the carrying amount of the investment in associate.

The Company did not recognise losses for the period for Clay Products (Private) Limited as the cumulative losses exceed the carrying amount of the investment in associate.

	30 June 2019 ZWL Reviewed	30 June 2018 ZWL Reviewed	31 Dec 2018 ZWL Audited
11.2 Investment in joint venture			
Carrying amount as at 1 January	14 753 031	14 753 031	14 753 031
Share of loss	-	-	-
Carrying amount at the end of the period/year	**14 753 031**	**14 753 031**	**14 753 031**

Hwange Coal Gasification Company (Private) Limited is the only jointly controlled entity and the ultimate ownership interest is 25%. The investment in the joint venture has been accounted for using the equity method.

	30 June 2019 ZWL Reviewed	30 June 2018 ZWL Reviewed	31 Dec 2018 ZWL Audited
12 Intangible assets			
Opening carrying amount	486 448	699 313	699 311
Amortisation charge	(106 431)	(106 431)	(212 863)
Closing carrying amount	**380 017**	**592 882**	**486 448**

Intangible assets comprise of mining rights and an enterprise resource planning (ERP) software. The Company acquired the ERP software to support the administration and control of the Company. Some modules for mine planning and marketing are still to be developed. Mining rights comprise new coal mining claims acquired during the year. No intangible assets have been pledged as security for liabilities.

	30 June 2019 ZWL Reviewed	30 June 2018 ZWL Reviewed	31 Dec 2018 ZWL Audited
13 Stripping activity asset			
Carrying amount at 1 January: non current portion	-	8 871 563	8 871 563
current portion	1 471 273	-	-
Pre-stripping costs incurred	-	2 895 112	-
Impairment of stripping activity assest	-	-	-
Impairment of stripping activity assest	-	-	(7 400 290)
Costs charged to cost of sales	-	(5 304 315)	-
Closing carrying amount: non current portion	**-**	**6 462 360**	**1 471 273**
current portion	**1 471 273**	**-**	**-**
14 Inventories			
Raw materials/consumables	8 689 735	10 089 391	6 150 610
Finished goods			
Coal and coal fines	13 988 895	9 062 524	10 797 634
	22 678 630	**19 151 915**	**16 948 244**
15 Trade and other receivables			
Trade	30 063 297	16 414 024	8 818 535
Other	15 133 960	1 925 495	23 095 710
	45 197 257	**18 339 519**	**31 914 245**

16 Cash and cash equivalents

For purposes of statement of cash flows, cash and cash equivalents include cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the period/year as shown in the statement of cash flows can be reconciled to the related items in the statement of financial position as follows:

	30 June 2019 ZWL Reviewed	30 June 2018 ZWL Reviewed	31 Dec 2018 ZWL Audited
Bank and cash balances	6 173 030	5 056 509	1 562 699
Bank overdraft	-	-	-
	6 173 030	**5 056 509**	**1 562 699**
17 Share capital			
Authorised			
204 000 000 ordinary shares of USD0.25 each	51 000 000	51 000 000	51 000 000
Issued and fully paid			
110 237 432 Ordinary shares of USD0.25 each	27 559 358	27 559 358	27 559 358
5 962 366 Ordinary shares issued under share option scheme	1 514 039	1 514 039	1 514 039
	29 073 397	**29 073 397**	**29 073 397**
67 557 568 ''A'' Ordinary shares of USD0.25 each	16 889 392	16 889 392	16 889 392
	45 962 789	**45 962 789**	**45 962 789**
18 Lease liability			
18.1 Non current			
Finance lease liabilities due after one year	400 000	600 000	500 000
18.2 Current			
Finance lease liabilities due within one year	911 190	390 969	811 190
19 Borrowings			
19.1 Non current			
Loans due after one year	175 732 386	154 003 630	169 393 312

These loans are unsecured and the interest rates range from 4% to 15% per annum.

	30 June 2019 ZWL Reviewed	30 June 2018 ZWL Reviewed	31 Dec 2018 ZWL Audited
19.2 Current			
Loans payable within one year	-	12 605 825	545 455
20 Trade and other payables			
20.1 Trade and other payables- Current			
Trade	21 469 943	1 485 510	16 478 846
Other	24 760 224	38 453 779	22 165 176
	46 230 167	**39 939 289**	**38 644 022**

	30 June 2019 ZWL Reviewed	30 June 2018 ZWL Reviewed	31 Dec 2018 ZWL Audited
20.2 Trade and other payables- Long term			
Trade	95 007 008	59 703 306	89 873 683
Other	125 507 752	123 999 364	122 637 568
	220 514 760	**183 702 670**	**212 511 251**
21 Provisions			
21.1 Provision for rehabilitation			
At the beginning of the period/year	8 683 675	7 217 507	7 217 507
Additional provisions made during the period/year	855 586	733 084	1 466 168
At the end of the period/year	**9 539 261**	**7 950 591**	**8 683 675**
21.2 Other provisions			
Leave pay and other provisions	7 299 201	7 068 703	7 478 084
Total provisions	**16 838 462**	**15 019 294**	**16 161 759**

22 Segment reporting

Management currently identifies the Company's three business units as its operating segments. These operating segments are monitored by the Company's Board of Directors and strategic decisions are made on the basis of adjusted segment operating results.

Segment information for the reporting periods is as follows:

	Mining ZWL	Estates ZWL	Medical services ZWL	Total ZWL
30 June 2019				
Revenue				
From external customers	62 943 204	5 723 169	1 183 075	69 849 448
From other segments	-	376 856	105 958	482 814
Total segment revenues	**62 943 204**	**6 100 025**	**1 289 033**	**70 332 262**
Segment operating loss/profit	27 321 173	1 808 118	(1 017 188)	28 112 102
Segment assets	154 942 934	15 729 102	15 381 733	186 053 768
Segment liabilities	363 873 959	24 758 722	30 871 315	419 503 995
		30 June 2019 ZWL Reviewed	30 June 2018 ZWL Reviewed	31 Dec 2018 ZWL Audited
30 June 2018				
Revenue				
From external customers	24 570 944	4 980 395	986 522	30 537 860
From other segments	-	199 218	70 726	269 944
Total segment revenues	**24 570 944**	**5 179 612**	**1 051 709**	**30 807 804**
Segment operating loss	(14 862 762)	735 827	(726 724)	(14 853 659)
Segment assets	154 942 934	12 685 795	14 104 443	181 733 171
Segment liabilities	363 873 959	24 319 525	28 123 043	416 316 527
31 December 2018				
Revenue				
From external customers	56 787 889	10 310 850	2 045 280	69 144 019
From other segments	-	464 906	144 770	609 676
Total segment revenues	**56 787 889**	**10 775 756**	**2 190 050**	**69 753 695**
Segment operating (loss)/profit	(60 479 482)	(1 237 402)	865 155	(60 851 729)
Segment assets	94 302 313	-	-	94 302 313

23 Going concern

The company is experiencing matters that may cast significant doubt on its ability to continue as a going concern. Management has considered the following matter:

Net current liability position

The company's total liabilities exceeded its total assets by ZWL 285 877 652 as at 30 June 2019 (30 June 2018: USD 234 583 356; 31 December 2018 total assets exceeded total liabilities by: USD 290 024 645). This is attributable to high fixed overheads associated with the Company's operations. The losses were also a result of challenges experienced with equipment resulting in an increase in direct costs of production without a corresponding increase in output. The company has reengaged a contractor to provide mining services at its open cast mine in line with its strategy to expand its mining activity. The company refurbished the continuous miner and the related mining equipment and this is expected to improve underground operations. Management, therefore, believes that the company's ability to continue to operate is dependent upon future profitability.

24 Financial risk management objectives and policies

The Company's principal financial liabilities comprise finance lease liabilities, loans payable, bank overdrafts and trade payables. The main purpose of these financial liabilities is to raise finance for the Company's operations. The Company has various financial assets such as trade receivables and cash and short term deposits, which arise directly from its operations. Exposure to credit, interest rate and currency risk arises in the normal course of Company's business and these are the main risks arising from the Company`s financial instruments.

24.1 Credit risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. The Company assumes foreign credit risk only on customers approved by the Board and follows credit review procedures for local credit customers.

Investments are allowed only in liquid securities and only with approved financial institutions. At the reporting date there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amounts of each financial asset in the statement of financial position.

24.2 Interest rate risk

The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's long and short term debt obligations and bank overdrafts. The Company's policy is to manage its interest cost using a mix of fixed and variable rate debts.

24.3 Currency risk

The Company is exposed to foreign currency risk on transactions that are denominated in a currency other than the Zimbabwean Dollar. The currency giving rise to this risk is primarily the South African Rand.

In respect of all monetary assets and liabilities held in currencies other than the Zimbabwean Dollar, the Company ensures that the net exposure is kept to an acceptable level, by buying or selling foreign currencies at spot rates where necessary to address short-term imbalances.

The Company's exposure to foreign currency changes for all the other currencies is not significant.

25 Fair Value Determination of Transactions, Assets and Libility

The determination of fair values presented in the financial statements is affected by the prevailing economic enviroment. During the course of the period the company traded in both local RTGS dollars and in foreign currency. For the first two months of the year, the official rate between the US dollar and the RTGS balances(RTGS electronic balances, bond notes and coins) was pegged at US$1: ZWL$1. On 22 February 2019, the exchange rate between ZWL moved to ZWL$2.5/US. The Administrators concluded that the valuation of nostro balances and foreign currency assets and liabilities on and before 28 February 2019 were on the 1:1 basis hence costs and revenues for that period were accounted for at an exchange rate of 1:1 between USD and ZWL.

26 Events after the reporting date

No adjusting or significant events have occurred between the reporting date and the date of authorisation of these financial statements.

Contigent Liability	30 June 2019 ZWL Reviewed	30 June 2018 ZWL Reviewed	31 Dec 2018 ZWL Audited
Foreign creditors	207 232 434	-	-

The Company recognised a contigent liability relating to a possible exchange loss arising from its legacy foreign creditors that were registered with Reserve Bank of Zimbabwe (RBZ) at 1:1 in line with Exchange Control Directive RU28 of 2019 dated 22 February 2019. The Exchange control directive RU28 of 2019 and Exchange Control Circular 08 dated 24 July 2019, required all companies with legitimate foreign creditors to register them with and pay to the RBZ the equivalent outstanding amount at a rate of 1:1 to the United States Dollar. The Company had legacy debt of USD 36 827 302 and ZAR 7 473 379. The RBZ will take over the foreign debt at 1:1 to the USD and then will pay the company's suppliers in foreign currency. Pending final remittance to the respective foreign creditors by the Central Bank, the Company has recognised a contigent liability taking into account exchange losses therefrom. A contingent liability may possibly arise from the exchange rate volatility before the RBZ fully settles the foreign creditor. The contingent liability takes into consideration that the RBZ may fail to pay the creditor and the whole amount may then have to be paid by the Company by securing the foreign exchange on the interbank market. The foreseeable exchange loss was calculated using the interbank rate as at 30 June 2019. The exchange loss calculated using the interbank rate as at 30 September 2019 amounts to ZWL 530 290 996.

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